

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
BOARD ACTION SUMMARY

DEPT: Community Services Agency

BOARD AGENDA #: *B-3

AGENDA DATE: April 25, 2017

SUBJECT:

Approval of a Five Year Lease Agreement with 3525 Coffee Medical Professional Building LLC, for Space at 3525 Coffee Road, Modesto, California, for the Community Services Agency In-Home Supportive Services Program

BOARD ACTION AS FOLLOWS:

No. 2017-202

On motion of Supervisor Withrow, Seconded by Supervisor Monteith
and approved by the following vote,

Ayes: Supervisors: Olsen, Withrow, Monteith, DeMartini, and Chairman Chiesa

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) Approved as recommended


2) Denied

3) Approved as amended

4) Other:

MOTION:

ATTEST:


ELIZABETH A. KING, Clerk of the Board of Supervisors

File No.

**THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
AGENDA ITEM**

DEPT: Community Services Agency
Urgent Routine

BOARD AGENDA #: *B-3

AGENDA DATE: April 25, 2017

CEO CONCURRENCE: *Dnt*

4/5 Vote Required: Yes No

KH

SUBJECT:

Approval of a Five Year Lease Agreement with 3525 Coffee Medical Professional Building LLC, for Space at 3525 Coffee Road, Modesto, California, for the Community Services Agency In-Home Supportive Services Program

STAFF RECOMMENDATIONS:

1. Authorize the Chief Operating Officer acting as the Project Manager, on behalf of the Community Services Agency (CSA) to execute a five year lease agreement with tenant improvements amortized over five years with 3525 Coffee Medical Professional Building LLC, for 11,040 square feet of space in property located at 3525 Coffee Road, Modesto, CA for the Community Services Agency, In-Home Supportive Services Program.
2. Authorize the Chief Executive Officer, Purchasing Agent and/or the Director of the Community Services Agency or her designee to negotiate, execute, and sign subleases, amendments or renewal agreements within the property.

DISCUSSION:

On April 19, 2016, the Board of Supervisors authorized the Stanislaus Veterans Center (SVC) Project and approved a ten year lease with Sylvan Square LLC as a result of an extensive Request for Proposal process for space at 3500 Coffee Road in Modesto. The top priority was to create a Veterans Hall for veterans programs and events and co-locate the Area Agency on Aging/Veterans Services. A part of a broader concept for aging service was the desire to co-locate Community Services Agency (CSA) Adult Services programs, which include: the In-Home Supportive Services (IHSS), Adult Protective Services (APS) and the Public Authority (PA) with the Area Agency on Aging (AAA) Senior Services to create a one-stop concept for aging services. Co-location was contingent upon sufficient space at the new SVC location. Unfortunately, the newly acquired SVC was not large enough to accommodate all the CSA Adult Services staff and only APS and the PA would be co-located at the new SVC site.

The Community Services Facility (CSF) located at 251 E. Hackett Road, Modesto, CA, is where the current 50 IHSS staff are stationed. Over the past year, the Adult Services staff has grown to accommodate the mandates related to the Fair Labor Standards Act (FLSA). Additionally, other programs operated by the Community Services Agency (CSA) and CSF partner agencies have grown as well resulting in not having enough space at the CSF for the Adult Services Program to efficiently conduct necessary business. Chief Executive Office (CEO) and CSA staff have been working on a Master Space Plan to accommodate the growth that has been occurring in all programs. As the APS and IHSS programs see their customers in their own homes, locating these services at another site will not have an impact to the

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customers. Additionally, the Public Authority conducts mandatory IHSS Provider Orientations every other week for 50-100 potential IHSS Providers; and while CSA has a training room large enough to accommodate this need, it is frequently utilized by other services, is difficult for the customers to get in and out of the facility, and parking is challenging as the customer parking lot fills up frequently.

Working with the SVC approved real estate agent, Brekke Real Estate, a search was done to find a building that was in close proximity to the new SVC location, large enough for the remaining 50 IHSS staff. A building was found that provided the ideal location. The facility is close to the SVC, it is located across Coffee Road and is less than a quarter mile from SVC. It is easily accessible by public transportation. It is large enough to accommodate the IHSS staff; including: eight private offices, a conference room, a break room, an interview room, storage and a new customer waiting area. The landlord, 3525 Coffee Medical Professional Building, LLC, is willing to make the necessary tenant improvements/modifications to make the space work for the IHSS customers. The Chief Executive Officer for 3525 Coffee Medical Professional Building, LLC is Manmeet S. Grewal. The first floor of the building is occupied by the California State Automobile Association.

The recommended lease space is currently vacant and is located on the second floor of this building. Modifications will be needed to the building so that CSA customers would have access to services on the second floor without impacting the current tenant who occupies the first floor. The lease would authorize 10 dedicated parking spaces for County vehicles. The lease cost of the facility is within market rate for commercial property of this size and type, the landlord is has agreed to a five year flat rate with the County and granted two five year lease extension options, consistent with the lease rate at the Stanislaus Veterans Center. Additionally, the landlord is willing to offer first right of refusal on the first floor space to CSA should the existing tenant vacate the premises, allowing CSA potential expansion space for Adult Services or other CSA programs and services should there be a need in the future.

The IHSS Program provides services to over 6,400 aged, blind or disabled customers with services provided in the customer's home. Recent data analysis shows over 55% of IHSS customers live in Modesto and approximately 18% live in the same zip code (95355) as the location of the potential leased site. Of the approximately 5,400 IHSS Providers who serve the IHSS Recipients in the County, 50% live in Modesto and 21% live in the same zip code as the potential leased site.

The following is a summary of the proposed lease for the space at 3525 Coffee Road facility:

	Lease Term	Number of Months	Square Feet	Monthly Lease Amount	Price per Square Foot
Lease	June 1, 2017 – May 31, 2022	60	11,040	\$15,566.40 per month or \$186,796.80 per year fixed.	\$1.41

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The proposed leased site features:

- Total size of 11,040 square feet;
- Proximity to bus routes;
- Eight private offices;
- Adequate lobby and waiting room space to accommodate 5-10 customers at any given time;
- One break room with kitchenette area, outlets for microwave, refrigerator;
- Adequate open space to accommodate 50 cubicles at least 6'x8' in size; and
- Well-lit parking area with 10 dedicated spaces for county vehicles and adequate parking for 50 staff.

The Chief Executive Office and Community Services Agency are recommending approval of the Lease because it is in close proximity of the SVC site, meets program needs and the lease costs and the price per square foot best reflect the current market value for comparable square footage buildings in the area. The recommended five year lease for the 11,040 square feet of space at 3525 Coffee Road, Modesto, CA. has two (2) options to extend the Lease term for a period of five (5) years. Additionally, this Lease also has a buyout option for the tenant improvements in the event that funds are not available to allow for the continuation of the lease. This buy out option includes the county paying the Landlord the unamortized portion of any leasing commission and the actual cost of the Landlord's tenant improvement work connected to this Lease.

Time-Sensitive Facility Needs

The County is currently in a long-range master planning and facility review for the Community Services Agency and the partner agencies at the Community Services Facility. However, there are time-sensitive facility needs that need to be addressed as the Master Planning efforts are underway and results are presented to the Board of Supervisors. With APS and PA moving into the new SVC for ten years, it would be operationally efficient to move the balance of Adult Services for a similar period, and the lease accomplishes this by authorizing a five year term with two five year extension options.

The recommendation to proceed with this Lease was supported by the Board of Supervisors Capital Facilities Committee, comprised of Supervisors Monteith and Olsen on March 24, 2017.

POLICY ISSUE:

County policy requires the Board of Supervisors' approval to allow the Purchasing Agent to enter a new lease agreement for when the total compensation exceeds \$100,000. The cumulative total of the Lease over the five year term will be \$933,984 which exceeds the \$100,000 threshold and requires Board approval.

FISCAL IMPACT:

The total proposed budget for Fiscal Year 2016-2017 for all of the Community Services Agency is \$338,825,736 and includes funding for the relocation of Adult Services In-Home Supportive Service Program. Appropriations and estimated revenue to support the services will

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be included in the Community Services Agency departmental Fiscal Year 2017-2018 Proposed Budget.

The total monthly lease rate is estimated to be \$15,566.40 per month or \$1.41 per square foot including Tenant Improvements (TI). The first twelve months of lease cost are \$186,796.80 with a cumulative cost of the five year lease is \$933,984.

Annual operating and leased costs for year one of the five year lease are expected to be approximately \$266,952, a monthly cost of \$22,246. This includes additional cost estimates for utilities, janitorial service, maintenance of grounds, and communications services for the facility. With the approval of this lease and after completion of the TIs, CSA expects to occupy the building by October 2017. The estimated annual lease and operating costs for nine months for Fiscal Year 2017-2018 are estimated at \$200,218 and will be included in Fiscal Year 2017-2018 Proposed Budget. The County General Fund contribution for nine months in Fiscal Year 2017-2018 is approximately \$30,033 and will be covered with the CSA existing General Fund allocation.

The Governor's 2017-2018 Budget includes the elimination of the Coordinated Care Initiative (CCI) in 2017-2018. The CCI is focused on increased efficiency to individuals receiving both Medi-Cal and Medicare to better serve low income seniors and persons with disabilities through the coordination of health care services. The implementation of CCI created a Maintenance of Effort (MOE) for the PA and IHSS. Under the Governor's proposal, the discontinuance of CCI would terminate the county MOE for IHSS and a 35% county share of all nonfederal IHSS program costs would be reinstated effective July 1, 2017. The Governor's Budget proposal recognizes that projected 1991 Realignment revenues for 2017-2018 will not be sufficient to cover this increase and indicates that the Administration would work with Counties to mitigate the cash flow impact of returning to a share-of-costs. Of note, 1991 Realignment revenue funds social service, health, and mental health programs, increasing the IHSS costs would decrease the amount of 1991 Realignment funding available for these programs in future fiscal years. It is important to note that all program mandates remain in effect and no changes are suggested to the mandates in the Governor's Proposed Budget.

BOARD OF SUPERVISORS' PRIORITY:

Approval of the requested actions supports the Board of Supervisors' priorities of A Healthy Community, Effective Partnerships and Efficient Delivery of Public Services by allowing the CSA Adult Services In-Home Supportive Services Program staff to move to a larger location enabling them to more efficiently provide their mandated services.

STAFFING IMPACT:

Existing staff from Chief Executive Office and the Community Services Agency will assist with the project management and the coordination of this project. CSA will be submitting a request to add a new Storekeeper II position with the Fiscal Year 2017-2018 Proposed Budget to help support CSA's Office Services division as a result of the APS and IHSS services relocating to the Stanislaus Veterans Center and the 3525 Coffee Road building.

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CONTACT PERSON:

Patricia Hill Thomas, Chief Operations Officer (209) 525-6333

Kathryn M. Harwell, Director (209) 558-2500

ATTACHMENT(S):

Lease Agreement

LEASE

This Lease ("Lease") is made as of the Effective Date, by and between the Landlord and Tenant named below, who agree as follows:

SUMMARY OF BASIC LEASE INFORMATION

A summary of the basic terms of this Lease ("Lease Summary") is as follows:

1. Effective Date: The Effective Date of this Lease is April 25, 2017.
2. Landlord: 3525 Coffee Medical Professional Building, LLC, a California limited liability company
3. Tenant: Stanislaus County, a political subdivision of the State of California
4. Property, Building; Premises:

(a) Landlord owns that certain real property located at 3525 Coffee Road, Modesto, California, also known as Assessor's Parcel Number 052-032-011-000 (the "Property"). The Property contains a two story building (the "Building"). The Premises are located on the second floor of the Building and consist of approximately 11,040 rentable square feet (the "Premises") more particularly shown on the diagram attached hereto as Exhibit "A". The specific space shall be measured by a specialist using BOMA standards in effect on the Effective Date of this Lease, and the Rent payable under this Lease shall be adjusted accordingly if the final measurement is more or less than 11,040.

(b) Landlord shall, at Landlord's sole cost and expense, construct the alterations within the Premises in accordance with the Work Letter attached hereto as Exhibit "B" ("Landlord's Work" or "Finish Work"). Landlord will use its commercially reasonable efforts to complete ("Substantially Complete") Landlord's Work by 150 days following the Effective Date ("Completion Deadline"), subject to extension for Tenant Delay (as defined below) and force majeure (together "Permitted Delays"). If Landlord's Work is not complete by the Completion Deadline, as extended by Permitted Delays (if any), Tenant will be allowed to occupy the portions of the Premises that have been completed to the extent such occupancy does not interfere with completion of Landlord's Work or increase the premiums of Landlord's contractor's course of construction coverages, with the payment of Rent pro rated based on the portion of the Premises occupied by Tenant, and have the additional rights described in Section 3.3(a) below.

