

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

DEPT: Health Services Agency BOARD AGENDA #: *B-5

AGENDA DATE: May 16, 2017

SUBJECT:

Approval to Lease Office Space at 1533 Lakewood Avenue, Modesto, California, for Health Services Agency Business Services

BOARD ACTION AS FOLLOWS:

No. 2017-250

On motion of Supervisor Olsen, Seconded by Supervisor DeMartini
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
ELIZABETH A. KING, Clerk of the Board of Supervisors

File No.

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

DEPT Health Services Agency BOARD AGENDA #: *B-5
Urgent Routine JMK AGENDA DATE: May 16, 2017

CEO
CONCURRENCE: phz 4/5 Vote Required: Yes No

SUBJECT:
Approval to Lease Office Space at 1533 Lakewood Avenue, Modesto, California, for Health Services Agency Business Services

STAFF RECOMMENDATIONS:

1. Approve the plan to lease space at 1533 Lakewood Avenue, Modesto, California, for the Health Services Agency Business Services, including the Central Business office, Central Scheduling unit, Information Technology, and Finance divisions, effective July 1, 2017.
2. Authorize the execution of a Lease Agreement for 10,734 square feet of office space, based on the terms outlined in this report, with Cartan Investments, LP, a California limited partnership, for the Health Services Agency business services at 1533 Lakewood Avenue, Modesto, California, for the term of five years, at an average annual cost of approximately \$147,471.

DISCUSSION:

The aging facilities at Health Services Agency (HSA) have resulted in many challenges for business continuity. The June 12, 2016, flooding in the HSA Central Unit (old main hospital buildings) caused the relocation of multiple services, including Finance whose offices were moved to provide a location for other displaced functions. The buildings are very old and hard to maintain; systems such as plumbing are decaying and beyond repair in some cases. The previous Stanislaus Medical Center (hospital) closed in November 1997.

On February 7, 2017, another plumbing failure incident occurred at 1030 Scenic Drive which resulted in significant water damage to the entire basement level. The Central Business Office (CBO), Central Scheduling Unit (CSU) and Human Resources were impacted and had to be relocated to different areas of County Center II (Scenic Drive campus in Modesto). The Human Resources division was relocated to the refurbished public area of the Central Unit and the business services of CBO and CSU are now located in the basement of Central Unit. The transitional location of these divisions is not conducive to the efficient delivery of services.

Central Scheduling Unit (CSU)

The CSU located at the County Center II Scenic Drive location is the first point of entry for HSA patients. The call center is responsible for scheduling patient appointments for all clinics, including the Public Health Division. The staff advise patients on insurance coverage, check

eligibility and let patients know what documents are needed for an appointment. The staff is responsible for messaging the clinics and providers and answering the HSA's main public number. The CSU clerks are very knowledgeable about services provided throughout HSA as well as other County departments and services available in the community. CSU answers approximately 30,000 calls per month.

The division employs 16 employees in a very dynamic environment. The service provided requires employees to continually interact with customers by phone. Since the relocation to the basement of Central Unit, the CSU staff has had to work in a room that inadequately provides for suitable noise reduction or individual space such that each employee can perform his/her essential duties, some of which involves confidential, protected health information.

Central Business Office (CBO)

The CBO is responsible for seeking payments and processing information in the Centricity Practice Solution Electronic Medical Records Practice Management module, such as billing, collections, and posting of deposits to include all clinic deposits, ensuring all are current, accurate, timely and include the appropriate follow-up. CBO collects approximately \$2 million monthly. The CBO is also responsible for fee schedule maintenance, provider credentialing, and provider reports for the Chief Financial Officer and works very closely with Finance and Information Technology (IT). The CBO is responsible for audit requests from Medicare, Medi-Cal and all other payors. To ensure compliance with audit requirements, CBO conducts internal reviews of records, confirming billing is compliant and medical record documentation is appropriate.

The CBO has approximately 12 employees. The CBO assists approximately 500 internal/external customers per day. The February flooding at 1030 Scenic Drive resulted in this function being located in the basement of Central Unit with staff from CSU. Most of the Central Unit building is vacant and limiting access to only a portion has presented additional security related concerns. The space does not support the overall functionality required for the efficient delivery of services to the internal clients and public.

Finance and Information Technology

Within the management organization structure, CBO, CSU, Finance and Information Technology (IT) are managed by the Chief Financial Officer. As presented in the 2016-2017 Mid-Year Financial Report (July 2016 – December 2017), the aging facilities at County Center II are continuing to deteriorate. The aged buildings frequently require repair, such as the elevators, chiller and boilers, leaking pipes and failed generator and power systems. The uncertain integrity of the facilities impacts all divisions currently located at County Center II.

