AIRCRE contracts

STANDARD INDUSTRIAL/COMMERCIAL MULTI-TENANT LEASE ~~- GROSS~~

1. Basic Provisions ("Basic Provisions").

1.1 **Parties.** This Lease ("**Lease**"), dated for reference purposes only September 2nd, 2025, is made by and between Block 7 Retail Investors, LLC, a California limited liability company ("**Lessor**") and California Heritage Youthbuild Academy, a California nonprofit corporation ("**Lessee**"), (collectively the "**Parties**", or individually a "**Party**").

1.2(a) **Premises:** That certain real property, including all improvements therein or to be provided by Lessor under the terms of this Lease, commonly known as (street address, unit/suite, city, state, zip): 1255 Industrial St, Suite 1, Redding, CA 96002 ("**Premises**"). The Premises are located in the County of Shasta and generally described as (describe briefly the nature of the Premises and the "Project"): a commercial building consisting of approximately 5,770 rentable square feet within the Center of Hope Apartments I project located at 1255 Industrial Street in Redding, California ("Project"), together with use of the Project's common areas, including tenant improvements ("Improvements" as defined in Exhibit "A") to be constructed (collectively "Premises"). In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to any utility raceways of the building containing the Premises ("**Building**") and to the Common Areas (as defined in Paragraph 2.7 below), but shall not have any rights to the roof, or exterior walls of the Building or to any other buildings in the Project. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the "**Project**." (See also Paragraph 2)

1.2(b) **Parking:** Seven (7) ~~un~~reserved vehicle parking spaces. (See also Paragraph 2.6 and Addendum to Lease Paragraph 59)

1.3 **Term:** Fifteen (15) years and zero (0) months ("**Original Term**") commencing Upon full execution of the Lease ("**Commencement Date**") and ending Fifteen (15) years after the Commencement Date ("**Expiration Date**"). (See also Paragraph 3)

1.4 ~~**Early Possession.** If the Premises are available Lessee may have non-exclusive possession of the Premises commencing ____ ("**Early Possession Date**"). (See also Paragraphs 3.2 and 3.3)~~

1.5 **Base Rent:** Four Million Two Hundred Thousand Dollars and 00/100 ($4,200,000.00) ~~per month~~ for the entirety of the Original Term ("**Base Rent**"), payable ~~on the~~ within ninety (90) days following the execution of the lease . ~~day of each month commencing ____.~~ (See also Paragraph 4)

☐ ~~If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted. See Paragraph ____.~~

1.6 **Lessee's Share of Common Area Operating Expenses:** Ten point seven percent (10.7 %) ("**Lessee's Share**"). In the event that the size of the Premises and/or the Project are modified during the term of this Lease, Lessor shall recalculate Lessee's Share to reflect such modification.

1.7 **Base Rent and Other Monies Paid** ~~**Upon Execution**~~ The total Base Rent for the entirety of the Original Term shall be Four Million Two Hundred Thousand Dollars and 00/100 ($4,200,000.00). Lessee shall pay the total base rent within ninety (90) days following the execution of the Lease**:**

(a) **Base Rent:** $4,200,000 for the period Years 1-15 of the Lease .

(b) ~~**Common Area Operating Expenses:** The current estimate for the period ____ is ____.~~

(c) **Security Deposit:** $0.00 ("**Security Deposit**"). (See also Paragraph 5)

(d) ~~**Other:** ____ for ____.~~

(e) **Total Due** ~~**Upon**~~ **Within 90 Days Following Execution of this Lease:** $4,200,000 .

1.8 **Agreed Use:** Charter School Facility as described in Paragraph 6.1 of this Lease~~.~~ (See also Paragraph 6)

1.9 ~~**Insuring Party.** Lessor is the "**Insuring Party**". (See also Paragraph 8)~~

1.10 **Real Estate Brokers.** (See also Paragraphs 15 and 25)

(a) **Representation.** Each Party acknowledges receiving a Disclosure Regarding Real Estate Agency Relationship, confirms and consents to the following agency relationships in this Lease with the following real estate brokers ("**Broker(s)**") and/or their agents ("**Agent(s)**"):

Lessor's Brokerage Firm Cox Real Estate Consultants, Inc License No. 01208621 is the broker of (check one): ☑ the Lessor; or ☐ both the Lessee and Lessor (dual agent).