(c) Notwithstanding (b), above, Landlord will use its commercially reasonable efforts to install carpet in all areas and offices of the Premises on or before June 15, 2017, to permit Tenant access to the Premises for purposes and subject to Section 3.2 below.

(d) Upon completion of Landlord's Work, Landlord will provide Tenant a complete accounting of the design and construction costs thereof, including copies of all contracts, invoices, and other documents reasonably requested by Tenant, which support the total amount of the cost of Landlord's Work on an open-book basis. The agreed total cost of Landlord's Work (which shall not exceed \$1,000,000) shall be used for any amortization required in connection with Tenant's early termination pursuant to Section 3.4.

(e) "Tenant Delay" means any delay in the performance of Landlord's obligations in connection with Landlord's Work that occurs as the result of (i) any request by Tenant either that Landlord perform any work in addition to Landlord's Work, or that Landlord delay commencing or completing Landlord's Work; (ii) any change by Tenant to the finally approved Final Working Drawings (as defined in Exhibit "B"); (iii) any failure of Tenant to respond to any request for approval required under the Lease within the period specified herein for such response or, where no response time is specified, within a reasonable period after receipt of request; (iv) any delay in Landlord's Work caused by the installation of Tenant's furniture, telecommunications, and other fixtures and equipment, in the Premises; or (v) Tenant's failure to cause to be delivered to Landlord, by the date on which Landlord requires such materials or other specifications, any materials or other specifications required to be provided by Tenant, provided Landlord has given Tenant reasonably sufficient advance notice of the date on which Landlord will require such materials or other specifications. For purposes of clauses (i), (ii), and (iii) of this definition, only acts or omissions of Tenant's Construction Representative (as defined in Exhibit "B") may be the basis of Tenant Delay.

5. Lease Term:

(a) The "Effective Date" of this Lease is set forth above.

(b) The "Commencement Date" of this Lease shall be ten (10) days after the date (i) Landlord completes Landlord's Work, and (ii) the City of Modesto issues a Certificate of Occupancy for the Premises, or a temporary Certificate of Occupancy if Tenant takes possession upon receipt of the temporary Certificate of Occupancy.

(c) The "Rent Commencement Date" is thirty (30) days after the Commencement Date.

(d) The term of this Lease ("Lease Term") shall commence on the Commencement Date and continue until the fifth (5th) anniversary of the first day of the calendar month immediately following the Commencement Date (the "Termination Date"), unless the Lease Term is extended as provided herein.

6. Option to Extend Lease Term: Landlord hereby grants Tenant two options to extend the Lease Term for an additional five (5) years each as set forth in Article 4, below.

7. Rent: Monthly Rent for the Lease Term is \$1.41 per square foot for 11,040 square feet or Fifteen Thousand Five Hundred Sixty Six Dollars and Forty Cents (\$15,566.40). Except as provided in Lease Summary Section 4(a) above, Rent is not subject to increase or adjustment during the Lease Term; provided, however the Rent is subject to increase during any extension of the Lease Term.

8. Gross Lease: This is a gross lease. Tenant shall have no obligation to pay common area operating expenses, insurance, taxes, or for repairs, replacement or maintenance of the Property, the Building, the parking area or the Premises.

9. Security Deposit. \$ None

10. Permitted Use: The Premises are to be used for Stanislaus County Community Services Agency ("CSA") offices and affiliated programs, and other Stanislaus County programs as provided in Section 19.1.

11. Brokers: Brekke Real Estate (Tenant's Broker), Rand Commercial Properties (Landlord's Broker).

12. Addresses for notices and payments:

(a) Landlord's address:

3525 Coffee Medical Professional Building, LLC
2603 Patterson Road, Suite 5
Riverbank, CA 95367

(b) Tenant's address:

Stanislaus County CEO's Office
1010 10th Street, Suite 6800
Modesto, CA 95354

13. The Lease Summary set forth above is part of the Lease and capitalized terms shall be defined terms in the Lease. In the event of any conflict between any information in the Lease Summary and the remainder of the Lease, the remainder of the Lease shall control.

Article 1 PROPERTY, BUILDING AND PREMISES

1.1. Lease of Premises. Subject to the provisions of this Lease, Landlord leases to Tenant and Tenant leases from Landlord the Premises, reserving to Landlord the rights described in Section 1.2. If the actual rentable square footage of the Premises is ultimately determined to be less than specified in the Lease Summary, Rent shall be adjusted accordingly.

1.2. Reservation of Rights. Landlord reserves the right to use any portion of the common area or the exterior walls, floor, and roof in, above and below the Premises for the installation, maintenance, use and replacement of pipes, ducts, utility lines systems and structural elements serving the Building and for such other purposes as Landlord deems necessary. In exercising its rights reserved in this section, Landlord will use its commercially reasonable efforts to avoid materially and unreasonably interfering with the operation of Tenant's business (including without limitation coordinating potential interference periods with Tenant to the extent reasonably possible, performing work during non-operational hours, etc.).

1.3. Condition of Premises.

(a) Landlord warrants to Tenant that the Building, Property and Premises, in the state existing on the Commencement Date (including without limitation Landlord's Work), does not violate any Laws (as defined in Section 10.1, below) in effect on the Commencement Date. In the event it is determined that the Building, Property or Premises, in the state existing on the Commencement Date, do violate any Laws in effect on the Commencement Date, then it shall be the obligation of the Landlord, after written notice from Tenant, to promptly, at Landlord's sole cost and expense, rectify any such violation.

(b) Landlord shall deliver the Premises to Tenant with all of Landlord's Work Substantially Complete, and broom clean and free of debris on the Commencement Date. Landlord warrants that the roof membrane, existing electrical, gas, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems, doors, door hardware, windows, and other such elements in the Premises, are in good operating condition and that the structural elements of the roof, bearing walls and foundation of the Premises, and the Common Areas, are in good condition, free of material defects.

(c) Tenant accepts that it is leasing the Premises in an improved condition as described in Exhibit "B". Landlord shall furnish and maintain adequate heating, ventilating and air conditioning ("HVAC") to the Premises, which shall be available 24 hours a day, 7 days a week, including holidays.

1.4. Preparation of the Premises. Prior to the Commencement Date, Landlord shall have the obligation to improve the Premises at Landlord's sole cost and expense as described in the Landlord's Work Letter attached hereto as Exhibit "B".

1.5. CASp Inspection.

(a) CASp Inspection Not Completed. Pursuant to Civil Code Section 1938, Landlord states that the Premises and common areas of the Property have NOT undergone inspection by a Certified Access Specialist (a "CASp"). Further, the Premises have NOT been issued a disability access inspection certificate, as described in subdivision (e) of Section Civil Code Section 55.53.

Accordingly, pursuant to Civil Code Section 1938(e), notice is hereby given to Tenant as follows:

“A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises.”

(b) Cost of Report and Repairs. Landlord and Tenant mutually agree that Landlord shall, as provided in Exhibit "B," obtain a CASp inspection on the Building, the Premises and Common Area, and make all repairs identified therein.

1.6. Right of First Offer. For the entire Lease Term, including any extensions thereof, in the event Landlord elects (voluntarily or involuntarily) to Lease all or any portion of the ground floor of the Building (“Additional Space”), Tenant shall have the right to lease the Additional Space in accordance with the following provisions.

(a) Notice. In the event Landlord elects to Lease the Additional Space, Landlord shall deliver a written notice ("Notice") to Tenant which states that Landlord has elected to lease the Additional Space.

(b) Acceptance. By written notification delivered by Tenant ("Acceptance Notice"), within thirty (30) calendar days after Tenant’s receipt of the Notice, Tenant may elect to lease the Additional Space at the then current Fair Market Rental Value (as defined in Section 4.2) and otherwise on the same terms and conditions set forth herein. If the parties cannot agree on the Fair Market Rental Value within thirty (30) calendar days after the date Tenant delivers to Landlord Tenant’s Acceptance Notice, either (i) the amount of Rent shall be determined by the parties in accordance with Section 4.2 below, or (ii) Tenant may rescind its Acceptance Notice by written notice to Landlord within five (5) days thereafter.

(c) No Acceptance Notice. If the Acceptance Notice is not delivered in a timely manner, or Tenant rescinds its Acceptance Notice under subsection (b), above, then Landlord may lease the Additional Space to any person or persons at any Rent and on any terms.

(d) Consultation with Tenant. If Tenant does not exercise its right of first offer, before leasing the Additional Space for any use other than office space Landlord will seek

feedback from Tenant regarding subsequent tenant(s) of said Additional Space to ensure that any proposed replacement use is complementary with Tenant's CSA.

(e) Revival. If Landlord does not enter into a lease of the Additional Space with a third party within six (6) months after the Notice (the "Revival Date"), the right of first offer provided hereunder shall be deemed to be revived and the Additional Space shall not be leased or rented unless first reoffered to the Tenant in accordance with this section. Notwithstanding the foregoing, if the Landlord is in active negotiations with any third party on the Revival Date, Landlord shall notify Tenant of such and the Revival Date shall be extended until the negotiations with that third party terminate..

(f) No Assignment. The right of first offer set forth in this section may not be assigned or transferred by the Tenant other than through a complete assignment or other transfer of this Lease in accordance with Section 19.

Article 2 COMMON AREA

2.1. Common Area. As used in this Lease, Common Area means the sidewalk, the parking area, landscaping, the exterior of the Building (except exterior windows); elevators, hallways, the structural support system; the roof; and common utility installations or systems required to provide power, light, telephone, gas, water, sewer services, drainage, and sprinkler pipes, except when located within or serving only the Premises.

2.2. Parking. Parking shall be unreserved and provided at no additional cost to Tenant during the initial and any renewal lease terms. Tenant shall be entitled to the use of approximately 49% ("Tenant's Parking") of the parking spaces ratio of parking based on the ratio of the premises to the entire building, assuming 22,160 rentable square feet. As a part of Tenant's Parking, Landlord shall provide Tenant with a designated area to be marked and used exclusively by Tenant for the overnight parking of ten (10) Stanislaus County owned vehicles.

2.3. Common Area Use. Tenant, its officers, agents, employees and invitees shall have the right to use the Common Area as reasonably necessary for ingress and egress. Subject to the limitations contained in Section 1.2, and with at least 24 hours advance notice, Landlord reserves the right to (a) temporarily close any portion of the Common Area for repairs, improvements, alterations; (b) discourage noncustomer use or (c) renovate, replace, upgrade, add to, eliminate or change the improvements to the Common Area.

Article 3 LEASE TERM

3.1. Lease Term. The term of this Lease (“Lease Term”) shall be the period stated in the Lease Summary. The Lease Term shall commence on the Commencement Date and shall expire on the Termination Date as stated in the Lease Summary.

3.2. Early Access. Provided Tenant is not interfering with or delaying Landlord’s Work, Tenant shall be entitled to access to the Premises before the Commencement Date for the purpose of installing Tenant’s modular and other furniture, telecommunications, and other fixtures and equipment, but not for the purpose of operating Tenant’s business on the Premises, provided that the Lease has been executed by all parties on or before this date, and provided further that Tenant has provided to Landlord certificates of insurance for all insurance that Tenant is required to maintain under this Lease. All of the terms and provisions of this Lease shall apply to Tenant’s use of the Premises before the Commencement Date, other than the requirement for the payment of Rent, and Tenant shall abide by all of such terms and provisions.

3.3. Delay in Delivery of the Premises. Except to the extent provided in the Lease Summary and this Section 3.3, if Landlord fails to complete Landlord’s Work by the Completion Deadline, as extended by Permitted Delays (if any), Landlord shall not be subject to any liability for its failure to do so. This failure shall not affect the validity of this Lease or the obligations of Tenant under it, but the Lease Term shall commence on the Commencement Date as otherwise provided in this Lease and Tenant shall have no obligations to pay Rent (or otherwise) under this Lease until the Commencement Date occurs. Landlord shall use its commercially reasonable efforts, including litigation, to enforce its rights to possession of the Premises against any holdover tenant.

(a) Additionally, if Landlord fails to complete Landlord's Work by the 30th day after the Completion Deadline, as extended by Permitted Delays (if any), Landlord shall waive and forgive a portion of Rent, and Tenant shall not be required to pay Rent in an amount equal to \$500 for each day between the Completion Deadline and the actual Commencement Date (“Liquidated Damages”). The parties agree that the foregoing Liquidated Damages amount is a reasonable estimate of Tenant’s actual damages in the event of delay in possession. The Liquidated Damages shall be applied to the first Rent installment otherwise due under this Lease, and (if applicable) to any immediately succeeding Rent installment, until fully applied.