The Finance division was relocated after the flooding incident with the Central Unit in June 2016 to provide room for other displaced services. Finance is currently housed at 830 Scenic in Building 2 and provides oversight, guidance and management of the accounting and fiscal operations for the HSA. Finance has 15 staff.

The main IT function remains located at 1030 Scenic Drive on the first floor and was not directly impacted by the February 2017 incident. The HSA server room, however, was located in the

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Central Unit basement and has since been relocated to the Office of Emergency Services due to the June 2016 flood incident. HSA IT provides technology, telephony and support infrastructure to all HSA functions. IT has 19 employees.

Future Planning

On February 28, 2017, the Board of Supervisors approved the award of a professional services agreement to Pacific Health Consulting Group for the comprehensive HSA Strategic Business and Facility Plan. The long-term needs of CBO, CSU, Finance and IT will be included within the Facility Plan and incorporated into the long-term strategic goals for the HSA. The current business functionality for the department needs to be addressed now along with the continuing concerns about facility integrity at County Center II. It would be challenging for CBO and CSU staff to continue to perform effectively with the current work environment.

Staff has discussed the challenges facing HSA and specifically the impacted divisions of CBO and CSU at the Health Executive Committee of the Board, comprised of Supervisors Withrow and DeMartini, at a committee meeting held on February 22, 2017.

A vacant privately owned building is available located at 1533 Lakewood Avenue, at the corner of Briggsmore and Lakewood. The 1533 Lakewood Avenue location formerly housed an insurance company and the Internal Revenue Service at different times. Staff have visited the space and believe that it would be highly functional for the CBO and CSU functions as well as IT and Finance, without any major tenant improvement (TI) needs. The building is affordable within the existing budgeted resources of the Health Services Agency and is ideal for these functions to operate effectively.

The 1533 Lakewood Avenue property is available with the base rental rate of \$1.10 per square foot. The landlord will absorb all TI which would include paint, carpet and any necessary repairs/replacements. No other structural improvements are needed for the divisions to move into the site, so there are no amortized TI costs proposed in addition to the base rent. Once TIs are complete, the Department anticipates occupancy of the building to occur in early July 2017. The base rent escalator is 2% for years two through five. The total cost is anticipated to be \$737,354 for the lease over a five-year period. The lease contains a cancellation provision at year three, in addition to two options to renew for five-year terms.

As the Business and Master Plan are completed over the next year, the County retains in the lease the ability to terminate at intervals if it is decided to move these functions to another location in future years.

This lease is recommended by the Chief Executive Office and the Health Services Agency as it will provide the necessary modern space needed for efficiency and customer service. This space allows functions to remain together and is close to the main campus at County Center II. As will be explained further under the fiscal impact section, the financial terms of the lease can be absorbed within the agency's long-range budget forecast.

POLICY ISSUE:

Approval of this lease will ensure that staff has safe and secure work locations as well as provide for efficient and sustainable operations. County policy requires the Board of Supervisors' approval to enter into a new lease agreement where the total compensation exceeds \$100,000. The cumulative total for the lease over the five-year lease term will be \$737,354 which exceeds the \$100,000 threshold and requires Board approval.

FISCAL IMPACT:

Using the base rental rate of \$1.10 per square foot, the total monthly lease is estimated at \$11,807 per month. Subsequently, a 2% annual growth increase will apply after the first year and every twelve months thereafter for the five-year period. The Fiscal Year 2017-2018 lease cost is \$141,689, with a cumulative cost for the full five-year term totaling \$737,354. All tenant improvements will be covered by the landlord.

In addition to the cost of the lease, the department anticipates incurring some one-time costs associated with the move from its existing location to the Lakewood facility. These include charges for furniture design and any additional modular furniture required (the department anticipates reusing existing furniture at the new location); modular move and set up; moving company for furniture, safes, and other items; lock installation and proximity card set up; AT&T and IT infrastructure set up; and signage. Total one-time costs are estimated at \$60,500 and will be funded within the existing budget.