Lessor's Agent Jessica Whitlow, CCIM License No. 01941996 is (check one): ☑ the Lessor's Agent (salesperson or broker associate); or ☐ both the Lessee's Agent and the Lessor's Agent (dual agent).

Lessee's Brokerage Firm (Unrepresented) License No. ____ is the broker of (check one): ☐ the Lessee; or ☐ both the Lessee and Lessor (dual agent).

Lessee's Agent ____ License No. ____ is (check one): ☐ the Lessee's Agent (salesperson or broker associate); or ☐ both the Lessee's Agent and the Lessor's Agent (dual agent).

(b) **Payment to Brokers.** Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Brokers the brokerage fee agreed to in a separate written agreement ~~(or if there is no such agreement, the sum of ____ or ____% of the total Base Rent) for the brokerage services rendered by the Brokers.~~

1.11 ~~**Guarantor.** The obligations of the Lessee under this Lease are to be guaranteed by ____ ("**Guarantor**"). (See also Paragraph 37)~~

1.12 **Attachments.** Attached hereto are the following, all of which constitute a part of this Lease:

☑ an Addendum "A" consisting of Paragraphs 50 through 64 ;

Schedule of Lease Exhibits:

Addendum "B"	Insurance Requirements
Exhibit "A"	Lessee Work Letter
Exhibit "B"	Preliminary Plans
Exhibit "C"	As-Built Site Plan
Exhibit "D"	As-Built Building Plans
Exhibit "E"	American With Disabilities Act Disclosure
Exhibit "F"	Hazardous Materials Addendum
Exhibit "G"	Lessee's Certificate of Possession

DS ak INITIALS

Initial MC Initial UC INITIALS

Exhibit "H" Rules and Regulations

- ☐ ~~a site plan depicting the Premises;~~
- ☐ ~~a site plan depicting the Project;~~
- ☐ ~~a current set of the Rules and Regulations for the Project;~~
- ☐ ~~a current set of the Rules and Regulations adopted by the owners' association;~~
- ☐ ~~a Work Letter;~~
- ☑ other (specify): Disclosure Regarding Real Estate Agency Relationship, Buyer (or Tenant) Non-Agency Agreement .

2. Premises.

2.1 **Letting**. Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. While the approximate square footage of the Premises may have been used in the marketing of the Premises for purposes of comparison, the Base Rent stated herein is NOT tied to square footage and is not subject to adjustment should the actual size be determined to be different. **NOTE: Lessee is advised to verify the actual size prior to executing this Lease.**

2.2 **Condition.** Lessor shall deliver that portion of the Premises contained within the Building ("**Unit**") to Lessee broom clean and free of debris on the Commencement Date or the Early Possession Date, whichever first occurs ("**Start Date**"), and, so long as the required service contracts described in Paragraph 7.1(b) below are obtained by Lessee and in effect within thirty days following the Start Date, warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems ("**HVAC**"), loading doors, sump pumps, if any, and all other such elements in the Unit, other than those constructed by Lessee, shall be in good operating condition on said date, that the structural elements of the roof, bearing walls and foundation of the Unit shall be free of material defects, and that the Unit does not contain hazardous levels of any mold or fungi defined as toxic under applicable state or federal law. If a non-compliance with such warranty exists as of the Start Date, or if one of such systems or elements should malfunction or fail within the appropriate warranty period, Lessor shall, as Lessor's sole obligation with respect to such matter, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, malfunction or failure, rectify same at Lessor's expense. The warranty periods shall be as follows: (i) 6 months as to the HVAC systems, and (ii) 30 days as to the remaining systems and other elements of the Unit. If Lessee does not give Lessor the required notice within the appropriate warranty period, correction of any such non-compliance, malfunction or failure shall be the obligation of Lessee at Lessee's sole cost and expense (except for the repairs to the fire sprinkler systems, roof, foundations, and/or bearing walls - see Paragraph 7). Lessor also warrants, that unless otherwise specified in writing, Lessor is unaware of (i) any recorded Notices of Default affecting the Premise; (ii) any delinquent amounts due under any loan secured by the Premises; and (iii) any bankruptcy proceeding affecting the Premises. Lessor will use reasonable efforts to cooperate with Lessee to prosecute any valid warranty claim related to warranties for any building systems and the building itself.