3.4. Right of Early Termination. Notwithstanding anything to the contrary herein, if Tenant, in its sole discretion, determines that sufficient funds are not available to allow for continuation of the Lease, and provided that Tenant is not in default under this Lease, Tenant may terminate this Lease Agreement upon not less than six (6) months prior written notice to Landlord (“Right of Early Lease Termination”), provided Tenant pays to Landlord, the unamortized portion of any leasing commission and the actual cost of Landlord’s Work paid by Landlord in connection with this Lease, such amount to be amortized over ten (10) years from the Commencement Date. In addition, should Tenant terminate within the first five years of this Lease, Tenant shall pay Landlord the balance of Rent which would have come due during the remainder of the first five years. A chart identifying such amounts from time to time is attached

to this Lease as Exhibit "D." Tenant shall pay such sum to Landlord upon delivery of Tenant's written termination notice to Landlord. In the event said sum is not delivered to Landlord along with Tenant's written termination notice, then, at Landlord's election, Tenant's termination shall be deemed null and void, and the Lease shall continue in full force or effect.

Article 4 OPTION TO EXTEND TERM

4.1. Option to Extend Lease Term. Landlord grants to Tenant two (2) options to extend the Lease Term (each, an "Extension Option") for a period of five (5) years each ("Option Terms"), subject to the conditions described in this Article. Tenant shall have no other right to extend the Lease Term beyond the Option Terms. Each Extension Option shall be subject to the following conditions:

(a) The Extension Option may be exercised only by written notice delivered by Tenant to Landlord as provided in this section, and only if (i) as of the date of Tenant's delivery to Landlord of the Extension Notice (as defined below) Tenant is not in material default (beyond any notice or grace periods) under this Lease, and (ii) Tenant must timely have exercised the Extension Option as to the entire Premises.

(b) If Tenant properly exercises the Extension Option during the Lease Term or the first Option Term, the Lease Term or the first Option Term as the case may be, shall be extended for an Option Term.

4.2. Option Rent.

(a) Fair Market Rent Adjustment for Each Option Term. The Rent payable by Tenant during the first twelve months of each Option Term ("Initial Option Rent") shall be equal to the Fair Market Rental Value of the Premises as of the commencement of that Option Term. For purposes of this Article, Fair Market Rental Value shall be the rental rate, including all escalations, at which tenants lease comparable space as of the commencement of that Option Term on the terms and conditions of this Lease including without limitation the Gross Lease provisions contained in Article 6, below. For this purpose, comparable space shall be leased property that is: (i) not subleased; (ii) not leased to a tenant that holds an ownership interest in the landlord; (iii) not leased to a tenant under a renewal or an extension of a lease; (iv) comparable in size, location, and quality to the Premises; and (v) leased for a term comparable to that Option Term. Notwithstanding anything to the contrary herein, Initial Option Rent for any Option Term shall not exceed the "Cap Amount," determined by multiplying the Rent payable during the initial five-year Lease Term by a factor equal to the percentage change in the CPI from the first day of the first full month of the Lease Term to the first month of the applicable Option Term (not to exceed 2% per year, compounded annually).

(b) Cap on Annual Increases During Each Option Term. On each of the first four anniversaries of the first day of each Option Term, the Rent payable by Tenant for the next twelve months of the Option Term shall increase by the lesser of (x) two percent (2%) of the Rent payable for the last month of the immediately preceding 12-month period, and (y) the percentage change in the U.S. Department of Labor's Consumer Price Index for all Urban Consumers (CPI-U), U.S. City average for all items ("CPI"), from the month which includes the first day of the immediately preceding 12-month period to the month which includes the anniversary; provided that under no circumstances shall the Rent payable in any 12-month period during the Option Term be less than the Rent payable during the immediately preceding 12-month period.

4.3. Exercise of Option. The Extension Option must be exercised by Tenant, if at all, only at the time and in the manner provided in this Article.

(a) If Tenant wishes to exercise the Extension Option, Tenant shall deliver written notice ("Extension Notice") to Landlord no earlier than one hundred eighty (180) days and no later than one hundred twenty (120) days before the expiration of the Lease Term, or the Option Term as the case may be.

(b) In order to prevent the inadvertent failure of Tenant to timely deliver an Extension Notice, Landlord may not terminate this Lease unless (i) Landlord notifies Tenant in writing in compliance with the notices provision below that the Extension Notice has not been timely delivered, and (ii) Tenant fails to deliver an Extension Notice to Landlord no later than thirty (30) days after Tenant receives the Landlord's written notice described in (b)(i), above.

(c) After receipt of Tenant's Extension Notice, the parties shall seek to reach agreement on the Rent for that Option Term. Subject to the limitations in Section 4.2(a), should the parties be unable to agree on the Rent for that Option Term within thirty (30) days following Landlord's receipt of Tenant's Extension Notice, the Rent during that Option Term shall be established as follows:

(i) Each party shall, within ten (10) days after the end of the thirty (30) day negotiation period, appoint a licensed real estate broker or appraiser with at least ten (10) years commercial brokerage or appraisal experience in Stanislaus County to provide a proposed Fair Market Rental Value of the Premises as of the commencement of the Option Term. If a party does not appoint a broker or appraiser within ten (10) days after the other party has given notice of the name of its broker or appraiser, the single broker or appraiser appointed shall be the sole broker or appraiser and shall determine the Fair Market Rental Value of the Premises as of the commencement of the Option Term. Within thirty (30) days after the appointment of the second broker or appraiser, each appointed broker or appraiser will provide his or her written determination (including explanation) of the broker or appraiser's proposed Fair Market Rental Value of the Premises as of the commencement of the Option Term.

(ii) If the two proposed Fair Market Rental Values differ by less than ten percent (10%), the Fair Market Rental Value for the Option Term shall be the average of the two.

(iii) If the two proposed Fair Market Rental Values differ by more than ten percent (10%), and the parties are unable to agree on the correct Fair Market Rental Value within fifteen (15) days after delivery of the two written determinations, the parties shall jointly select a third licensed real estate broker or appraiser with at least ten (10) years commercial brokerage or appraisal experience in Stanislaus County (the "Referee"), who will determine which of the parties' written determinations most closely approximates the actual Fair Market Rental Value of the Premises as of the commencement of the Option Term. The Referee shall be a person who has not represented either Landlord or Tenant and who has no financial interest in the determination of Fair Market Rental Value other than payment of reasonable costs and fee for his or her services. The Referee shall announce his or her determination in a written report, including the basis of decision, delivered to both of the parties to this Lease.

(iv) If the parties to this Lease are unable to agree on the Referee, either of them, upon ten (10) days prior notice to the other party, may apply to JAMS (Judicial Arbitration and Mediation Services) for the selection of a Referee who meets the qualifications stated in this section. Each of the parties shall bear one-half (½) of the cost of the Referee's fee. The Referee, however selected, shall be a person who has not previously acted in any capacity for either party within the previous five years. Each party shall pay for the costs and fees of the broker or appraiser it has chosen initially.

(v) In no event shall the Rent for the first year of each Option Term be less than the Rent in effect during the last full month before the commencement of the applicable Option Term, and no more than a twenty percent (20%) increase over the Rent in effect for the last full month before the commencement of the applicable Option Term.

(d) In the event Fair Market Rental Value is not established before the commencement of the Option Term, Tenant shall pay Rent as reasonably determined by Landlord. When Fair Market Rental Value has been established, the new Rent shall be retroactively effective as of the beginning of the Option Term and Landlord shall refund Tenant any overpayments within 30 days after the establishment of the new Rent.

4.4. Amendment of Lease. If Tenant timely exercises the Extension Option and complies with the provisions of this Article, Landlord and Tenant shall, as soon as possible but no later than thirty (30) days after the Rent is determined under this Article, execute an amendment to this Lease extending the Lease Term on the terms and conditions set forth in this Article. However, the failure to execute such amendment shall not affect the validity of the Extension Option or the Rent.

Article 5
RENT

5.1. Definition of Rent. Tenant shall pay to Landlord rent (“Rent”) in equal monthly installments as set forth in the Lease Summary, in advance on or before the first day of every calendar month during the Lease Term, without any setoff or deduction. Payment shall be made at the location for notices set forth in the Lease Summary or at any other place that Landlord may from time to time designate in writing. Payment must be in United States dollars, either in the form of a check (drawn on a bank located in the State of California) or via electronically transmitted funds.

5.2. Initial Rent; Proration. Starting on the Rent Commencement Date and continuing on the first day of each calendar month of the Lease Term, Tenant shall pay Rent. If any payment date for Rent falls on a day other than the first day of that calendar month, or if any Rent payment applies to a period shorter than one calendar month, the Rent for that month shall be prorated based on the actual number of days in the month.

5.3. Application of Payments. All payments received by Landlord from Tenant shall be applied to the oldest payment obligation owed by Tenant to Landlord. No designation by Tenant, either in a separate writing or on a check or money order, shall modify this clause or have any force or effect.

5.4. Rent Adjustment. There shall be no Rent adjustment or increase in Rent during the initial term of this Lease. Except for possible increases at the commencement of each Option Term, there shall be no Rent adjustments during any Option Term.

Article 6
NO OBLIGATION TO PAY ADDITIONAL RENT

6.1. Gross Lease. This is a Gross lease. Except as expressly set forth herein, Landlord shall have the sole obligation to pay Operating Expenses, Common Area Expenses or Tax Expenses, as defined below.

6.2. Definition of Operating Expenses. Operating Expenses (“Operating Expenses”) means all expenses, costs, and amounts of every kind in connection with the ownership, operation, management, maintenance, or repair of the Property, the Building or Premises. Subject to Section 6.6, below, Operating Expenses include, but are not limited to any amounts paid or incurred for:

(a) Supplying utilities or services to the Property, the Building or the Premises, including garbage collection services.

(b) Operating, managing, maintaining, repairing or replacing any building system serving the Property, the Building or the Premises, including but not limited to electrical, utility,

mechanical, sanitary, storm drainage or plumbing systems and the cost of supplies, tools and equipment, maintenance, fees and service contracts in connection with those systems.

(c) All Landlord costs of repairs and maintenance under Section 7.1 not included within the definition of Common Area Expenses.

(d) The construction of capital improvements or other costs incurred in connection with the Property, the Building or the Premises.

(e) The cost of insurance carried by Landlord, in amounts reasonably determined by Landlord.

(f) Fees, charges, and other costs including consulting fees, legal fees, and accounting fees of all persons engaged by Landlord or otherwise reasonably incurred by Landlord in connection with the operation, management, maintenance, and repair of the Property.

6.4. Definition of Common Area Expenses. “Common Area Expenses,” include (but are not limited to) any amounts paid or incurred for:

(a) Maintaining, repairing, replacing or restoring the Common Area or any portion thereof.

(b) Maintaining, repairing, replacing or restoring all Common Area utility facilities and systems including sanitary sewer lines and systems, fire protection lines and systems, security lines and systems, and storm drainage lines and systems serving the Property.

(c) Providing, maintaining or repairing common building and directional signage;

(d) Providing sidewalk and parking area maintenance, repair, and restoration, including resurfacing, repainting, restriping, and cleaning;

(e) Providing landscaping for the Common Area.

(f) Providing pest control to the Property or any portion thereof.

6.5. Definition of Tax Expenses. Tax Expenses (“Tax Expenses”) means all federal, state, county, or local government or municipal taxes, fees, charges, or other impositions of every kind, whether general, special, ordinary, or extraordinary, that are paid or incurred by Landlord during any Expense Year without regard to any different fiscal year used by any government or municipal authority because of or in connection with the ownership, leasing, and operation of the Property. These expenses include taxes, fees, and charges such as Real Property Taxes, general and special assessments, transit taxes, leasehold taxes, personal property taxes imposed on the fixtures, machinery, equipment, apparatus, systems, and equipment;

appurtenances; furniture; and other personal property used in connection with the Building, excluding, however, any federal, state or local income or inheritance tax imposed on Landlord. Real Property Taxes include any and all increases in Tax Expenses resulting from a change in ownership or new construction with respect to the Premises or the Building as “change in ownership” or “new construction” are defined in California Revenue and Taxation Code Sections 60-69.5 and 70-74.7, respectively, and any amended or successor statutes.