The cost of the lease will initially be expended from the Health Services Agency (HSA) – Administration budget, with charges eventually allocated to the HSA – Clinics and Ancillary Services and HSA – Public Health budgets based on the Department's standard allocation methodology and process. Revenue from these two budgets include patient services revenue, State and Federal contract and grant funding, other grant funding, Realignment revenue, and mandated and non-mandated General Fund match maintained at Fiscal Year 2016-2017 levels. The 2017-2018 Proposed Budget includes increases to fund balance in each; \$29,766 in Clinics and Ancillary Services and \$179,779 in Public Health. While appropriation levels requested in the upcoming Fiscal Year 2017-2018 Proposed Budget will enable the initial lease payments, the 2017-2018 Final Budget will identify a request to include the cost of the new lease and one-time expenditures related to the move. No additional General Fund contribution would be required.

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Cost of recommended action:		\$ 202,189
Source(s) of Funding:		
Division Revenue from HSA Public Health and Clinics & Ancillary	\$ 202,189	
Funding Total:		\$ 202,189
Net Cost to County General Fund		<u>\$ -</u>

Fiscal Year:	2017-2018
Budget Adjustment/Appropriations needed:	No

Estimated Fund Balance as of July 1, 2017 \$ 16,200,000

BOARD OF SUPERVISORS' PRIORITY:

Approval of this lease is consistent with the Board of Supervisors' priorities of A Healthy Community and Efficient Delivery of Public Services by enabling the continuation of healthcare business services in a more efficient, convenient and modern facility.

STAFFING IMPACT:

Existing Chief Executive Office and Health Services Agency staff will manage this project.

CONTACT PERSON:

Patricia Hill Thomas, Chief Operations Officer Telephone: 209-525-6333
Mary Ann Lee, Health Services Agency Director. Telephone: 209-558-7163

ATTACHMENT(S):

Attachment A: Lease for 1533 Lakewood Avenue, Modesto CA with Cartan Investments

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 _____ 2017.
2. Landlord: Cartan Investments, LP, a California limited partnership
3. Tenant: Stanislaus County, a political subdivision of the State of California
4. Property, Building; Premises:

(a) Landlord owns that certain real property ("Property") described as follows: *"The land situated in the City of Modesto, County of Stanislaus, described as follows: Parcel A as per Parcel Maps filed February 22, 1983 in Volume 33 of Parcel Maps, at page 79, Stanislaus County Records,"* Assessor's Parcel Number 067-018-036. The Property is located at 1533 Lakewood Avenue, Modesto, California. The Property contains a one-story building (the "Building"). The Premises are located within the Building and consist of approximately 10,734 rentable square feet (the "Premises") more particularly shown on the site plan 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 less than 10,734 rentable square feet.

(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"). Landlord will use its commercially reasonable efforts to complete ("Substantially Complete") Landlord's Work by July 1, 2017 ("Completion Deadline"), subject to extension for force majeure (sometimes referred to herein as "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 Tenant have the additional rights described in Section 3.3(a) below. Landlord's Work shall be performed in full compliance with applicable prevailing wage laws.

(c) Notwithstanding (b), above, Landlord will use its commercially reasonable efforts to install carpet in all areas and offices of the Premises at the earliest practicable date to permit Tenant access to the Premises for purposes and subject to Section 3.2 below (Early Access).

(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 shall be used for any amortization required in connection with Tenant's early termination pursuant to Section 3.4.

5. Lease Term:

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

(b) The "Commencement Date" of this Lease shall be July 1, 2017 or completion of Landlord's Work, whichever is later.

(c) 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 (2) options to extend the Lease Term for an additional five (5) years each as set forth in Article 4, below.

7. Rent: Beginning on the Commencement Date, Monthly Rent for the Lease Term is \$1.10 per square foot for 10,734 square feet or Eleven Thousand Eight Hundred Seven and 40/100 Dollars (\$11,807.40). During the initial term of this Lease and any option terms, Rent shall increase on the first anniversary of the Commencement Date and annually thereafter by two percent (2%) except Rent shall be adjusted at the commencement of each Option Term pursuant to Article 4 of this Lease.

8. Gross Lease: This is a gross lease. Except as provided for herein, 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 Health Services Agency ("HSA") offices and affiliated programs, and other County, government or nonprofit programs.

11. Brokers: Brekke Real Estate (Tenant's Broker); The Land Group (Landlord's Broker).

12. Addresses for notices and payments:

(a) **Landlord's address:**

Cartan Investments LP
100 Bush St. #550
San Francisco, CA 94104

(b) **Tenant's address:**

Attn: Chief Operations Officer
Stanislaus County CEO's Office
1010 10th Street, Suite 6800
Modesto, CA 95354

13. Conditions to the Effectiveness of this Lease: This Lease shall not be effective until approved by the Stanislaus County Board of Supervisors.