2.3 **Compliance.** Lessor warrants that to the best of its knowledge the improvements on the Premises and the Common Areas comply with the building codes, applicable laws, covenants or restrictions of record, regulations, and ordinances ("**Applicable Requirements**") that were in effect at the time that each improvement, or portion thereof, was constructed. Said warranty does not apply to the use to which Lessee will put the Premises, modifications which may be required by the Americans with Disabilities Act or any similar laws as a result of Lessee's use (see Paragraph 49), or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a)) made or to be made by Lessee. **NOTE: Lessee is responsible for determining whether or not the Applicable Requirements, and especially the zoning, are appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed.** If the Premises do not comply with said warranty, Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within 6 months following the Start Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense. If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Unit, Premises and/or Building, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Unit, Premises and/or Building ("**Capital Expenditure**"), Lessor and Lessee shall allocate the cost of such work as follows: Lessee shall be responsible for all Capital Expenditures**.**

~~(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof, provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease and the cost thereof exceeds 6 months' Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within 10 days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and the amount equal to 6 months' Base Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least 90 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.~~

~~(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor shall pay for such Capital Expenditure and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease or any extension thereof, on the date that on which the Base Rent is due, an amount equal to 1/144th of the portion of such costs reasonably attributable to the Premises. Lessee shall pay Interest on the balance but may prepay its obligation at any time. If, however, such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with Interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor.~~

~~(c)~~ Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to non-voluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall either: (i) immediately cease such changed use or intensity of use and/or take such other steps as may be necessary to eliminate the requirement for such Capital Expenditure, or (ii) complete such Capital Expenditure at its own expense. Lessee shall not have any right to terminate this Lease.

2.4 **Acknowledgements.** Lessee acknowledges that: (a) Lessee has been advised by Lessor and/or Brokers to satisfy itself with respect to the size and condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler systems, security, environmental aspects, and compliance with Applicable Requirements and the Americans with Disabilities Act), and their suitability for

DS Ak
INITIALS

Initial MC Initial LC
INITIALS

Lessee's intended use; (c) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefor as the same relate to its occupancy of the Premises; (d) it is not relying on any representation as to the size of the Premises made by Brokers or Lessor; (e) the square footage of the Premises was not material to Lessee's decision to lease the Premises and pay the Rent stated herein; and (f) neither Lessor, Lessor's agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises; and (ii) it is Lessor's sole responsibility to investigate the financial capability and/or suitability of all proposed tenants.

2.5 **Lessee as Prior Owner/Occupant**. The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the Start Date Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.

2.6 **Vehicle Parking**. Lessee shall be entitled to use the number of Parking Spaces specified in Paragraph 1.2(b) on those portions of the Common Areas designated from time to time by Lessor for parking. Lessee shall not use more parking spaces than said number. Said parking spaces shall be used for parking by vehicles no larger than full-size passenger automobiles or pick-up trucks, herein called "**Permitted Size Vehicles**." Lessor may regulate the loading and unloading of vehicles by adopting Rules and Regulations as provided in Paragraph 2.9. No vehicles other than Permitted Size Vehicles may be parked in the Common Area without the prior written permission of Lessor. In addition:

(a) Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, contractors or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.

(b) Lessee shall not service or store any vehicles in the Common Areas.

(c) If Lessee permits or allows any of the prohibited activities described in this Paragraph 2.6, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.7 **Common Areas - Definition**. The term "**Common Areas**" is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Project and interior utility raceways and installations within the Unit that are provided and designated by the Lessor from time to time for the general non-exclusive use of Lessor, Lessee and other tenants of the Project and their respective employees, suppliers, shippers, customers, contractors and invitees, including parking areas, loading and unloading areas, trash areas, roofs, roadways, walkways, driveways and landscaped areas.