6.6. Tenant’s Responsibility. Notwithstanding the foregoing, Tenant shall pay for the cost of utilities which are separately metered to the Premises, for its own janitorial services and supplies within the Premises and for its recurring data and telecommunication costs and expenses. If any such utilities are be billed to Landlord and provided to Tenant jointly with other tenants, Tenant shall pay to Landlord within 30 days of demand as additional rent hereunder, an amount equal to that proportion of the total charges therefor which the number of square feet of floor area in the Premises bears to the total number of square feet of floor area to which such utilities are provided. Notwithstanding the foregoing, Landlord shall not allocate to Tenant any portion of utility costs attributable to another Building tenant's use of its Premises, or of any machines, equipment, fixtures, or improvements, which significantly exceeds customary office usage for similar premises in the area in which the Building is located.

Article 7
REPAIRS AND MAINTENANCE

7.1. Landlord's Maintenance. Except as expressly set forth herein, Landlord shall, at its sole cost and expense, maintain in good condition, and in compliance with all Laws. the Property, the Building and the Premises, including but not limited to:

(a) The structural parts of the Building and other improvements that are a part of the Premises, which structural parts include only the foundations, bearing and exterior walls (excluding glass and doors), subflooring, and roof (excluding skylights).

(b) The common gas, electrical, plumbing, sanitary sewer and other utility systems, but only those portions of the systems lying outside the Premises.

(c) The exterior gutters, and downspouts on the Building.

(d) The heating, ventilating, and air-conditioning system serving the Building, exclusive of the portion of said system within the Premises.

(e) The Common Area, including exterior painting, the parking lot and sidewalks surrounding the Building, and the landscaping.

(f) The entire Premises and every part thereof, including without limitation, the windows, window frames, plate glass, carpeting, window coverings, glazing, skylights, doors

and all door hardware, the walls and partitions, and the electrical, plumbing, toilets, faucets, lighting, and equipment in good order, condition and repair.

(g) Landlord's obligation to maintain the Premises shall extend to all alterations, additions and improvements to the Premises, and all fixtures and appurtenances therein.

(h) Should Landlord fail to make repairs required of Landlord as described herein, then upon three (3) days written notice from Tenant, Tenant, without any obligation to do so and in addition to all other remedies available hereunder or by law and without waiving any alternative remedies, may make the same repairs, and in that event, Landlord shall pay Tenant the actual cost of such repairs within ten (10) days of written demand by Tenant.

(i) The term "maintain" as used in this Lease shall include painting, cleaning, and making commercially reasonable repairs, replacements and/or upgrades as well as improvements necessary to comply with applicable laws and regulations. Landlord agrees that the Property, Building and Premises will be leased, operated and maintained as a Class A quality office building in the City of Modesto, consistent with the intended uses of a first-class building. Landlord, or any third-party management company acting on behalf of Landlord, shall manage the Building in accordance with the foregoing first-class institutional quality standard.

7.2. Accessibility and Other Required Modifications. Landlord shall, at its sole cost and expense, make any and all required accessibility modifications and other government mandated improvements to the Property, Building, Premises and Common Areas.

7.3. Landlord Responsiveness. Landlord shall respond to Tenant and use commercially reasonable efforts to make repairs within 24 hours following notice from Tenant for roof leaks, restroom or break room plumbing repairs, inoperable lights or electrical outlets, broken glass, inoperable elevator or unsafe elevator operation, material lack of heating, cooling or air flow or any other condition else that poses a threat to personal safety or renders the affected area of the Premises unsuitable for occupancy. If any such event renders the Premises unsuitable for occupancy and Landlord fails to repair or remedy the situation within 24 hours, Tenant shall be entitled to a Rent abatement for the entire period of time and to the extent that the Premises are not suitable for occupancy. In addition, Landlord's failure to satisfy these specific repair obligations or to reasonably respond to any other repair, maintenance or modification obligation within a commercially reasonable time period, or as otherwise expressly required under the terms and conditions of this Lease, shall entitle Tenant to exercise its rights under Article 25.

Article 8 SECURITY DEPOSIT

8.1. Security Deposit. Tenant shall not be required to provide a security deposit.

Article 9

USE

9.1. Permitted Use. Tenant shall use and occupy the Premises solely for the Permitted Use as defined in the Lease Summary. Tenant shall not use or occupy, or permit the Premises to be used or occupied, for any other purpose without Landlord's prior written consent. Tenant acknowledges that except as provided in Section 9.3 below, neither Landlord nor any of its representatives have made any express or implied representations or warranties with respect to the Premises, with respect to the suitability or fitness of the Premises for the conduct of Tenant's business or for any other purpose.

9.2. Rules and Regulations. Tenant shall comply with the rules and regulations adopted by Landlord and any reasonable amendments or additions promulgated by Landlord from time to time for the safety, care, and cleanliness of the Premises or for the preservation of good order ("Rules and Regulations") as set forth in Exhibit "C". Landlord may amend such rules as long as (a) the Rules and Regulations do not require Tenant to pay Additional Rent; (b) no amendment or addition to the Rules and Regulations is binding on Tenant until the tenth business day after Tenant receives written notice of the change, and no amendment or addition applies retroactively, and (c) the Rules and Regulations do not conflict with or take precedence over the specific terms and conditions of this Lease.

9.3. Additional Restrictions on Use. Landlord or Tenant shall not use or knowingly allow any person to use the Property or any portion thereof, in a manner or for any purpose which would (a) be contrary to the Rules and Regulations or applicable Laws; (b) constitute waste or nuisance; (c) unreasonably annoy other tenants or occupants in the Building or the owners or occupants of buildings adjacent to the Premises; (d) be prohibited by applicable policies of insurance (except to the extent the prohibition can be cured by payment of additional premiums, which Tenant agrees to pay in writing); (e) be detrimental to the Property or the other occupants of the Building, or (f) violate any recorded covenants, conditions, and restrictions that now or may later affect the Premises. Notwithstanding the foregoing, Landlord represents that the Permitted Use set forth in the Lease Summary (i) is not contrary to the Rules and Regulations, and (ii) does not violate clauses (d), (e) or (f) above.

Article 10 COMPLIANCE WITH LAWS

10.1. Definition of "Laws." For purposes of this Lease, the term Laws ("Laws") includes all applicable federal, state, county, city, or local agency laws, statutes, ordinances, standards, rules, requirements, or orders now in force or hereafter enacted, promulgated, or issued, including without limitation all building codes, regulations, ordinances, the Americans with Disabilities Act of 1990 (the "ADA"), all labor, minimum wage and prevailing wage laws (including without limitation Labor Code Section 1720.2 if applicable) and all covenants and restrictions of record. The term also includes government measures regulating or enforcing

public access, occupational, health, or safety standards for employers, employees, landlords, or tenants.

10.2. Compliance with Laws. Landlord and Tenant shall continuously and without exception use and occupy the Premises in compliance with all Laws. Landlord, at Landlord's sole cost and expense, shall promptly maintain and make all repairs, replacements, alterations, or improvements needed to comply with all Laws.

Article 11 HAZARDOUS MATERIALS

11.1. Use of Hazardous Materials. Landlord and Tenant, their agents, employees or contractors shall not cause or permit any Hazardous Materials, as defined below, to be generated, brought onto, used, stored, or disposed of in or about the Property, the Building or the Premises, except for such substances that are required in the ordinary course business. Landlord and Tenant shall use, store, and dispose of all such Hazardous Materials in strict compliance with all applicable Laws that relate to public health and safety and protection of the environment ("Environmental Laws"), including, but not limited to those Environmental Laws identified below.

11.2. Definition of Hazardous Materials. As used in this Article, the term Hazardous Materials ("Hazardous Materials") shall mean any hazardous or toxic substance, material, or waste at any concentration that is or becomes regulated by the United States, the State of California, or any local government authority having jurisdiction over the Property or any portion thereof. Hazardous Materials includes: (a) any "hazardous substance," as that term is defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) (42 United States Code Sections 9601-9675); (b) "hazardous waste," as that term is defined in the Resource Conservation and Recovery Act of 1976 (RCRA) (42 United States Code Sections 6901-6992k); (c) any pollutant, contaminant, or hazardous, dangerous, or toxic chemical, material, or substance, within the meaning of any other applicable federal, state, or local law, regulation, ordinance, or requirement (including consent decrees and administrative orders imposing liability or standards of conduct concerning any hazardous, dangerous, or toxic waste, substance, or material, now or hereafter in effect); (d) petroleum products; (e) radioactive material, including any source, special nuclear, or byproduct material as defined in 42 United States Code Sections 2011-2297g-4; (f) asbestos in any form or condition; and (g) polychlorinated biphenyls ("PCBs") and substances or compounds containing PCBs.

11.3. Notice. Landlord or Tenant will immediately notify the other party of (and provide to the other party copies of all documents, including all permits, relating to) the use, presence, release, or suspected release of Hazardous Materials at, on, under, or about the Premises.

11.4. Investigation and Remediation.

(a) Landlord will be solely responsible for investigating and fully remediating any discharge, disposal, or release of Hazardous Materials at, on, under, or about the Property caused in whole or in part by Landlord or any other entity acting on Landlord's behalf. Landlord will conduct all investigation and remediation work under the oversight of the appropriate environmental regulatory agency, in accordance with all applicable laws (including all Environmental Laws) and good commercial practice. Landlord will defend, indemnify, and hold Tenant harmless against and from all actions, causes of action, claims, costs, demands, fines, judgments, liabilities, orders, penalties, requests, and expenses of any kind or type arising out of, directly or indirectly, or in connection with Landlord's noncompliance with Environmental Laws.

(b) Tenant will be solely responsible for investigating and fully remediating any discharge, disposal, or release of Hazardous Materials at, on, under, or about the Premises caused in whole or in part by Tenant or any other entity acting on Tenant's behalf. Tenant will conduct all investigation and remediation work under the oversight of the appropriate environmental regulatory agency, in accordance with all applicable laws (including all Environmental Laws) and good commercial practice. Tenant will defend, indemnify, and hold Landlord harmless against and from all actions, causes of action, claims, costs, demands, fines, judgments, liabilities, orders, penalties, requests, and expenses of any kind or type arising out of, directly or indirectly, or in connection with Tenant's noncompliance with Environmental Laws.

Article 12 UTILITIES

12.1. Utilities. Landlord shall provide adequate utilities, including water, sewer, gas, trash, heat, and electrical, cable telephone and data communication service to the Property and to the Premises. Tenant shall pay all routine costs and charges imposed by utility companies for utility service provided to the Premises where separately metered. If such utilities are not separately metered, Landlord shall be responsible for the payment of same and Tenant shall pay its proportionate share thereof as provided in Section 6.6 herein above.

12.2. Interruption of Utilities. Landlord shall not be liable for damages, for failure to furnish or delay in furnishing utilities or for diminution in the quality or quantity of any utility service provided Landlord diligently and in good faith takes all reasonably commercial steps to restore utility service to the Premises. Notwithstanding the foregoing, in the event utility service is not restored within twenty-four (24) hours rendering all or any portion of the Premises unsuitable for occupancy, Rent shall be abated as to that portion of the Premises until utility service is fully restored.

Article 13 ALTERATIONS AND ADDITIONS

13.1. Nonstructural Alterations. Tenant shall not make improvements, alterations, additions, or changes to the nonstructural interior portion of the Premises (“Alterations”) without first obtaining Landlord’s prior written consent, subject to the Conditions set forth in Section 13.2 below.

13.2. Conditions. Such Alterations shall not (a) affect the structure of the Building or any portion of the Building other than the interior of the Premises; (b) affect the base building systems of the Building, including the plumbing, mechanical, electrical, or structural building systems; (c) result in Landlord being required under Laws to perform any work that Landlord could otherwise avoid or defer (“Additional Required Work”), unless Tenant agrees in writing to pay for the entire cost of the design and construction of the Additional Required Work; (d) result in a material increase in the demand for utilities or services that Landlord is required to provide, unless Tenant agrees to pay the additional cost; or (e) cause an increase in the premiums for hazard or liability insurance carried by Landlord, unless Tenant agrees to pay the amount of the increase in premiums.

13.3. Structural Alterations or Other. Tenant may make improvements, alterations, additions or changes to the structure or interior portion of the Premises, or any improvements which do not meet the Conditions, upon obtaining Landlord’s prior written consent, which shall not be unreasonably withheld, conditioned or delayed.

13.4. Costs of Review. If it is reasonably necessary for Landlord to obtain the assistance of architects, engineers, or other consultants to evaluate the proposed Alterations, Tenant shall reimburse Landlord for the reasonable fees and costs incurred by Landlord for those consultants in reviewing the proposed Alterations.

13.5. Compliance with Laws. Tenant shall comply with applicable Laws in connection with the design, permitting and construction of all Alterations including but not limited to procurement pursuant to competitive bidding rules, requirement of Performance and Payment Bonds, payment of prevailing wage, and procurement of a valid building permit and any other permits required by any governmental agency with jurisdiction over the Premises.