14. Lease Summary: 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, correct and 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. 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. It is anticipated that the HVAC system is adequate for Tenant's needs in its current configuration. Notwithstanding, as part of Landlord's Work, Landlord shall:

(i) undertake to inspect, install and/or replace any non-working system elements of the HVAC

(ii) make reasonable modifications to the existing system to accommodate the Tenants configuration and anticipated use. Heating and cooling, 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.

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 **Exhibit "B"** attached hereto ("Landlord's Work").

1.5. CASp Inspection. Landlord shall, at Landlord's expense, obtain a CASp inspection of the Property, the Building, the Premises and the Common Areas, before the Commencement Date and shall make all repairs and corrections identified therein. Upon delivery of the CASp inspection report, the parties shall execute the CASp addendum attached hereto as **Exhibit "C"**.

Article 2 COMMON AREA

2.1. Common Area. As used in this Lease, Common Area means the sidewalks, the parking areas, landscaping, the exterior of the Building (except exterior windows); the structural support system; the roof; and common building, 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 100% (“Tenant’s Parking”) of the parking spaces.

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.

3.4. Right of Early Termination.

(a) Initial Lease Term. Notwithstanding anything to the contrary herein and during the initial term of the Lease, 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 beginning at the 37th month of the lease term and 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. Tenant shall pay such sum to Landlord within five (5) days of Tenant's written termination notice to Landlord.

(b) First Option Term. Notwithstanding anything to the contrary herein and during the first option term of the Lease, 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 beginning at the 30th month of the first option lease term and upon not less than six (6) months prior written notice to Landlord ("Right of Early Lease Termination").

(c) Second Option Term. Notwithstanding anything to the contrary herein and during the second option term of the Lease, 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 beginning at the 30th month of the second option lease term and upon not less than six (6) months prior written notice to Landlord ("Right of Early Lease Termination").

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 lesser of the following:

(i) a two percent (2%) increase over the Rent payable immediately before the Option Term; or

(ii) 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 first day of the Option Term; 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 two hundred forty (240) days and no later than one hundred eighty (180) 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.

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 Rent increases during initial term of this Lease and during all Option Terms (if exercised) as provided in the Lease Summary.

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 and 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 6.5, below, Operating Expenses include, but are not limited to any amounts paid or incurred for:

(a) Supplying utility 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.

6.3. 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.

6.4. 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.

6.5. Tenant’s Responsibility. Notwithstanding the foregoing, Tenant shall pay for the cost of utilities which are separately billed or metered to the Premises (including but not limited to gas, electric, telephone, and telecommunications services, water supplied to the Premises, and garbage service), for its own janitorial services and supplies within the Premises and for its recurring data and telecommunication costs and expenses.

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 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) The term "maintain" as used in this Lease shall include painting, 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 high quality professional office building, 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 substantial interference with Tenant's business activities 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. Further, if Landlord does not perform its maintenance obligations as required under the Lease after appropriate notification, Tenant may make such

repairs and deduct the cost thereof from the rents next due and owing to Landlord provided Tenant first notifies Landlord in writing.

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 "D"**. 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.

10.3. Notice of Prevailing Wage Requirements. It shall be the obligation of Landlord and/or any contractor or subcontractor under Landlord to comply with and conform to all applicable State of California labor laws, rules and regulations. Unless a valid exemption applies, the construction of the Landlord’s Work is considered a public works project under the California Labor Code (see California Labor Code Sections 1720 et seq. and Title 8, California Code of Regulations, Chapter 8, Subchapter 3, commencing with Section 16000) and subject to labor compliance monitoring and enforcement by the Department of Industrial Relations. In performing Landlord’s Work, Landlord shall conform to any and all prevailing wage requirements applicable to the work on the Premises under this Lease. Landlord (and its contractors and subcontractors) shall adhere to prevailing wage determinations made by the Director of Industrial Relations pursuant to California Labor Code Part 7, Chapter 1, Article 2, if applicable to the New Improvements and/or Tenant Improvements and associated work. When applicable, all workers employed in the execution of a public works contract (as such term is defined California Labor Code Section 1720 et seq. and Section 1782(d)(1)) must be paid not less than the specified prevailing wage rates for the type of work performed. (Reference: California Labor Code Sections 1720, 1774 and 1782). Landlord shall ensure that its contractors and subcontractors also comply with and adhere to this prevailing wage provision.

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 for such Utilities for by

utility companies for such utility service provided to the Premises where separately metered and/or billed.

