

**(State's Property Lease Contract)**

**Lease Contract**

With the help of Allah, done on ....., ...../..... /14.... AH, corresponding to ...../..... /200... AD at ..... by and between:

1. (Government Agency; lessee) represented by ..... referred to hereinafter as the "First Party".
2. Mr. .... holding ID No. (.....) dated .... /.... /14.... AH issued by the Civil Affairs Agency at ..... represented by attorney-in-fact Mr. ...., holding ID No. (.....) dated .... /.... /14.... AH issued by the Civil Affairs Agency at ....., under power of attorney No. (.....) dated .... /.... /14.... AH issued by ....., referred to hereinafter as the "Second Party".

**Preamble**

Whereas, the First Party wishes to lease property for the purpose of .....

In reference to the First Party's announcement of the same in the daily newspapers in accordance with the provisions of Article 4 of the Law of State Leasing and Vacating of Property issued by Royal Decree No. M/61 dated 18/09/427 AH;

The Second Party's offer submitted on .../.../14.... AH for such purpose and his acknowledgement that he is not employed by the First Party;

Minutes of the committee formed pursuant to said Article to examine submitted offers; and considering that the offer submitted by the Second Party was accepted by the First Party having met all the specified terms;

The Parties have agreed on leasing the property owned by the Second Party under title deed No. (.....) dated .../.../..... with the following specifications:

1. Type and overall condition of the building
2. Area
3. Number of rooms
4. Number of floors
5. Number of bathrooms
6. Number of yards
7. Outbuildings
8. Surrounding streets

**Article 1:**

The abovementioned Preamble shall be deemed an integral part of the present Contract.

**Article 2: Contract Documents**

2.1. This Contract shall include the following documents:

1. Lease contract;
2. Requirements and specifications of the property;
3. Second Party's offer;
4. Minutes of the committee formed pursuant to Article 5 of the Law, or minutes of the committee formed by the Ministry of Finance and the lessee, if the rent is more than SR 200,000 in accordance with Article 6 of the Law of State Leasing and Vacating of Property;
5. Letter of award and acceptance of the offer;
6. Maintenance and operation manuals of the devices and equipment at the property;
7. Report of the property's fulfillment of safety and security requirements;
8. Engineering report attesting the building's safety and technical suitability;
9. Existing maintenance contracts, if any; and
10. Annexes.

2.2. Such documents form an integral unit. Each document shall be deemed a component of the Contract. In addition, said documents are complementary to each other.

**Article 3:**

3.1. The value of this Contract is SR (.....), (Only ..... Riyals) for a period of (.....) years.

3.2. The value of this Contract shall be paid in equal installments of SR (.....), (Only ..... Riyals) at the beginning of each year during the term of the Contract.

3.3. The First Party shall pay the utilities' bills of water, electricity, and sewage drainage throughout the term of the Contract.

**Article 4:**

The term of this Contract shall be (.....), commencing from the date on which the First Party takes complete control of the property and the same is ready for use, clear of any obstacles, containing all the services that permit the First Party from using said property in full capacity; and after all the repairs and modifications required by the First Party are completed on...../...../.....AH, in accordance with the minutes signed by both Parties in which the property and its specifications are indicated.

#### **Article 5:**

The Contract shall be renewed automatically for similar contractual terms once it expires in accordance with the provisions stipulated in the Law of State Leasing and Vacating of Property and the implementing regulations thereof unless either of the two Parties notifies the other otherwise. Such notification shall be submitted by a registered letter sent to the concerned party's address as registered with the other Party, 180 days prior to the Contract's expiration date, or by the Second Party's written acknowledgement that the First Party does not wish to renew the Contract.

#### **Article 6:**

1. Subject to the agreement of both Parties, the term of the Contract may be extended after its expiration date for a term less than its duration under the same conditions.
2. The First Party shall be entitled to extend the term of the Contract for a period not exceeding three years without obtaining the Second Party's approval. The rent may be increased in accordance with the provisions of Article 7/a of the Law of State Leasing and Vacating of Property.

#### **Article 7:**

If either Party does not wish to renew the Contract, said Party shall notify the other Party within the specified time period, in accordance with the provisions of Article 5 herein, unless the Second Party acknowledges that the First Party does not wish to renew the Contract. Consequently, the Contract shall expire by the end of the agreed upon term.

#### **Article 8:**

In the event the First Party remains in the leased property for a period of 180 days or less after the agreed upon contractual term expires—without renewing or extending the Contract—the lessor shall be indemnified for such period based on the rent agreed upon in the Contract. If such period exceeds 180 days, one year's rent shall be paid to the Second Party in addition to 5% of the rent for the remaining 6 months of the year, or 10% of the rent if the period exceeds one year.

#### **Article 9:**

The Second Party shall repair construction defects, which occur during the term of the Contract and interfere with usage thereof, at his own expense without requesting compensation or increasing rent during the term of the Contract or renewal or extension thereof. If the Second Party fails to carry out such repairs within fifteen days of the date of notification by means of a registered letter, the First Party may repair the defects at the expense of the Second Party and deduct the same from the rent. If repair costs exceed the dues payable by the First Party, the same may recourse against the Second Party with such amount in excess.

#### **Article 10:**

1. The First Party shall, throughout the term of the Contract, perform routine (precautionary) maintenance of the leased property and its main components. Such maintenance shall include routine scheduled periodic works carried out in order to avoid gradual damage of the property's devices, equipment, and facilities, in addition to

the inspection of devices and equipment in accordance with the instructions in the manufacturer's technical manuals and guides, and repair of any damage resulting from use of the property.