13.6. Permits and Notices Prior to Construction. Tenant shall provide copies of those permits to Landlord before the work begins. In addition, at least ten (10) days before the commencement of construction of any Alteration, Tenant shall give Landlord written notice of the expected commencement date to permit Landlord to post and record a Notice of Non-Responsibility.

13.7. Manner of Construction. Tenant shall use only licensed contractors and subcontractors in connection with Tenant’s Alterations. All work relating to any Alterations shall be done in a good and workmanlike manner, using new materials equivalent in quality to those used in the construction of the initial improvements to the Premises. All work shall be

diligently prosecuted to completion. Within twenty (20) days after completion of any Alterations, Tenant shall deliver to Landlord a reproducible copy of the drawings of Alterations as built.

13.8. Construction Insurance. Before construction begins, Tenant shall deliver to Landlord certificates of insurance establishing that the contractor holds and maintains (i) general liability insurance with limits of at least \$1,000,000 and (ii) workers' compensation insurance as required by applicable Laws, and that either Tenant or its contractor holds builder's all-risk or other property insurance covering the Alterations while under construction, in an amount equal to at least 100% of the value of the Alterations.

13.9. Payment for Alterations. Tenant shall promptly pay all charges and costs incurred in connection with any Alterations, as and when required by the terms of any agreements with contractors, designers, or suppliers.

13.10. Completion of Alterations. Upon completion of any Alteration, Tenant shall: (a) cause a timely notice of completion to be recorded in the official records of Stanislaus County, in accordance with Civil Code section 3093 or any successor statute; (b) at the request of Landlord promptly deliver to Landlord evidence of full payment and unconditional final waivers of all liens for labor, services, or materials; and (c) reimburse Landlord for any actual expenses paid to third parties or for additional expenses reasonably incurred by Landlord in connection with the construction of any Alteration.

13.11. Trade Fixtures. Tenant may install and maintain furnishings, equipment, movable partitions, business equipment and other trade fixtures (the "Trade Fixtures") in the Premises, provided that the Trade Fixtures do not become an integral part of the Premises. Tenant shall promptly repair any damage to the Premises caused by any installation or removal of such Trade Fixtures.

Article 14 COVENANT AGAINST LIENS

14.1. Covenant Against Liens. Tenant shall not be the cause of any liens or allow such liens to exist, attach to, be placed on, or encumber Landlord's or Tenant's interest in the Premises or any part thereof by operation of law or otherwise. Tenant shall not suffer or permit any lien of mechanics, material suppliers, or others to be placed against the Premises. Landlord has the right at all times to post and keep posted on the Premises a Notice of Nonresponsibility for Landlord's protection from such liens.

14.2. Release and Removal of Liens. If any such lien attaches or Tenant receives notice of any such lien, Tenant shall cause the lien to be released and removed within thirty (30) days after Landlord's written notice thereof to Tenant. Notwithstanding any other provision of this Lease, if the lien is not released and removed within thirty (30) days (or lesser time, if the failure

to remove or release the lien is reasonably likely to cause Landlord to be in material default to a lender or to cause the Landlord to suffer other material risk or liability), Landlord may immediately take all action necessary to release and remove the lien, without any duty to investigate the validity of it, unless Tenant has commenced legal action to contest, dispute, or defend the claims of the lienholders and the validity of the liens and continues to prosecute this action. All expenses (including reasonable attorneys' fees) incurred by Landlord in connection with the release of the lien shall be considered Additional Rent under this Lease and be due and payable by Tenant thirty (30) days after demand.

Article 15 INDEMNIFICATION

15.1. Definition of Claims. For purposes of this Lease, Claims ("Claims") means any and all claims, losses, costs, damage, expenses, liabilities, liens, actions, causes of action (whether in tort or contract, law or equity, or otherwise), charges, assessments, fines, and penalties of any kind.

15.2. Tenant's Indemnification of Landlord. Tenant shall indemnify, defend, and hold Landlord and its members, heirs successors and assigns harmless from and against all Claims arising out of or relating (directly or indirectly) to the negligence or wrongful acts of Tenant or its employees in, on, or about the Property, the Building or the Premises; Tenant's violation of or failure to comply with any applicable Laws; and any breach or default in the performance of any obligation on Tenant's part to be performed under this Lease. Tenant's indemnification obligations shall not apply, however, to any Claim to the extent caused by or arising out of the negligence or wrongful acts of Landlord. This section shall survive the expiration or earlier termination of this Lease.

15.3. Landlord's Indemnification of Tenant. Landlord shall indemnify, defend, and hold Tenant and its Board, officers, employees and agents harmless from and against all Claims arising out of or relating (directly or indirectly) to the negligence or wrongful acts of Landlord, its employees or invitees in, on, or about the Property, the Building or the Premises; Landlord's violation of or failure to comply with any applicable Laws; and any breach or default in the performance of any obligation on Landlord's part to be performed under this Lease. Landlord's indemnification obligations shall not apply, however, to any Claim to the extent caused by or arising out of the negligence or wrongful acts of Tenant. This section shall survive the expiration or earlier termination of this Lease.

Article 16 INSURANCE

16.1. Tenant's Insurance Coverage. Tenant shall, at Tenant's sole expense, maintain the insurance coverage set forth in this section.

(a) Commercial General Liability Insurance. Tenant shall obtain commercial general liability insurance written on an "occurrence" policy form, covering bodily injury, property damage, and personal and advertising injury arising out of or relating (directly or indirectly) to Tenant's business operations, conduct, assumed liabilities, or use or occupancy of the Premises.

(i) The coverage for Tenant's general liability insurance shall be no less than One Million Dollars (\$1,000,000) each occurrence for bodily injury and property damage combined and no less than One Million (\$1,000,000) annual general aggregate and no less than One Million (\$1,000,000) products and completed operations annual aggregate.

(ii) Tenant shall be the first or primary named insured. Landlord shall be named by separate endorsement as an additional insured under Tenant's general liability coverage.

(b) Workers Compensation Insurance. Tenant shall procure and maintain workers' compensation insurance as required by law and employer's liability insurance with limits of no less than One Million Dollars (\$1,000,000).

(c) Property Insurance. Tenant shall procure and maintain property insurance coverage for all office furniture, trade fixtures, office equipment, merchandise, and all other items of Tenant's property in, on, at, or about the Premises, including property installed by, for, or at the expense of Tenant to the extent of one hundred percent (100%) of the full replacement cost of covered property. Landlord shall have no interest in or claim to any proceeds from Tenant's policy of property insurance.

16.2. Tenant's Delivery of Policy, Endorsements, and Certificates. Tenant shall deliver the policy or policies, along with any endorsements to them and certificates required by this Article, to Landlord on or before the Commencement Date; at least thirty (30) days before the expiration date of any policy; and on renewal of any policy.

16.3. Insurance. Tenant's insurance shall be provided through the County's standard insurance program(s). Landlord agrees that Tenant's insurance shall be deemed to comply with the requirements of Section 16.1.

16.4. Landlord's Insurance. At Landlord's sole cost and expense, Landlord shall maintain commercial general liability insurance. Additionally, Landlord shall maintain (exclusive of Tenant's office furniture, trade fixtures, office equipment, merchandise, or Alterations installed by, for, or at the expense of Tenant), a policy or policies of property insurance with extended coverage endorsement that will insure the full replacement value of the Building, the Premises and improvements on the Property. The proceeds from any such policy or policies shall be used for the repair and replacement of the Building pursuant to Article 17,

below. Upon execution of this Lease and annually thereafter, upon renewal, Landlord shall deliver to Tenant the policy or policies, along with any endorsements to them and certificates of Landlord's Insurance. Landlord shall name Tenant as an additional insured on such policies of insurance.

16.5. Landlord's Other Insurance. At Landlord's sole cost and expense, Landlord may procure and maintain during the Lease Term the following other insurance in such amounts, from such companies, and on such other terms and conditions as Landlord may from time to time reasonably determine. At Landlord's option, such insurance coverage may include the risks of earthquakes, flood damage, or other perils. The coverage and amounts of insurance carried by Landlord in connection with the Premises shall at a minimum be comparable to the coverage and amounts of insurance that are carried by reasonably prudent landlords of comparable buildings. On inquiry by Tenant from time to time, Landlord shall inform Tenant of all such insurance carried by Landlord.

16.6. Waiver of Subrogation. Landlord and Tenant agree to cause the insurance companies issuing their respective property (first party) insurance to waive any subrogation rights that those companies may have against Tenant or Landlord, respectively, as long as the insurance is not invalidated by the waiver. If the waivers of subrogation are contained in their respective insurance policies, Landlord and Tenant waive any right that either may have against the other on account of any loss or damage to their respective property to the extent that the loss or damage is insured under their respective insurance policies.

Article 17 DAMAGE AND DESTRUCTION

17.1. Repair of Damage by Landlord. Tenant agrees to notify Landlord in writing promptly of any damage to the Premises, Building or Property resulting from fire, earthquake, or any other identifiable event of a sudden, unexpected, or unusual nature ("Casualty"). If the Premises, Building or Property are damaged by a Casualty and if neither Landlord nor Tenant has elected to terminate this Lease under Section 17.3 or 17.4, Landlord shall promptly and diligently restore the Premises, Building or Property, as applicable, including without limitation the tenant improvements originally constructed by Landlord, to substantially the same condition as existed before the Casualty. Landlord's obligation to restore is subject to reasonable delays for insurance adjustment and other matters beyond Landlord's reasonable control and subject to the other clauses of this Article.

17.2. Repair Period Notice. Landlord shall, within the later of (a) sixty (60) days after the date on which Landlord determines the full extent of the damage caused by the Casualty or (b) thirty (30) days after Landlord has determined the extent of the insurance proceeds available to effectuate repairs, provide written notice to Tenant indicating the anticipated period for repairing the Casualty ("Repair Period Notice"). The Repair Period Notice shall also state, if applicable, Landlord's election either to repair or to terminate the Lease under Section 17.3.

17.3. Landlord's Option to Terminate or Repair. Landlord may elect either to terminate this Lease or to effectuate repairs if:

(a) The Repair Period Notice estimates that the period for repairing the Casualty exceeds one hundred eighty (180) days from the date of the commencement of the repair;

(b) The estimated repair cost exceeds the insurance proceeds, if any, available for such repair (not including the deductible, if any, on Landlord's property insurance), plus any amount that Tenant is obligated or elects to pay for such repair;

(c) The estimated repair cost of the Premises, Building or Property even though covered by insurance, exceeds fifty percent (50%) of the full replacement cost; or

(d) The Premises, Building or Property cannot be restored except in a substantially different structural or architectural form than existed before the Casualty.

(e) Landlord's election shall be stated in the Repair Period Notice.

17.4. Tenant's Option to Terminate. If (i) the Casualty (x) made any portion of the Premises untenable, or (y) materially interfered with Tenant's activities at the Premises, including without limitation loss of use due to loss of access, parking or essential services, and (ii) the Repair Period Notice provided by Landlord indicates that the anticipated period for repairing the Casualty exceeds ninety (90) days from the date of the Casualty, (or such longer period approved by each party in its mutual discretion) Tenant may elect to terminate this Lease by providing written notice (Tenant's Termination Notice) to Landlord within thirty (30) days after receiving the Repair Period Notice.

17.5. Rent Abatement Due to Casualty. Tenant shall be provided with a proportionate abatement of Rent based on the Rentable Square Footage of the Premises rendered unusable and not used by Tenant, or (to the extent the Casualty was not directly to the Premises) based on the percentage loss of use suffered by the Tenant. That proportional abatement, if any, shall be provided during the period beginning on the later of (a) the date of the Casualty or (b) the date on which Tenant ceases to occupy the Premises (if applicable) and ending on the date of Substantial Completion of Landlord's restoration obligations as provided in this Article 17. Subject to Section 17.4, the Rent abatement provided in this Section 17.5 is Tenant's sole remedy due to the occurrence of the Casualty. Landlord shall not be liable to Tenant or any other person or entity for any direct, indirect, or consequential damage (including but not limited to lost profits of Tenant or loss of or interference with Tenant's business), whether or not caused by the negligence of Landlord or Landlord's employees, contractors, licensees, or invitees, due to, arising out of, or as a result of the Casualty (including but not limited to the termination of the Lease in connection with the Casualty). Tenant agrees to maintain business interruption insurance to provide coverage regarding such matters.