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 of insurance, along with any endorsements to them, and certificates of Landlord's Insurance with endorsements. 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 or destroyed by a Casualty and if neither Landlord nor Tenant has elected to terminate this Lease under this Article, 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) thirty (30) days after the date on which Landlord determines the full extent of the damage caused by the Casualty or (b) fifteen (15) 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, Building or the Property 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, Building or Property 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, fifteen (15) days after written notice to Landlord (or three (3) days after written notice to Landlord in the event of an emergency), 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; (g) 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 -- CASp Addendum
- Exhibit D -- Rules and Regulations

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 6% for the first 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. Right of First Offer. In the event Landlord decides to sell the Property during the Term of this Lease, Landlord agrees to follow the following procedure:

(a) Landlord shall deliver a notice (Offer Notice) to Tenant stating (i) its good faith intention to sell the Property, and (ii) the price, terms, and conditions on which it proposes to sell the Property.

(b) By written notification given by Tenant (Acceptance Notice), within 30 calendar days after the giving of the Offer Notice, Tenant may elect to purchase the Property on the terms and conditions specified in the Offer Notice.

(c) If the Acceptance Notice is not given, or not given in a timely manner, then Landlord may, during the 90 day period (Permitted Sale Period) following the expiration of the period provided in section (b) above, enter into a contract to sell the Property (with closing no more than ninety (90) days after the date of the contract) to any person or persons at a price not less than, and on terms and conditions not materially more favorable to Landlord than, those specified in the Offer Notice. If Landlord does not complete the sale of the Property before the end of the Permitted Sale Period, the right of first offer provided hereunder shall be deemed to be revived and the Property shall not be offered for sale or sold unless first reoffered to Tenant in accordance with this section.

(d) The right of first offer in this section shall not be applicable to sales or transfers of the Property on account of: intrafamily transfers, reorganization, sale or transfer to an affiliated entity.

(e) The right of first offer set forth in this section may not be assigned or transferred by Tenant.

33.13. Right of First Refusal.

(a) In the event Landlord decides to sell the Property during the Term of this Lease and does not enter into a contract to sell the Property during the Permitted Sale Period as set forth in Section 33.12 (c), Landlord agrees to follow the following procedure:

(b) If Landlord receives an Offer from a Qualified Purchaser that Landlord is willing to accept, Landlord shall give Tenant a copy of the Offer and certify to Tenant that the proposed purchaser is a Qualified Purchaser (Offer Notice). Any such sale shall be pursuant to a written offer (Offer) from Qualified Purchaser, who shall be an independent third party that is not directly or indirectly owned or controlled by or under common control with Tenant and that intends to purchase the Property for its own account.

(c) Tenant shall have thirty (30) days from the delivery of the Offer Notice (Acceptance Period) within which to notify Landlord of its election to purchase the Property under the terms and conditions specified in the Offer, by giving written notice to Landlord (Acceptance Notice) of such election.

(d) On delivery of the Acceptance Notice, Landlord and Tenant shall forthwith proceed to consummate the sale and purchase of the Property on the terms and conditions set forth in the Offer.

(e) If the Acceptance Notice is not transmitted by the County in a timely manner, then Landlord may thereafter proceed to sell the Property any time within 90 days after the expiration of the Acceptance Period, on the terms and conditions set forth in the Offer, free and clear of any rights of Tenant under this Right of First Refusal with respect to that sale only. Landlord may make changes in the terms and conditions of the Offer as long as such changes are not materially more favorable to Landlord and are agreed to by Tenant after the Offer has been submitted to Tenant.

(f) Any sale or proposed sale on any other terms and conditions or after expiration of said 90 days shall be a new sale subject to all of the terms of this Right of First Refusal.

(g) The right of first refusal set forth in this section shall not be applicable to sales or transfers of the Property on account of: intrafamily transfers, reorganization, sale or transfer to an affiliated entity.

(h) The right of first refusal set forth in this section may not be assigned or transferred by Tenant.

33.14. 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.

33.15. 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

33.16. 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.

33.17. Not Binding Until Executed. This Lease shall have no binding force or effect, nor confer any right or impose any obligations upon either party, until approval by the Board of Supervisors of Stanislaus County and execution of this Lease by both parties.