2. The Second Party shall perform, throughout the term of the Contract, remedial maintenance (corrections or renovations) of the main equipment in the leased property at his own expense without requesting compensation or increasing rent.
3. The Second Party shall, throughout the term of the Contract, perform maintenance of the hydraulic and electric lifts, if any, via a specialized company or institution, at his own expense.

**Article 11:**

The First Party may vacate the property prior to expiration of the Contract if it becomes unfit for use due to construction defects or risks. In this case, the Second Party shall not be entitled to the rent of the remaining period following the date of vacating the premises.

**Article 12:**

Upon vacating the building—for any reason—the Second Party shall not be indemnified for any damage resulting from technical defects in construction, damage resulting from ordinary use, the cost of modifications or additional buildings requested from the same upon conclusion of the Contract to which the Second Party agreed, or the costs of removal thereof. The Second Party shall only be indemnified for any damage resulting from unordinary use, unless both Parties agree to the same prior to signing the Contract, including:

- a. Removing, cancelling, or replacing fixed equipment or tools, such as: windows, doors, or the components of kitchens or bathrooms;
- b. Demolishing walls or any breaking or drilling in the floors of the building;
- c. Filling up lakes or green landscapes;
- d. Damage of air conditioning units or any damage in the electrical, piping, or sewage networks.

**Article 13:**

The First Party may repair unordinary damage resulting from using the property and return the property to its condition at the time of lease. This shall be deemed as indemnification for such damage.

**Article 14:**

The property shall be handed over upon vacation thereof upon the completion of a report that documents the property's current condition and any damage to the same as a result of unordinary use. Said report shall be signed by the First Party's representative and the Second Party or a representative thereof. If the Second Party or his representative has any reservations against the amount or type of damage stated in the report, the same may document such reservation in writing and sign it, and the procedures provided for in the Law shall be implemented.

### **Article 15:**

The Second Party shall be notified to attend to receive the property upon vacation thereof. Such notification shall be made by a registered letter to be sent to the Second Party's address as registered at the First Party, and the same shall indicate the hand over date, which shall be within fifteen days of the date the notification is sent. If the Second Party refuses to receive the property or fails to show up at the determined time, the First Party's representative shall, together with the a representative from the (municipality), (governorate), (center) ( ) sign the report referred to in Article 14, and the keys to the property shall be handed over to the (municipality), (governorate), (center), ( ). Accordingly, the First Party shall be relieved from any responsibility and shall not pay rent for any period after the date the property is handed over. Furthermore, the First Party shall not be liable for any damages to the property that have not been documented in the report.

### **Article 16:**

The lessee shall form a committee composed of three of its employees to determine the damages referred to in Article 12 above. The committee shall also estimate the indemnification amount and issue a detailed report therefor within a maximum period of thirty days as of the date of vacating the property. If the indemnification does not exceed 25% of the annual rent or SR 100,000, whichever is less, the lessee shall indemnify the lessor after completing the procedures stipulated for in Article 14 of the Law of State Leasing and Vacating of Property. If the estimated amount exceeds said limit, a committee shall be formed including representatives from the Ministry of Finance, the General Auditing Bureau, and the lessee to estimate the compensation amount and issue a report thereof. Such committee shall complete its task within a maximum of 120 days from the date of vacating the property. The committee shall take into consideration, upon estimation of indemnification, the period that lapsed between vacating the property and the committee's inspection thereof.

### **Article 17:**

If the Second Party—the lessor—makes any renovations, modifications, or changes to the building after the property is vacated and before both committees referred to in Article 16 above—as the case may be—determine and estimate the value of damages, the Second Party shall not be entitled to indemnification.

### **Article 18:**

The First Party shall notify the lessor of indemnification and its amount by means of a registered letter to be sent to the address registered with the First Party within a maximum period of 15 days from the date of issuance of the indemnification estimate. If the lessor agrees to the estimate, the Minister or his delegate shall approve payout of the same. If the lessor does not agree to the estimate, he may submit a grievance to the Board of Grievances within 60 days from date of notification of the indemnification estimate.

### **Article 19:**

19.1. Correspondence between both Parties shall be conducted at the following addresses:

First Party's Address:

Name of the Government Agency:

Postal address:

Tel.:

Fax:

To:

Second Party's Address:

Name:

City:

Postal code:

P.O. Box:

E-mail:

Tel.:

Fax:

19.2. The Second Party shall notify the First Party of any change of address. Any notice, notification, or warning sent to the Second Party at the address registered with the First Party shall be deemed evidence against the Second Party if the latter fails to inform the First Party of a change of address.

**Article 20:**

Any dispute that may arise between the Parties due to the implementation or interpretation of this Contract, and is not resolved by them, shall be settled by the Board of Grievances.

**Article 21:**

Where no specific text is provided for herein, both Parties shall refer to the Law of State Leasing and Vacating of Property issued by Royal Decree No. M/61 dated 18/09/427 AH and its implementing regulations. Furthermore, the Contract shall be interpreted and actions arising therefrom shall be decided upon thereunder.

**Allah is the Arbiter of Success,**

**First Party**

Name:

Position:

Signature:

**Second Party**

Name:

Position:

Signature:

N/ Lease Contract 1