17.6. Damage Near End of Term. Notwithstanding any other provision of this Article 17, if the Premises or the Building is destroyed or damaged by a Casualty during the last twenty four (24) months of the Lease Term or during the last twenty four (24) months of any Option Term, Landlord or Tenant shall have the option to terminate this Lease by giving written notice of the exercise of that option within thirty (30) days after the damage or destruction. Notwithstanding the foregoing, Landlord's option to terminate shall not be valid if Tenant exercises its option to extend the term of this Lease after the occurrence of the damage or destruction.

17.7. Effective Date of Termination; Rent Apportionment. If Landlord or Tenant elects to terminate this Lease under this Article in connection with a Casualty, the termination shall be effective thirty (30) days after delivery of notice of such election. Tenant shall pay Rent, properly apportioned up to the date of the Casualty. After the effective date of the termination, Landlord and Tenant shall be discharged of all future obligations under this Lease, except for those provisions that, by their terms, survive the expiration or earlier termination of this Lease.

17.8. Waiver of Statutory Provisions. The provisions of this Lease constitute an express agreement between Landlord and Tenant that applies in the event of any Casualty to the Premises. Landlord and Tenant, therefore, each fully waives the provisions of any statute or regulation, including California Civil Code §§ 1932(2) and 1933(4), or any successor statute, relating to any rights or obligations concerning a Casualty.

Article 18 CONDEMNATION

18.1. Condemnation. Should the whole or any part of the Property, Building or Premises be condemned and taken by any competent authority for any public or quasi-public use or purpose, or should Landlord make a conveyance in lieu thereof, all awards payable on account of such condemnation and taking or conveyance shall be payable to Landlord, and Tenant hereby waives all interest in or claim to said awards, or any part thereof. Tenant shall be entitled, however, to any award based upon the taking of or damage to Tenant's trade fixtures and improvements to the Premises to the extent Tenant has the right to remove them at the end of the Lease term. Tenant shall also be entitled to any award for removal or relocation costs as well as for injury to its business being conducted on the Premises, together with the repayment of any amortized tenant improvements already paid. If the whole of the Premises shall be so condemned and taken or conveyed, then this Lease shall terminate. If only a part of the Premises, Building or Property is so condemned and taken or conveyed, and in Tenant's sole discretion, the remaining portion thereof is not suitable for the purposes for which Tenant has leased the Premises, Tenant shall have the right to terminate this Lease by giving written notice to Landlord within fifteen (15) days of determination of the portion of the Premises, Building or Property being condemned. If by such condemnation and taking a part only of the Premises, Building or Property is taken, and the remaining part thereof is suitable for the purposes for which Tenant has leased said Premises, this Lease shall continue, but the rental shall be reduced

in an amount proportionate to the value of the portion taken as it relates to the total value of the Premises (or, the extent the condemnation was not directly to the Premises, based on the percentage loss of use suffered by the Tenant).

Article 19
ASSIGNMENT AND SUBLEASING

19.1. Assignment and Subletting. Except as provided below, Tenant shall not, either voluntarily or by operation of law, assign, sell, encumber, pledge or otherwise transfer (collectively "Transfer") all or any part of Tenant's leasehold estate hereunder, or permit the Premises to be occupied by any other person or entity or sublet the Premises or any portion thereof, without Landlord's prior written consent. Landlord's consent shall not be unreasonably withheld provided: (a) the proposed assignee is financially sound, in Landlord's commercially reasonable discretion, and its business is consistent with the allowed uses under this Lease; (b) that each and every covenant, condition or obligation imposed upon Tenant by this Lease, and each and every right, remedy or benefit afforded Landlord by this Lease is not thereby impaired or diminished; (c) Tenant remains liable for performance of each and every obligation under this Lease to be performed by Tenant; (d) Landlord shall receive one hundred percent (100%) of the gross rent (less marketing costs such as real estate commissions and advertising) in excess of the gross rent otherwise payable to Landlord pursuant to this Lease which is otherwise payable to Tenant under a sublease; and (e) Tenant reimburses Landlord for Landlord's reasonable costs and professional fees (legal and/or accounting) incurred in conjunction with the processing and documentation of any such requested assignment or sublease of this Lease by Tenant, not to exceed \$2,500. Notwithstanding the foregoing, Tenant may, without Landlord's approval, assign, sublet or permit use by, all or any portion of this Lease by, any County department, nonprofit agency, or public agency, so long as (i) Tenant remains liable for performance of each and every obligation under this Lease to be performed by Tenant, (ii) Landlord receives one hundred percent (100%) of the gross rent (less marketing costs such as real estate commissions and advertising) in excess of the gross rent otherwise payable to Landlord pursuant to this Lease which is otherwise payable to Tenant under a sublease; and (iii) the resulting use (whether or not it satisfies the specifically Permitted Use in the Lease Summary) does not violate Section 9.3 above.

19.2. Notice. If Tenant desires at any time to Transfer the Premises and Landlord's approval is required, Tenant shall first notify Landlord in writing of its desire to do so and shall submit in writing to Landlord, at least thirty (30) days but not more than sixty (60) days before the intended date of assignment/subletting, the name of the proposed assignee/subtenant, the nature of the proposed assignee's/subtenant's business to be carried on in the Premises, the terms and provisions of the proposed assignment/subletting, and such reasonable financial information as Landlord may request, certified by the proposed assignee/subtenant as being true and correct as of the date of certification.

Article 20

SURRENDER OF PREMISES

20.1. Surrender and Removal of Tenant Property by Tenant. Upon the expiration or termination of the Lease Term, Tenant shall quit the Premises and surrender possession to Landlord in accordance with this Article 20. Tenant shall leave the Premises in as good order and condition as when Tenant took possession of the Premises and as thereafter improved, except for reasonable wear and tear, acts of God, casualties, condemnation, any alterations or improvements made to, or installed in, the Premises by Tenant which Tenant is not required to remove. Tenant shall, without expense to Landlord, remove or cause to be removed from the Premises all debris and rubbish; any items of furniture, equipment, free-standing cabinet work, and other articles of personal property owned by Tenant or installed or placed by Tenant at its expense; and any similar articles of any other persons claiming under Tenant that Landlord requires to be removed.

20.2. Removal of Fixtures and Alterations. All fixtures, Alterations and improvements to the Premises shall remain upon and be surrendered with the Premises, excepting, however, at the request of Landlord, Tenant shall, at Tenant's sole expense, remove from the Premises all fixtures and trade fixtures, Alterations or improvements installed on the Premises by Tenant. Tenant shall, at Tenant's expense, repair all damage to the Premises and the Building resulting from that removal. If not so removed by Tenant, at Landlord's option, any property or improvements remaining on the Premises at the termination of this Lease shall become the property of Landlord or Landlord may remove said fixtures or Alterations and the cost of such removal shall be paid by Tenant to Landlord upon demand.

Article 21 HOLDING OVER

21.1. Holding Over. If Tenant (directly or through any Transferee or other successor-in-interest of Tenant) remains in possession of the Premises after the expiration or termination of this Lease, Tenant's continued possession shall be on the basis of a tenancy at the sufferance of Landlord. In such event, Tenant shall continue to comply with or perform all the terms and obligations of Tenant under this Lease, except that the monthly Rent during Tenant's holding over shall be one hundred five percent (105%) of the Rent payable in the last full month prior to such holding over. Acceptance by Landlord of rent after such termination shall not constitute a renewal of this Lease; and nothing contained in this provision shall be deemed to waive Landlord's right of re-entry or any other right hereunder or at law.

Article 22 ESTOPPEL CERTIFICATES

22.1. Obligation to Provide Estoppel Certificates. Within thirty (30) calendar days after receipt of a written request by either party at any time (but not more than three times within any 12-month period) , the receiving party shall execute and deliver to the requesting party an

estoppel certificate in the form reasonably required by any existing or prospective lender of either party, or mortgagee, or purchaser of all or part of the Building, indicating in the certificate any exceptions to the statements in the certificate that may exist at that time. The certificate shall also contain any other information reasonably requested by the requesting party or any existing or prospective lender, mortgagee, or purchaser.

22.2. Failure to Deliver. The failure of the receiving party to execute or deliver an accurate estoppel certificate in the required time period shall constitute an acknowledgment by the receiving party that the statements included in the estoppel certificate are true and correct, without exception.

Article 23 SUBORDINATION

23.1. Subordination. This Lease is subject and subordinate to: (a) the lien of any present or future mortgages, deeds of trust, or other encumbrances (“Encumbrances”) on the Premises or any part thereof; (b) all present and future ground or underlying leases (“Underlying Leases”) now or hereafter in force against the Premises or any part thereof; (c) all renewals, extensions, modifications, consolidations, and replacements of the items described in subparagraphs (a)-(b); and (d) all advances made or hereafter to be made on the security of the Encumbrances.

23.2. Election. Notwithstanding any other provision of this Article, Landlord may elect that this Lease shall be senior to and have priority over that Encumbrance or Underlying Lease whether this Lease is dated before or after the date of the Encumbrance or Underlying Lease. In the event of any foreclosure, sale under a power of sale, ground or master lease termination, or transfer in lieu of any of the foregoing, or the exercise of any other remedy under any such Encumbrance this Lease shall automatically become a lease directly between any successor to Landlord’s interest, as landlord, and Tenant, as if that successor were the landlord originally named in the Lease.

23.2. Nondisturbance. Notwithstanding Section 23.1, Landlord agrees that subordination of this Lease to any future Encumbrance or Underlying Lease is conditioned upon Tenant’s receipt of a nondisturbance and attornment agreement from the holder of the Encumbrance or Underlying Lease (“Superior Lienor”) that in the event of any foreclosure, sale under a power of sale, ground or master lease termination, or transfer in lieu of any of the foregoing, or the exercise of any other remedy under any such Encumbrance or Underlying Lease (a) Tenant’s use, possession, and enjoyment of the Premises shall not be disturbed and this Lease shall continue in full force and effect as long as Tenant is not in default beyond any grace periods, and (b) this Lease shall automatically become a lease directly between any successor to Landlord’s interest, as landlord, and Tenant, as if that successor were the landlord originally named in the Lease. In addition, Landlord shall use reasonable efforts to obtain from any current Superior Lienor a nondisturbance and attornment agreement consistent with the foregoing.

Article 24

DEFAULTS AND REMEDIES

24.1. Tenant's Default. A default by Tenant under this Lease includes the following: (a) Tenant's failure to pay when due the full Rent required to be paid under this Lease if the failure continues for fifteen (15) days after written notice of the failure from Landlord to Tenant; (b) the filing or commencement of any proceeding by or against Tenant under the Federal Bankruptcy Code whether voluntary or involuntary, if not dismissed within sixty (60) days of filing; (c) the appointment of a receiver to take possession of all, or substantially all, of the assets of Tenant or the garnishment of or levy by writ of execution on all or substantially all of the assets of Tenant, or a general assignment by Tenant for the benefit of creditors; or (d) Tenant's failure to perform any other obligation under this Lease if the failure continues for thirty (30) days after written notice of the failure from Landlord to Tenant or if such cannot be cured with such thirty (30) day period, Tenant fails within such thirty (30) day period to commence, and thereafter diligently proceed with, all actions necessary to cure such failure as soon as reasonably possible. The acceptance of Rent by Landlord shall not be deemed a waiver of any condition or obligation of Tenant under this Lease except as to the amount of Rent accepted by Landlord.

24.2. Landlord's Remedies on Tenant's Default. On the occurrence of a default by Tenant, Landlord shall have the right to pursue any one or more of the following remedies in addition to any other legal or equitable remedies now or later available to Landlord. These remedies are not exclusive but are instead cumulative.

(a) Terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. In such event, Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default, including, but not limited to expenses of reletting, reasonable attorneys' fees, and any real estate commission actually paid; the worth at the time of award by a court having jurisdiction of the unpaid rent which had been earned after termination until the time of such award exceeds the amount of such rental loss that the Tenant proves could have been reasonably avoided; the worth at the time of such award of the amount by which the unpaid rent for the balance of the term after the time of such award exceeds the amount of such rental loss that the Tenant proves could be reasonably avoided; and the portion of any real estate commission payable by Landlord applicable to the unexpired term of this Lease. For purposes of this subparagraph (a), the term "worth at the time of such award" shall have the meaning provided in Section 1951.2(b) of the California Civil Code.

(b) As provided in Section 1951.4 of the California Civil Code, maintain Tenant's right to possession, in which case this Lease shall continue in effect whether or not Tenant shall have abandoned the Premises. In such event, Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover Rent as it becomes due hereunder.

(c) Pursue any other remedy now or hereafter available to Landlord under the laws of the State of California.