2.8 **Common Areas - Lessee's Rights**. Lessor grants to Lessee, for the benefit of Lessee and its employees, suppliers, shippers, contractors, customers and invitees, during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Lessor under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Project. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Lessor or Lessor's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.9 **Common Areas - Rules and Regulations**. Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to establish, modify, amend and enforce reasonable rules and regulations ("**Rules and Regulations**") for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Project and their invitees. Lessee agrees to abide by and conform to all such Rules and Regulations, and shall use its best efforts to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessor shall not be responsible to Lessee for the non-compliance with said Rules and Regulations by other tenants of the Project. Lessor shall not make changes to the Rules and Regulations that materially interfere with Lessee's Agreed Use of the Premises.

2.10 **Common Areas - Changes**. Lessor shall have the right, in Lessor's sole discretion, from time to time:

(a) To make changes to the Common Areas, including, without limitation, changes in the location, size, shape and number of driveways, entrances, parking spaces, parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways;

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;

(c) To designate other land outside the boundaries of the Project to be a part of the Common Areas;

(d) To add additional buildings and improvements to the Common Areas;

(e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Project, or any portion thereof; and

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Project as Lessor may, in the exercise of sound business judgment, deem to be appropriate.

3. Term.

3.1 **Term**. The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3.

3.2 ~~**Early Possession.** Any provision herein granting Lessee Early Possession of the Premises is subject to and conditioned upon the Premises being available for such possession prior to the Commencement Date. Any grant of Early Possession only conveys a non-exclusive right to occupy the Premises. If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such Early Possession. All other terms of this Lease (including but not limited to the obligations to pay Lessee's Share of Common Area Operating Expenses, Real Property Taxes and insurance premiums and to maintain the Premises) shall be in effect during such period. Any such Early Possession shall not affect the Expiration Date.~~

3.3 **Delay In Possession.** Lessor agrees to use commercially reasonable efforts to deliver exclusive possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession by such date, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease or change the Expiration Date. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until Lessor delivers possession of the Premises and any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. ~~If possession is not delivered within 60 days after the Commencement Date, as the same may be extended under the terms of any Work Letter executed by Parties, Lessee may, at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10 day period, Lessee's right to cancel shall terminate. If possession of the Premises is not delivered within 120 days after the Commencement Date, this Lease shall terminate unless other agreements are reached between Lessor and Lessee, in writing.~~ For the avoidance of doubt, delivery of "exclusive possession" for the purposes of this paragraph shall mean delivery to Lessee of a copy of Lessor's Certificate of Possession to the Premises, dated 1.31.24, receipt of which is hereby acknowledged and the keys to the Premises. The parties further acknowledge that Lessee intends to seek an Administrative Use Permit with the City of Redding ("AUP") for the Agreed Use (as hereinafter defined) of the Premises and Lessor shall cooperate with Lessee's efforts to obtain the AUP, however, delivery of "exclusive possession' is not contingent upon Lesse's

DS ak   Initial MC   Initial LC

INITIALS   INITIALS

prosecution of the AUP.

3.4 **Lessee Compliance**. Lessor shall not be required to tender possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of insurance (Paragraph 8.5). Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.

4. Rent.

4.1 **Rent Defined**. All monetary obligations of Lessee to Lessor under the terms of this Lease (except for ~~the~~ any Security Deposit) are deemed to be rent ("**Rent**").

4.2 **Common Area Operating Expenses**. Lessee shall pay to Lessor during the term hereof, in addition to the Base Rent, Lessee's Share (as specified in Paragraph 1.6) of all Common Area Operating Expenses, as hereinafter defined, during each calendar year of the term of this Lease, in accordance with the following provisions:

(a) The following costs relating to the ownership and operation of the Project are defined as "**Common Area Operating Expenses**":

~~(i) Costs relating to the operation, repair and maintenance, in neat, clean, good order and condition, but not the replacement (see subparagraph (e)), of the following:~~

~~(aa) The Common Areas and Common Area improvements, including parking areas, loading and unloading areas, trash areas, roadways, parkways, walkways, driveways, landscaped areas, bumpers, irrigation systems, Common Area lighting facilities, fences and gates, elevators, roofs, exterior walls of the buildings, building systems and roof drainage systems.~~

~~(bb) Exterior signs and any tenant directories.~~

~~(cc) Any fire sprinkler systems.~~

~~(dd) All other areas and improvements that are within the exterior boundaries of the Project but outside of the Premises and/or any other space occupied by a tenant.~~