[Signatures on Following Page]

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

LANDLORD

TENANT

Cartan Investments, LP


County of Stanislaus

By: _____
Its: _____

By: Patricia Hill Thomas
Its: Chief Operations Officer

By: _____
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

Cartan Investments, LP

County of Stanislaus

By: _____
Its: _____

JOE SP

By: _____
Its: _____

*David W. [unclear]
General Partner*

By: Patricia Hill Thomas
Its: Chief Operations Officer

APPROVED AS TO FORM

By: John P. Doring
Stanislaus County Coroner

EXHIBIT "A"
DIAGRAM OF PREMISES

Exhibit A

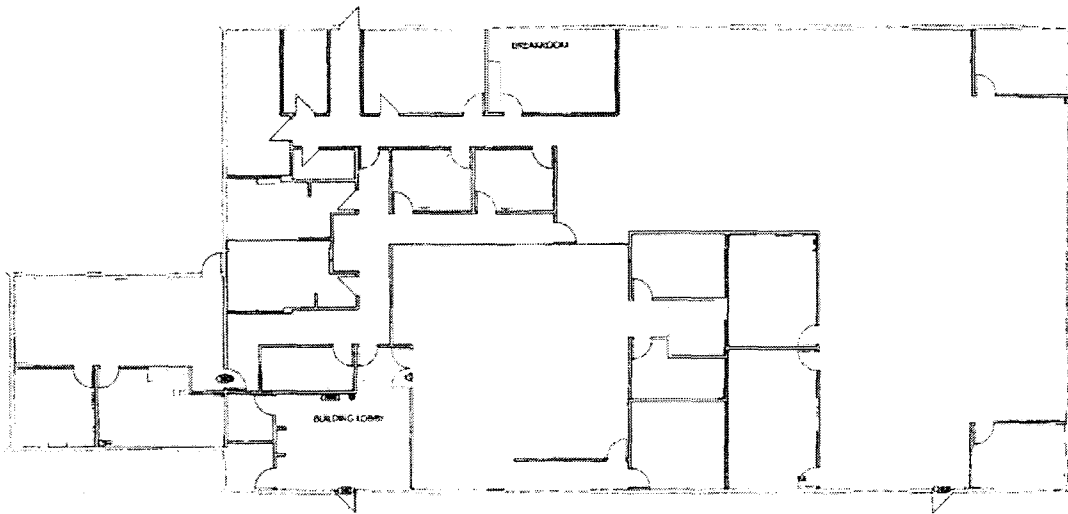


EXHIBIT "B"
LANDLORD WORK

Landlord, at its sole expense, shall perform the following work to the Premises prior to the Commencement Date:

- CASp Report: Landlord to provide recent Certified Access Specialist (CASp) report on the building, common areas and parking lot. Landlord shall make the improvements/modifications identified in the CASp report that are required for compliance with ADA law.
- Government Mandated Changes: Landlord shall make government mandated modifications to the Premises, if any are required.
- Electrical:
 - 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.
- Floor Covering & Base:
 - All carpet and base shall be replaced with comparable product and quality.
 - 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.
- Blinds: Repair or replace as needed to have uniform appearance and full functionality (see pics below).
- Roof & Ceiling Tiles: 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

- Heating & Air Conditioning: HVAC equipment shall be inspected and serviced prior to Tenant's occupancy to ensure that it is in good working condition, including, without limitation thermostats. As part of Landlords Work, Landlord shall;
 - Undertake to inspect, install and/or replace any non-working system elements of the HVAC.
 - Make reasonable modifications to the existing system to accommodate the Tenants configuration and anticipated use. Heating and cooling, 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.
- Keys and Locks: Provided by Landlord. Allow Tenant to use County proximity card system for entry to the Premises.

EXHIBIT "C"

LEASE CONSTRUCTION ACCESSIBILITY ADDENDUM

This is an addendum to the Lease Agreement ("Lease") dated May 16, 2017 in which Cartan Investments, LP is referred to as "Landlord" and Stanislaus County is referred to as "Tenant". The following is added to the Lease.

CONSTRUCTION-RELATED ACCESSIBILITY STANDARDS:

- A. Landlord states that the Premises [] have, or [X] have not been inspected by a Certified Access Specialist (CASp).
B. If the Premises have been inspected by a CASp,
(1) Landlord states that the Premises [] have, or [] have not been determined to meet all applicable construction-related accessibility standards pursuant to Civil Code Section 55.53. Landlord shall provide Tenant a copy of the report prepared by the CASp (and, if applicable a copy of the disability access inspection certificate) as specified below.
(2) [] (i) Tenant has received a copy of the report at least forty-eight (48) hours before executing this Lease. Tenant has no right to rescind this Lease based upon information contained in the report.
OR [] (ii) Tenant has received a copy of the report prior to, but not more than, forty-eight (48) hours before, executing this Lease. Based upon information contained in the report, Tenant has seventy-two (72) hours after execution of this Lease to rescind it.
OR [] (iii) Tenant has not received a copy of the report prepared by the CASp prior to execution of this Lease. Landlord shall provide a copy of the report prepared by the CASp (and, if applicable, a copy of the disability access inspection certificate) within seven (7) days after execution of this Lease. Tenant shall have up to three (3) days thereafter to rescind this Lease based upon information in the report.
C. If the Premises have not been inspected by a CASp or a certificate was not issued by the CASp who conducted the inspection, this notice is provided by Landlord:
"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 the construction-related accessibility standards within the premises."
D. [X] Notwithstanding anything to the contrary in California law, including Civil Code Section 1938, or in the Lease, Landlord, at Landlord's expense, is solely responsible for arranging and paying for the CASp inspection and for making any and all repairs or modifications necessary to correct violations of construction-related accessibility standards.

IN WITNESS WHEREOF, the Landlord and Tenant have executed this Addendum on the date set forth above.

LANDLORD

TENANT

Cartan Investments, LP

County of Stanislaus

By: [Signature]
Its: [Signature]
By: [Signature]
Its: [Signature]

[Signature]
By: Patricia Hill Thomas
Its: Chief Operations Officer

[Handwritten mark]

EXHIBIT "C"

LEASE CONSTRUCTION ACCESSIBILITY ADDENDUM

This is an addendum to the Lease Agreement ("Lease") dated May 16, 2017 in which Cartan Investments, LP is referred to as "Landlord" and Stanislaus County is referred to as "Tenant". The following is added to the Lease.

CONSTRUCTION-RELATED ACCESSIBILITY STANDARDS:

- A. Landlord states that the Premises have, or have not been inspected by a Certified Access Specialist (CASp).
- B. If the Premises have been inspected by a CASp,
 - (1) Landlord states that the Premises have, or have not been determined to meet all applicable construction-related accessibility standards pursuant to Civil Code Section 55.53. Landlord shall provide Tenant a copy of the report prepared by the CASp (and, if applicable a copy of the disability access inspection certificate) as specified below.
 - (2) (i) Tenant has received a copy of the report at least forty-eight (48) hours before executing this Lease. Tenant has no right to rescind this Lease based upon information contained in the report.
- OR (ii) Tenant has received a copy of the report prior to, but not more than, forty-eight (48) hours before, executing this Lease. Based upon information contained in the report, Tenant has seventy-two (72) hours after execution of this Lease to rescind it.
- OR (iii) Tenant has not received a copy of the report prepared by the CASp prior to execution of this Lease. Landlord shall provide a copy of the report prepared by the CASp (and, if applicable, a copy of the disability access inspection certificate) within seven (7) days after execution of this Lease. Tenant shall have up to three (3) days thereafter to rescind this Lease based upon information in the report.
- C. If the Premises have not been inspected by a CASp or a certificate was not issued by the CASp who conducted the inspection, this notice is provided by Landlord:

"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 the construction-related accessibility standards within the premises."
- D. Notwithstanding anything to the contrary in California law, including Civil Code Section 1938, or in the Lease, Landlord, at Landlord's expense, is solely responsible for arranging and paying for the CASp inspection and for making any and all repairs or modifications necessary to correct violations of construction-related accessibility standards.

IN WITNESS WHEREOF, the Landlord and Tenant have executed this Addendum on the date set forth above.

LANDLORD

TENANT

Cartan Investments, LP

County of Stanislaus


By: _____
Its: _____



By: _____
Its: _____

By: Patricia Hill Thomas
Its: Chief Operations Officer

APPROVED AS TO FORM:



By: John P. Doering
Stanislaus County Counsel

Exhibit D



**RULES AND REGULATIONS FOR
STANDARD OFFICE LEASE**

Exhibit 10

Dated: May 1, 2017

By and Between Cartan Investments L.P. and Stanislaus County

GENERAL RULES

1. Lessee shall not suffer or permit the obstruction of any Common Areas, including driveways, walkways and stairways.
2. Lessor reserves the right to refuse access to any persons Lessor in good faith judges to be a threat to the safety and reputation of the Project and its occupants.
3. Lessee shall not make or permit any noise or odors that annoy or interfere with other lessees or persons having business within the building/Project.
4. Lessee shall not keep animals or birds within the Building/Project, and shall not bring bicycles, motorcycles or other vehicles into areas not designated as authorized for same.
5. Lessee shall not make, suffer or permit litter except in appropriate receptacles for that purpose.
6. Lessee shall not alter any lock or install new or additional locks or bolts.
7. Lessee shall be responsible for the inappropriate use of any toilet rooms, plumbing or other utilities. No foreign substances of any kind are to be inserted therein.
8. Lessee shall not deface the walls, partitions or other surfaces of the Premises or Building/Project.
9. Lessee shall not suffer or permit anything in or around the Premises or Building that causes excessive vibration or floor loading in any part of the Project.
10. Furniture, significant freight and equipment shall be moved into or out of the building only with the Lessor's knowledge and consent, and subject to such reasonable limitations, techniques and timing, as may be designated by Lessor. Lessee shall be responsible for any damage to the Office Building Project arising from any such activity.
11. Lessee shall not employ any service or contractor for services or work to be performed in the Building, except as approved by Lessor.
12. ~~Lessor reserves the right to close and lock the Building on Saturdays, Sundays and Building Holidays, and on other days between the hours of _____ P.M. and _____ A.M. of the following day. If Lessee uses the Premises during such periods, Lessee shall be responsible for securely locking any doors it may have opened for entry.~~
13. Lessee shall return all keys at the termination of its tenancy and shall be responsible for the cost of replacing any keys that are lost.
14. No window coverings, shades or awnings shall be installed or used by Lessee.
15. No Lessee, employee or invitee shall go upon the roof of the Building.
16. Lessee shall not suffer or permit smoking or carrying of lighted cigars or cigarettes in areas reasonably designated by Lessor or by applicable governmental agencies as non-smoking areas.
17. Lessee shall not use any method of heating or air conditioning other than as provided by Lessor.
18. Lessee shall not install, maintain or operate any vending machines upon the Premises without Lessor's written consent.
19. The Premises shall not be used for lodging or manufacturing, cooking or food preparation.
20. Lessee shall comply with all safety, fire protection and evacuation regulations established by Lessor or any applicable governmental agency.
21. Lessor reserves the right to waive any one of these rules or regulations, and/or as to any particular Lessee, and any such waiver shall not constitute a waiver of any other rule or regulation or any subsequent application thereof to such Lessee.
22. Lessee assumes all risks from theft or vandalism and agrees to keep its Premises locked as may be required.
23. Lessor reserves the right to make such other reasonable rules and regulations as it may from time to time deem necessary for the appropriate operation and safety of the Project and its occupants. Lessee agrees to abide by these and such rules and regulations.

PARKING RULES

1. Parking areas shall be used only for parking by vehicles no longer than full size passenger automobiles herein called "Permitted Size Vehicles." Vehicles other than Permitted Size Vehicles are herein referred to as "Oversized Vehicles."
2. Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shoppers, customers, or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.
3. ~~Parking stickers or identification devices shall be the property of Lessor and be returned to Lessor by the holder thereof upon termination of the holder's parking privileges. Lessee will pay such replacement charge as is reasonably established by Lessor for the loss of such devices.~~
~~Lessor reserves the right to refuse the sale of monthly identification devices to any person or entity that willfully refuses to comply with the applicable rules, regulations, laws and/or agreements.~~
5. ~~Lessor reserves the right to relocate all or a part of parking spaces from floor to floor, within one floor, and/or to reasonably adjacent offsite locations, and to reasonably allocate them between compact and standard size spaces, as long as the same complies with applicable laws, ordinances and regulations.~~
6. Users of the parking area will obey all posted signs and park only in the areas designated for vehicle parking.
7. Unless otherwise instructed, every person using the parking area is required to park and lock his own vehicle. Lessor will not be responsible for any damage to vehicles, injury to persons or loss of property, all of which risks are assumed by the party using the parking area.
8. ~~Validation, if established, will be permissible only by such method or methods as Lessor and/or its licensee may establish at rates generally applicable to visitor parking.~~
9. The maintenance, washing, waxing or cleaning of vehicles in the parking structure or Common Areas is prohibited.
10. Lessee shall be responsible for seeing that all of its employees, agents and invitees comply with the applicable parking rules, regulations laws and agreements.
11. Lessor reserves the right to modify these rules and/or adopt such other reasonable and non-discriminatory rules and regulations as it may deem necessary for the proper operation of the parking area.
12. Such parking use as is herein provided is intended merely as a license only and no bailment is intended or shall be created hereby.

NOTICE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AIR Commercial Real Estate Association, 500 N Brand Blvd, Suite 900, Glendale, CA 91203. Telephone No. (213) 687-8777. Fax No.: (213) 687-8616.