24.3. Tenant's Subleases. If Landlord elects to terminate this Lease on account of any default by Tenant, Landlord may terminate any sublease, license, concession, or other consensual arrangement for possession entered into by Tenant and affecting the Premises or choose to succeed to Tenant's interest in such an arrangement. If Landlord elects to succeed to Tenant's interest in such an arrangement, Tenant shall, as of the date of notice by Landlord of that election, have no further right to, or interest in, the Rent or other consideration receivable under that arrangement.

Article 25 TENANT'S RIGHT TO REPAIR

25.1. Tenant's Right to Perform Landlord's Obligations. If Landlord has failed to perform any obligation under this Lease, Tenant may, after written notice to Landlord, perform the obligation on Landlord's behalf. Tenant must use Landlord approved vendors and contractors (if such a list is provided by Landlord) who are licensed and insured.

25.2. Payment. Within fifteen (15) days after receiving a statement from Tenant, Landlord shall pay to Tenant, the amount of expense reasonably incurred by Tenant under this Article in performing Landlord's obligations. Alternatively, Tenant may make arrange to have the work performed, and Tenant shall be entitled to deduct the cost thereof from the Rent next due and owing to Landlord.

Article 26 LATE PAYMENTS

26.5. Interest. If any Rent payment is not received by Landlord or Landlord's designee when due, Tenant shall pay to Landlord interest on the past-due amount, from the date due until paid, at the rate of five percent (5%) per annum commencing thirty (30) days after the amount becomes past due. Acceptance of any late charge and /or interest shall not constitute a waiver of Tenant's default with respect to the overdue sum or prevent Landlord from exercising any of its other rights and remedies under this Lease.

Article 27 NONWAIVER

27.1. Nonwaiver. No waiver of any provision of this Lease shall be implied by any failure of either party to enforce any remedy for the violation of that provision, even if that violation continues or is repeated. Any waiver by a party of any provision of this Lease must be in writing. Such written waiver shall affect only the provision specified and only for the time and in the manner stated in the writing.

27.2. Acceptance and Application of Payment; Not Accord and Satisfaction. No receipt by either party of a lesser payment than the Rent required under this Lease shall be considered to be other than on account of the earliest amount due, and no endorsement or statement on any check or letter accompanying a payment or check shall be considered an accord and satisfaction. Each party may accept checks or payments without prejudice to its right to recover all amounts due and pursue all other remedies provided for in this Lease.

Article 28
ATTORNEYS' FEES AND COSTS

28.1. Attorneys' Fees and Costs. If either party undertakes litigation against the other party arising out of or in connection with this Lease, the prevailing party shall be entitled to recover from the other party reasonable attorneys' fees and court costs incurred. The prevailing party shall be determined under California Civil Code section 1717(b)(1) or any successor statute.

Article 29
LANDLORD'S ACCESS TO PREMISES

29.1. Landlord's Access to Premises. Landlord and its agents may, at reasonable times and on twenty-four (24) hours' written notice to Tenant, enter the Premises to (a) inspect, the Premises; (b) show the Premises to prospective purchasers or mortgagees or to ground lessors or underlying lessors; (c) show the Premises during the final six (6) months of the Lease Term or any Option Term to prospective tenants; (d) serve, post, and keep posted notices required by law or permitted by this Lease; (e) repair, alter, or improve the Premises, the Building, or the Property; (f) perform services required of Landlord by law or by this Lease; or (g) perform any covenants of Tenant that Tenant fails to perform, in accordance with this Lease.

29.2. Restrictions on Entry; Tenant's Waiver. To the extent reasonably practicable, Landlord shall exercise its rights under this Article after giving 24 hours notice, and at such times and in such a manner as to minimize the impact on Tenant's business (including without limitation coordinating potential interference periods with Tenant to the extent reasonably possible, performing work during non-operational hours, etc.).

29.3. Landlord's Entry. Subject to compliance with Section 29.2, Landlord may enter the Premises under this Article without abatement of Rent and may take reasonable steps to accomplish the stated purposes communicated by Landlord to Tenant. Tenant waives any claims for damages caused by Landlord's entry except for Landlord's gross negligence or wilful misconduct.

29.4. Method of Entry. For entry as permitted by this Article, Landlord shall at all times have a key or, if applicable, a card key with which to unlock all the doors in the Premises,

excluding Tenant's vaults, safes, and special security areas. In an emergency situation, Landlord shall have the right to use any means that Landlord considers proper to open the doors in and to the Premises. Any such entry into the Premises by Landlord shall not be considered a forcible or unlawful entry into, or a detainer of, the Premises or an actual or constructive eviction of Tenant from any portion of the Premises.

29.5. Emergency Entry. Notwithstanding any other provision of this Article, Landlord and Landlord's agents may enter the Premises without any advance notice when necessary to address emergency situations. For purposes of this Article, an emergency situation is one that poses a threat of imminent bodily harm or property damage.

Article 30 SIGNS

30.1. Signage. Tenant, at its sole expense, shall have right to install building fascia and monument signage in accordance with Landlord's building standard sign criteria and Modesto City sign ordinance.

30.2. Maintenance of Tenant's Signs. Tenant shall at all times during the Lease Term maintain Tenant's Signs in working order and first-class condition.

30.3. Removal, Repair, and Restoration. On termination or expiration of the Lease Term, at Landlord's request, Tenant shall remove all of Tenant's signs, repair any damage resulting from the removal of the signs, and pay all expenses incurred in connection with such removal, repair, and restoration.

Article 31 SECURITY MEASURES

31.1. Security Measures. Tenant acknowledges that the rent payable by Tenant under this Lease does not include the cost of guard service or other security measures, and Landlord shall have no obligation to provide the same. Tenant may, in its sole discretion, provide security service or protection for its Premises, agents, employees, contractors or invitees. Under no circumstances shall Tenant be deemed to be exercising dominion, supervision or control over any portion of the Property or Building other than the Premises.

Article 32 MISCELLANEOUS

32.1. Entire Agreement; Amendments. This Lease and all exhibits referred to in this Lease constitute the final, complete, and exclusive statement of the terms of the agreement between Landlord and Tenant pertaining to Tenant's lease of the Premises and supersedes all prior and contemporaneous understandings or agreements, written or oral, express or implied by

the parties. Neither party has been induced to enter into this Lease by, and neither party is relying on, any representation or warranty outside those expressly set forth in this Lease. This Lease may be amended only by an agreement in writing signed by Landlord and Tenant. The provisions of this Lease shall be construed in accordance with the fair meaning of the language used and shall not be strictly construed against either party or the party who drafted the provision.

32.2. Exhibits. The following Exhibits attached to this Lease are a part of this Lease and incorporated into this Lease by reference.

Exhibit A -- Site Plan showing location of Premises

Exhibit B -- Landlord's Work

Exhibit C -- Rules and Regulations

Exhibit D -- Amortization Chart

32.3. Reasonableness and Good Faith. Whenever this Lease requires Landlord or Tenant to give its consent or approval to any action on the part of the other, such consent or approval shall not be unreasonably withheld or delayed.

33.4. Partial Invalidity. If a court or arbitrator of competent jurisdiction holds any term or provision of this Lease to be invalid or unenforceable in whole or in part for any reason, the validity and enforceability of the remaining clauses, or portions of them, shall not be affected.

33.5. Governing Law. This Lease shall be construed and enforced in accordance with the laws of the State of California. The Superior Court of Stanislaus County shall have exclusive jurisdiction and venue over matters pertaining to this Lease.

33.6. Notices. Any notice required to be given pursuant to this Lease shall be given in writing to the other party and delivered either personally, sent by overnight courier, sent by facsimile transmission (with the original forwarded by other method) or by depositing the same in the United States postal service, registered or certified mail, return receipt requested, with the postage prepaid, addressed to the parties as set forth in the Lease Summary. The address to which any notice is to be delivered may be changed by either party by compliance with the provisions of this paragraph.

33.7. Force Majeure—Specific Exceptions. The time for performance of an obligation other than the payment of money under this Lease shall be extended for the period during which a party is prevented from performing by acts of God, government, or other force or event beyond the reasonable control of that party.

33.8. Time of the Essence. Time is of the essence of this Lease.

33.9. Heirs. Subject to the provisions of this Lease relating to assignment and subletting, this Lease is intended to and does bind the heirs, executors, administrators and assigns of Landlord and Tenant.

33.10. Submission of Lease. Submission of this document for examination or signature by the parties does not constitute an option or offer to lease the Premises on the terms in this document or a reservation of the Premises in favor of Tenant. This document is not effective as a lease or otherwise until executed and delivered by both Landlord and Tenant.

33.11. Brokers. Landlord and Tenant each represents to the other that it has had no dealings with any real estate broker or agent in connection with the negotiation of this Lease, except for the real estate brokers or agents specified in the Lease Summary and that they know of no other real estate broker or agent who is entitled to a commission or finder's fee in connection with this Lease. Landlord shall pay a leasing commission at a rate of 5% for the first five years and 2.5% for the second five years. The commission shall be shared equally by Landlord's Broker and Tenant's Broker and will be paid in the following manner; The first half will be paid on execution of this Lease, and the second half will be paid once Tenant has accepted possession and starts to pay Rent. Each party shall indemnify, protect, defend, and hold harmless the other party against all claims, demands, losses, liabilities, lawsuits, judgments, and costs and expenses (including reasonable attorneys' fees) for any leasing commission, finder's fee, or equivalent compensation alleged to be owing on account of the indemnifying party's dealings with any real estate broker or agent other than the Brokers. The terms of this section shall survive the expiration or earlier termination of the Lease Term.

33.12. Construction. The provisions of this Lease shall be construed in accordance with the fair meaning of the language used and shall not be strictly construed against either party. When required by the context of this Lease, the singular includes the plural. Wherever the term "including" is used in this Lease, it shall be interpreted as meaning "including, but not limited to" the matter or matters thereafter enumerated.

33.13. Counterparts. This Agreement and any subsequent amendments may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument

33.14. Authority. Landlord and Tenant represent and warrant to each other that they have full right, power and authority to enter into this Lease without the consent or approval of any other entity or person and make these representations knowing that the other party will rely thereon. The signatory on behalf of Landlord and Tenant further represent and warrant that they have full right, power and authority to act for and on behalf of Landlord and Tenant in entering into this Lease.

[Signatures on Following Page]

IN WITNESS WHEREOF, the Landlord and Tenant have executed this Lease on the Effective Date set forth above.

LANDLORD

TENANT

3525 Coffee Medical Professional Building, LLC, a California limited liability company

County of Stanislaus

By: _____

By: DocuSigned by:
Mani Grewal
85DC16248D024E7... _____

Its: _____

Its: Manager

APPROVED AS TO FORM:

By: John P. Doering
Stanislaus County Counsel

IN WITNESS WHEREOF, the Landlord and Tenant have executed this Lease on the Effective Date set forth above.

LANDLORD

3525 Coffee Medical Professional Building, LLC, a California limited liability company

By: _____

Its: Manager

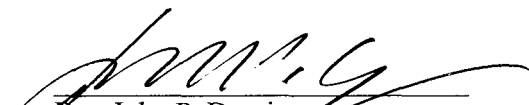
TENANT

County of Stanislaus

By: 
Chief Operations Officer

Its:

APPROVED AS TO FORM:


By: John P. Doering
Stanislaus County Counsel

IN WITNESS WHEREOF, the Landlord and Tenant have executed this Lease on the Effective Date set forth above.

LANDLORD

TENANT

3525 Coffee Medical Professional Building, LLC, a California limited liability company

County of Stanislaus

By:  _____

By: _____

Its: Manager

Its:

APPROVED AS TO FORM:

By: John P. Doering
Stanislaus County Counsel

EXHIBIT "A"
DIAGRAM OF PREMISES

[To Be Attached]

EXHIBIT "B"

LANDLORD WORK LETTER

1. Design and Construction.

(a) Landlord agrees to design and construct certain leasehold improvements (the "Finish Work"), at its sole cost and expense, in a good and workmanlike manner in and upon the Premises in accordance with construction drawings approved by both Landlord and Tenant ("Final Working Drawings"). The Finish Work shall be substantially in accordance with the improvements described on Exhibit 1 attached hereto, and the Tenant Improvement Standards attached hereto as Exhibit 2 [TBD]. Subject to the other applicable terms and conditions of this Exhibit and of the Lease, Landlord shall be responsible for all Costs of Construction (defined below).

(b) Within forty-five (45) days of full execution of the Lease, Landlord will have the Final Working Drawings prepared and submitted to the City of Modesto Building Department for plan check. This 45-day period takes into account at least five business days for Tenant review and comment. Landlord shall thereafter make all required plan changes in an expeditious manner and diligently prosecute the Final Working Drawings for approval. Tenant will work with Landlord and the City Building Department to try and expedite plan check and issuance of the necessary building permits.