~~(ii) The cost of water, gas, electricity and telephone to service the Common Areas and any utilities not separately metered.~~

~~(iii) The cost of trash disposal, pest control services, property management, security services, owners' association dues and fees, the cost to repaint the exterior of any structures and the cost of any environmental inspections.~~

~~(iv) Reserves set aside for maintenance and repair of Common Areas and Common Area equipment.~~

~~(v) Any increase above the Base Real Property Taxes (as defined in Paragraph 10).~~ See paragraph 10.2

(~~v~~i) Any insurance cost incurred by Lessor pursuant to Paragraph 8.3 and attributable to the Common Areas. ~~"Insurance Cost Increase" (as defined in Paragraph 8).~~

~~(vii) Any deductible portion of an insured loss concerning the Building or the Common Areas.~~

~~(viii) Auditors', accountants' and attorneys' fees and costs related to the operation, maintenance, repair and replacement of the Project Common Areas.~~

~~(ix) The cost of any capital improvement to the Premises-Building or the Project not covered under the provisions of Paragraph 2.3, provided, however, that Lessor shall allocate the cost of any such capital improvement over a 12 year period and Lessee shall not be required to pay more than Lessee's Share of 1/144th of the cost of such capital improvement in any given month. Lessee shall pay Interest on the unamortized balance but may prepay its obligation at any time.~~

~~(x) The cost of any other services to be provided by Lessor that are stated elsewhere in this Lease to be a Common Area Operating Expense.~~

~~(b) Any Common Area Operating Expenses and Real Property Taxes that are specifically attributable to the Unit, the Building or to any other building in the Project or to the operation, repair and maintenance thereof, shall be allocated entirely to such Unit, Building, or other building. However, any Common Area Operating Expenses and Real Property Taxes that are not specifically attributable to the Building or to any other building or to the operation, repair and maintenance thereof, shall be equitably allocated by Lessor to all buildings in the Project.~~

~~(c) The inclusion of the improvements, facilities and services set forth in Subparagraph 4.2(a) shall not be deemed to impose an obligation upon Lessor to either have said improvements or facilities or to provide those services unless the Project already has the same, Lessor already provides the services, or Lessor has agreed elsewhere in this Lease to provide the same or some of them.~~

~~(d) Lessee's Share of Common Area Operating Expenses is payable monthly on the same day as the Base Rent is due hereunder. The amount of such payments shall be based on Lessor's estimate of the annual Common Area Operating Expenses. Within 60 days after written request (but not more than once each year) Lessor shall deliver to Lessee a reasonably detailed statement showing Lessee's Share of the actual Common Area Operating Expenses for the preceding year. If Lessee's payments during such year exceed Lessee's Share, Lessor shall credit the amount of such over-payment against Lessee's future payments. If Lessee's payments during such year were less than Lessee's Share, Lessee shall pay to Lessor the amount of the deficiency within 10 days after delivery by Lessor to Lessee of the statement.~~

~~(e) Common Area Operating Expenses shall not include the cost of replacing equipment or capital components such as the roof, foundations, exterior walls or Common Area capital improvements, such as the parking lot paving, elevators, or fences that have a useful life for accounting purposes of 5 years or more.~~

~~(f) Common Area Operating Expenses shall not include any expenses paid by any tenant directly to third parties, or as to which Lessor is otherwise reimbursed by any third party, other tenant, or insurance proceeds.~~

(b) Any Operating Expense that exclusively service or is attributed to the Premises shall be paid by Lessee at 100% rather than Lessee's share (as specified in paragraph 1.6).

4.3 **Payment.** Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States, without offset or deduction (except as specifically permitted in this Lease), on or before the day on which it is due. All monetary amounts shall be rounded to the nearest whole dollar. In the event that any statement or invoice prepared by Lessor is inaccurate such inaccuracy shall not constitute a waiver and Lessee shall be obligated to pay the amount set forth in this Lease. Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating. In the event that any check, draft, or other instrument of payment given by Lessee to Lessor is dishonored for any reason, Lessee agrees to pay to Lessor the sum of $25 in addition to any late charges and Lessor, at its option, may require all future Rent be paid by cashier's check. Payments will be applied first to accrued late charges and attorney's fees, second to accrued interest, then to Base Rent and Common Area Operating Expenses, and any remaining amount to any other outstanding charges or costs.

