

STATE CONTROLLER POLICY

Real Property Leases - Buildout

- 1). Substantial Completion.** When the State is a Tenant, it shall approve Substantial Completion of Tenant Improvements when all of the following occur:
 - a. Landlord provides Tenant with a written notice of Substantial Completion,
 - b. Landlord's architect deems the premises substantially complete and in conformance with the Tenant Improvements as described in the Lease,
 - c. Landlord has obtained all required approvals, if any, for Tenant's occupancy from State, county, and or/ municipal agencies,
 - d. All systems and services Landlord is required to furnish pursuant to the lease provisions are in operation ("Substantial Completion").

- 2). Inspection and Notice.** Tenant and Landlord shall inspect the Premises and jointly prepare and approve a written "Punch List" of defects and additional work, within three business days of Tenant's receipt of Landlord's notification of Substantial Completion. Landlord shall complete all Punch List items within 20 days of the date the Punch List is approved, unless the Parties agree to a different amount of time. If Landlord does not complete the Punch List in a timely manner, Tenant may reduce rent due by an equitable amount until final completion.

David J. McDermott, CPA
State Controller