(c) Landlord will employ a qualified, licensed and contractor, to construct the Finish Work. Landlord's contractor is subject to Tenant approval, which shall not unreasonably be withheld or delayed. Landlord will require in any construction contract that such contractor construct the Finish Work in a good and workmanlike manner and in compliance with all Laws. Landlord will be solely responsible for compliance with all applicable Laws, including The Americans with Disabilities Act and the regulations thereunder.

(d) All of Landlord's general construction contracts and prime design contracts relating to the Finish Work are subject to Tenant's reasonable approval. Without limiting the foregoing, all of Landlord's general construction contracts and prime design contracts relating to Finish Work must expressly identify Tenant as a third-party beneficiary thereof.

(e) Landlord shall provide Tenant with the name, address and other contact information for its designers, general contractors and subcontractors engaged to perform any substantial portion of the Finish Work.

(f) Landlord's prime construction contract shall, in addition:

(i) Include a construction schedule which will permit compliance with all completion deadlines required by this lease; and

(ii) require contractor payment of liquidated damages of at least the amounts and under at least the circumstances which this Lease requires Landlord provide a Rent credit to Tenant for delayed completion of the Finish Work.

(g) Before beginning the Finish Work, Landlord shall furnish Tenant with evidence that Landlord's general contractor has fulfilled the following insurance requirements and shall maintain, at no expense to Tenant:

(i) Worker's Compensation with statutory limits and Employer's Liability Insurance with limits of not less than \$100,000.

(ii) Commercial General Liability Insurance with limits of not less than \$2 million combined single limit for bodily injury and property damage, including personal injury, Contractual Liability coverage specifically endorsed to cover the indemnity provisions contained herein, and Contractor's Protective Liability coverage if contractor will use subcontractors.

(iii) Motor Vehicle Liability Insurance with limits of not less than \$250,000 per person, \$500,000 per accident for bodily injury and \$100,000 for property damage.

(h) Landlord's general contractor shall name Tenant as additional insured on its Commercial General Liability and Motor Vehicle Liability Insurance. Certificates evidencing the above insurance must be furnished to Tenant before commencing work. Insurance carriers must be licensed to do business in California.

(i) Additionally, before beginning the Finish Work, Landlord shall furnish Tenant with evidence that Landlord's principal designer maintains at least \$1,000,000 in professional liability insurance covering the applicable services.

(j) Landlord shall cause reproducible "As-Built Drawings" to be delivered to Tenant and/or Tenant's representative not later than 30 days after the completion of the Finish Work.

2. Substantial Completion. When Landlord considers the Finish Work to be Substantially Complete (defined below), it shall deliver to Tenant notice thereof (the "Notice of Substantial Completion") which will (i) stipulate any so called "punch list" items which in Landlord's determination remain incomplete, and (ii) set forth the Date of Substantial Completion (defined below). Landlord will also give Tenant a reasonable opportunity to inspect the Premises and identify any other "punch list" items. Landlord shall cause the punchlist items to be completed promptly, which generally should occur within 30 days.

3. Time is of the Essence. It is stipulated that time is of the essence in connection with Landlord's and Tenant's compliance with the terms of this Exhibit.

4. Representatives. Landlord hereby appoints [TBD] as Landlord's representatives to act for Landlord in all matters covered by this Exhibit "B" and in connection with the Finish Work ("Landlord's Construction Representative"). Tenant hereby appoints [TBD] as Tenant's representative to act for Tenant in all matters covered by this Exhibit "B" and in connection with the Finish Work ("Tenant's Construction Representative"). Each party shall be entitled to rely upon consents or approvals from the other's Construction Representative in all matters concerning design, installation and construction as if the consents and approvals had been given directly by the other party.

5. Definitions.

(a) "Costs of Construction" shall mean all costs and expenses of any kind whatsoever related to or arising out of the Finish Work, including, without limitation, (i) all amounts payable to contractors, subcontractors, artisans, laborers, architects, construction managers (including Landlord's construction management company), suppliers of materials and/or manufacturers of materials and engineers with respect to the Finish Work, (ii) all costs and expenses of space planning and design (including, without limitation, costs and expenses directly attributable to space plans and construction drawings, including the Final Working Drawings), and (iii) the cost of an asbestos survey.

(b) "Date of Substantial Completion" shall mean the date which the Finish Work is "Substantially Complete", which shall be not later than the completion date contained in the Lease Summary Section 4(b). "Substantial Completion" shall mean (i) that the Finish Work has been performed in the Premises in substantial accordance with the Final Working Drawings (including any "punch list" items), (ii) all construction debris has been removed from the Premises and the Premises are clean, (iii) the Premises may reasonably be used and occupied by Tenant for general office purposes and/or for the Permitted Use, and (iv) either the issuance of a Certificate of Occupancy by the applicable permitting agency, a temporary Certificate of Occupancy if Tenant takes possession upon receipt of the temporary Certificate of Occupancy, or after final inspection is approved as contemplated by Section 9-11.813 of the Modesto Municipal Code, which provides: "The final inspection shall be made after all work required by the building permit is completed."

[Signatures on Following Page]

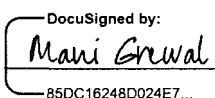
IN WITNESS WHEREOF, the Landlord and Tenant have executed this Work Letter on the Effective Date set forth above.

LANDLORD

TENANT

3525 Coffee Medical Professional
Building, LLC

Stanislaus County

By:  _____
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Its: Manager

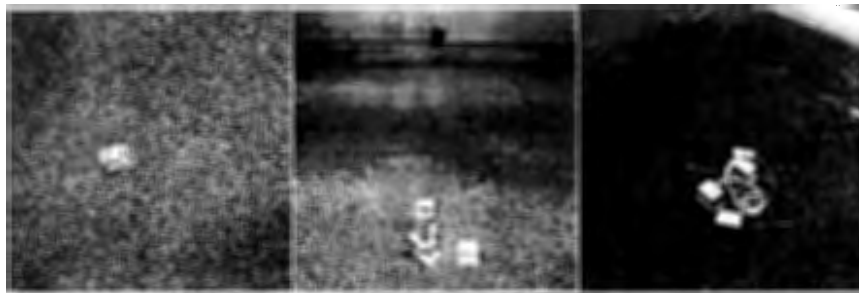
By: _____

EXHIBIT 1

Landlord, at its sole expense, shall perform the following work to the Premises and parking lot ("Landlord's Work" or "Finish Work") prior to delivery to Tenant:

- CASp Report: Landlord to provide recent Certified Access Specialist (CASp) report on the building and parking lot. Landlord shall make the improvements/modifications identified in the CASp report that are required for compliance with ADA law.

- Electrical:
 - Remove floor receptacles (see pics below) as electrical and data shall be run overhead to provide power to cubicles and copiers. Refer to attached cubicle layout.
 - Provide sufficient electrical power to support 61 cubicles, in addition to all other private offices and rooms.
 - Run electrical and data overhead in ceiling and to cubicles.
 - Connect power at electrical box.
 - Connect power at cubicles at overhead drops or wall outlets.
 - Verify existence of dedicated circuit for micro wave in Break Room (Kitchen) or otherwise provide (20 amp).
 - Replace all inoperable fluorescent lamps and light fixture ballasts such that all existing light fixtures are in full and good operating condition.



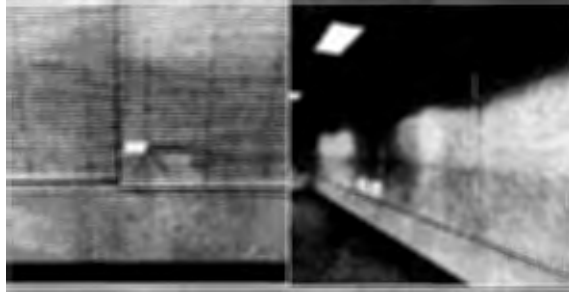
- Data Drops: Two data drops (CAT 6) cabling per office and cubicle see attached diagram.

- Floor Covering & Base:
 - All carpet and base shall be replaced with comparable product and quality.
 - 24" x 24" carpet tile with rubber base.

- Color and pattern (if any) to be selected by Tenant and approved by Landlord.
- **Paint:** Paint all interior walls of offices, conference room, break rooms and main open areas to match existing. (Excluding areas with existing wallpaper unless badly damaged and/or stained and readily apparent, in which case wallpaper on those walls would to be repaired, sealed, primed and painted in the same color as other new, painted walls.)
- **Additional Offices:**
 - Construct six (6) new private offices along the northern perimeter wall of building as shown on Exhibit "A" floor plan attached to the Lease.
 - Partition walls of offices to be insulated and extend to the suspended ceiling.
 - Two 120V duplex electrical outlets and two (2) data outlets in each office per attached floor plan
 - Doors, hardware and interior windows of each office to match, or be substantially equivalent to, existing (see pic below), except lower window panels to be opaque.
 - All lighting, HVAC and fire sprinkler modifications required for private offices per the permitted tenant improvement plans.

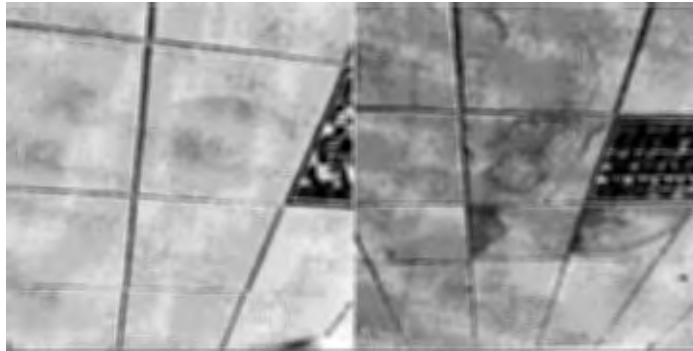


- **Other Room Modifications:**
 - Relocate, or install new, doors in the rooms designated Offices 8 and 9 on attached floor plan (adjoining the conference room) so they are accessed from the large open area of floor.
 - Fill-in and patch wall where doors are removed; if said wall within the conference room has wall covering, then remove all wall covering from the entire wall (corner to corner), texture or finish the resulting drywall surface to match existing finished drywall surfaces in the Premises.
- **Stove & Range (Break Room/Kitchen):** Landlord to remove
- **Blinds:** Repair or replace as needed to have uniform appearance and full functionality (see pics below).



➤ Roof & Ceiling Tiles:

- Signs of roof leakage (see pics). Landlord to repair and confirm no roof leaks.
- Replace damaged or stained ceiling tiles to match existing and result in uniform appearance throughout.



➤ Restrooms:

- Make all modifications needed to comply with ADA law.
- Thoroughly clean and sanitize all restroom fixtures, including the floor tile; repair and/or replace any restroom fixtures as needed such that all fixtures are in good working condition, clean and functional

➤ Parking Lot: Mark and designate ten (10) parking spaces for the overnight parking of Tenant's vehicles.

➤ 1st Floor Entry & Interior Lobby: Install low voltage lines where indicated on Exhibit "A attached to the Lease to allow for County-provided proxy card reader system to enter main lobby, door to stairs and door to elevator lobby. Modify hardware on same entry/exit door to open with card reader system.

- Separate Entry Door: A separate entry door from the vestibule, an enclosed elevator lobby area with partial height walls that provide separation from CSA space, signage, and low voltage electrical wiring to three (3) designated locations for Tenant's card reader access devices. See attached conceptual plan Exhibit __

- Front & Rear Stairwell Exits: Modify as needed so that Tenant can exit the Premises and Building in compliance with all life safety regulations, but also in a manner that prevents (i) 1st floor tenant from accessing the Premises, and (ii) Tenant from accessing the 1st floor. _

- Heating & Air Conditioning: It is anticipated that the Building's current HVAC system is sufficient in its current configuration for the new private offices/rooms, except for air distribution/zoning and thermostatic controls. Notwithstanding, as part of Finish Work, to ensure that the HVAC system (including without limitation thermostats) is in good working condition, Landlord shall:
 - Inspect all HVAC system components
 - Service, install and/or replace any non-working HVAC system components
 - Make reasonable modifications to existing system to accommodate the Tenant's configuration and anticipated use

Heating, cooling and ventilation shall be provided in accordance with the American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) interior office standards in effect at the time the Building and Premises were first constructed, as may be modified during City of Modesto plan check

- Fire & Life Safety: All work required per the permitted tenant improvement plans.

- Keys and Locks: Provided by Landlord

EXHIBIT C
RULES AND REGULATIONS

[To Be Attached]

EXHIBIT D
AMORTIZATION CHART
[To Be Attached]