~~5. **Security Deposit**. Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations~~

DS Initial Initial

ak MC LC

INITIALS INITIALS

~~under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease, Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount already due Lessor, for Rents which will be due in the future, and/ or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of the Security Deposit, Lessee shall within 10 days after written request therefor deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sublessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, in Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within 90 days after the expiration or termination of this Lease, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. Lessor shall upon written request provide Lessee with an accounting showing how that portion of the Security Deposit that was not returned was applied. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease. THE SECURITY DEPOSIT SHALL NOT BE USED BY LESSEE IN LIEU OF PAYMENT OF THE LAST MONTH'S RENT.~~

6. Use.

6.1 **Use.** Lessee shall use and occupy the Premises solely for a public facility operated by California Heritage YouthBuild Academy (CHYBA) to provide Workforce Recovery Training Program (WRTP) services, including workforce development, Career Technical Education (CTE), academic education, workforce readiness services, and supportive services to low- to moderate-income (LMI) eligible participants residing in Shasta County, consistent with the State Agreement and Use Restriction Agreement, ~~only for the Agreed Use, or any other legal use which is reasonably comparable thereto,~~ and for no other purpose without Lessor's prior written consent ("Agreed Use"). Lessor may withhold, condition or deny consent to change the Agreed Use in its sole and absolute discretion, including for reasons that are not commercially reasonable, as permitted under California Civil Code sections 1997.230 and 1997.250 (b). Pursuant to California Civil Code section 1997.250 (b), Lessor's consent to change the Agreed Use may be withheld, conditioned or denied based on Lessor's sole and absolute interpretation of the following express standards and conditions, including, but not limited to: (1) whether the proposed use, violates or is anticipated to violate any covenant, condition, restriction, license provision, contract right or obligation, corporate or owner's association bylaws, condominium plans, operating agreements, regulation, zoning law, governmental approval, or any other rule with the force of law applicable to the Premises or the Project, whether now existing or imposed in the future; (2) whether the proposed use will negatively affect the marketability, desirability, or financial value of the Premises or the Project or any surrounding properties owned or controlled by Lessor or Lessor's subsidiaries or affiliates; (3) whether the proposed use as would result in increased operational, maintenance, security, or insurance costs for the Premises or the Project; (4) whether the proposed use will create an adverse impact on other tenants, occupants, or neighboring businesses in a manner inconsistent with the business judgment or financial or strategic interests of the Lessor of Lessor's subsidiaries and affiliates; (5) whether the use conflicts with or is otherwise inconsistent with Lessor's corporate policies, branding strategy, investor strategy or objectives of a managing member, board of directors or officers; (6) whether additional construction or permitting would be required; or (7) whether there will be additional noise, traffic, environmental impacts or insurance exposure that the Lessor deems unacceptable. No failure or delay by Lessor in responding to a request for a change in use shall be construed as an approval or waiver of this Paragraph 6.1. Lessee acknowledges that the Premises and associated improvements are funded in part through the Community Development Block Grant – Disaster Recovery (CDBG-DR) Program. Lessee agrees that the Premises shall be used exclusively for trauma-informed education, workforce training, and supportive services for low- to moderate-income individuals and families. Lessee shall not convert the Premises to a different use without prior written approval from the City of Redding and the California Department of Housing and Community Development. Provided, however, for the avoidance of doubt, nothing contained in the previous sentence shall be construed as a waiver of Lessee's obligation to obtain Lessor's consent to any change to the Agreed Use, which request shall be subject to Lessor's right to withhold, condition, or deny consent as more particularly set forth above. Lessee's interest in the Lease is subordinate to , and Lessee's right to use and occupy the Premises is subject to and conditioned upon compliance with all the terms, covenants and conditions set forth in: (1) the Bylaws of Center of Hope Owners Association; (2) the Declaration of Covenants, Conditions and Restrictions for Center of Hope; and (3) the Condominium Plan for Center of Hope, receipt of which Lessee hereby acknowledges. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties. Other than guide, signal and seeing eye dogs, Lessee shall not keep or allow in the Premises any pets, animals, birds, fish, or reptiles. ~~Lessor shall not unreasonably withhold or delay its consent to any written request for a modification of the Agreed Use, so long as the same will not impair the structural integrity of the Building or the mechanical or electrical systems therein, and/or is not significantly more burdensome to the Project. If Lessor elects to withhold consent, Lessor shall within 7 days after such request give written notification of same, which notice shall include an explanation of Lessor's objections to the change in the Agreed Use.~~

6.2 **Hazardous Substances.**

(a) **Reportable Uses Require Consent**. The term "**Hazardous Substance**" as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment or the Premises; (ii) regulated or monitored by any governmental authority; or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, byproducts or fractions thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee's expense) with all Applicable Requirements. "**Reportable Use**" shall mean (i) the installation or use of any above or below ground storage tank; (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use such as ordinary office supplies (copier toner, liquid paper, glue, etc.) and common household cleaning materials, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability, including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit.

(b) **Duty to Inform Lessor**. If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

DS ak

INITIALS

Initial MC Initial LL

INITIALS

(c) **Lessee Remediation**. Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, comply with all Applicable Requirements and take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) **Lessee Indemnification.** Lessee shall indemnify, defend and hold Lessor Parties, ~~its agents, employees,~~ lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, or any third party (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from areas outside of the Project not caused or contributed to by Lessee). Lessee's obligations shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

(e) **Lessor Indemnification.** Except as otherwise provided in paragraph 8.7, Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which are suffered as a direct result of Hazardous Substances on the Premises ~~prior to Lessee taking possession or~~ which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

(f) **Investigations and Remediations.** Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to the Lessee taking possession, unless such remediation measure is required as a result of Lessee's modification or use (including "Alterations", "Utility Installations" or "Trade Fixtures", each as defined in paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessor's investigative and remedial responsibilities.

(g) **Lessor Termination Option.** If a Hazardous Substance Condition (see Paragraph 9.1(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to remediate such condition exceeds ~~12 times the then monthly Base Rent or~~ $100,000, ~~whichever is greater,~~ give written notice to Lessee, within 30 days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within 10 days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds ~~an amount equal to 12 times the then monthly Base Rent or~~ $100,000. ~~, whichever is greater.~~ Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

6.3 **Lessee's Compliance with Applicable Requirements**. Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the Premises, without regard to whether said Applicable Requirements are now in effect or become effective after the Start Date. Lessee shall, within 10 days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements. Likewise, Lessee shall immediately give written notice to Lessor of: (i) any water damage to the Premises and any suspected seepage, pooling, dampness or other condition conducive to the production of mold; or (ii) any mustiness or other odors that might indicate the presence of mold in the Premises.

6.4 **Inspection; Compliance**. Lessor and Lessor's "**Lender**" (as defined in Paragraph 30) and consultants authorized by Lessor shall have the right to enter into Premises at any time in the case of an emergency, and otherwise at reasonable times after reasonable notice, for the purpose of inspecting and/or testing the condition of the Premises and/or for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a Hazardous Substance Condition (see Paragraph 9.1(e)) is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination. In addition, Lessee shall provide copies of all relevant material safety data sheets (**MSDS**) to Lessor within 10 days of the receipt of a written request therefor. Lessee acknowledges that any failure on its part to allow such inspections or testing will expose Lessor to risks and potentially cause Lessor to incur costs not contemplated by this Lease, the extent of which will be extremely difficult to ascertain. Accordingly, should the Lessee fail to allow such inspections and/or testing in a timely fashion the Base Rent shall be automatically increased, without any requirement for notice to Lessee, by an amount equal to 10% of the then existing Base Rent or $100, whichever is greater for the remainder to the Lease. The Parties agree that such increase in Base Rent represents fair and reasonable compensation for the additional risk/costs that Lessor will incur by reason of Lessee's failure to allow such inspection and/or testing. Such increase in Base Rent shall in no event constitute a waiver of Lessee's Default or Breach with respect to such failure nor prevent the exercise of any of the other rights and remedies granted hereunder.

7. Maintenance; Repairs; Utility Installations; Trade Fixtures and Alterations.

7.1 **Lessee's Obligations.**

(a) **In General.** Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance), 6.3 (Lessee's Compliance with Applicable Requirements), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole expense, keep the Premises, Utility Installations (intended for Lessee's exclusive use, no matter where located), and Alterations in good order, condition and repair (whether or not the portion of the Premises requiring repairs, or the means of repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, but not limited to, all equipment or facilities, such as plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fixtures, interior walls, interior surfaces of exterior walls, ceilings, floors, windows, doors, plate glass, and skylights but excluding any items which are the responsibility of Lessor pursuant to Paragraph 7.2. Lessee, in keeping the Premises in good order, condition and repair,

DS
ak

INITIALS

Initial
MC

Initial
LC

INITIALS

shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Paragraph 7.1(b) below. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair provided that Lessor shall be responsible for any HVAC replacement or repair~~.~~

(b) **Service Contracts.** Lessee shall, at Lessee's sole expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in the maintenance of the following equipment and improvements, if any, if and when installed on the Premises: (i) HVAC equipment, (ii) boiler and pressure vessels, and (iii) clarifiers. However, Lessor reserves the right, upon notice to Lessee, to procure and maintain any or all of such service contracts~~,~~ (which service shall be performed twice annually) and Lessee shall reimburse Lessor, upon demand, for the cost thereof.

(c) **Failure to Perform.** If Lessee fails to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after 10 days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, and Lessee shall promptly pay to Lessor a sum equal to 115% of the cost thereof.

(d) **Replacement.** Subject to the last sentence of Paragraph 7.1(a) and s~~S~~ubject to Lessee's indemnification of Lessor as set forth in Paragraph 8.7 below, and without relieving Lessee of liability resulting from Lessee's failure to exercise and perform good maintenance practices, if an item described in Paragraph 7.1(b) cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such item, then such item shall be replaced by Lessor, and the cost thereof shall be prorated between the Parties and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease or any extension thereof, on the date on which Base Rent is due, an amount equal to the product of multiplying the cost of such replacement by a fraction, the numerator of which is one, and the denominator of which is 144 (i.e. 1/144th of the cost per month). Lessee shall pay Interest on the unamortized balance but may prepay its obligation at any time.

7.2 **Lessor's Obligations.** Subject to the provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 4.2 (Common Area Operating Expenses), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler system, Common Area fire alarm and/or smoke detection systems, fire hydrants, parking lots, walkways, parkways, driveways, landscaping, fences, signs and utility systems serving the Common Areas and all parts thereof , as well as providing the services for which there is a Common Area Operating Expense pursuant to Paragraph 4.2. Lessor shall not be obligated to paint the exterior or interior surfaces of exterior walls nor shall Lessor be obligated to maintain, repair or replace windows, doors or plate glass of the Premises.

7.3 **Utility Installations; Trade Fixtures; Alterations.**

(a) **Definitions**. The term "**Utility Installations**" refers to all floor and window coverings, air and/or vacuum lines, power panels, electrical distribution, security and fire protection systems, communication cabling, lighting fixtures, HVAC equipment, plumbing, and fencing in or on the Premises. The term "**Trade Fixtures**" shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term "**Alterations**" shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. "**Lessee Owned Alterations and/or Utility Installations**" are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a).

(b) **Consent.** Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Alterations or Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, will not affect the electrical, plumbing, HVAC, and/or life safety systems, do not trigger the requirement for additional modifications and/or improvements to the Premises resulting from Applicable Requirements, such as compliance with Title 24. ~~, and the cumulative cost thereof during this Lease as extended does not exceed a sum equal to 3 months' Base Rent in the aggregate or a sum equal to one month's Base Rent in any one year.~~ Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor.

(c) **Liens; Bonds**. Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than 10 days notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to 150% of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys' fees and costs.

7.4 **Ownership; Removal; Surrender; and Restoration**.

(a) **Ownership**. Subject to Lessor's right to require removal or elect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

(b) **Removal.** By delivery to Lessee of written notice from Lessor not earlier than 90 and not later than 30 days prior to the end of the term of this Lease, Lessor may require that any or all Improvements, Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent.

(c) **Surrender; Restoration.** Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing and the provisions of Paragraph 7.1(a), if the Lessee occupies the Premises for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures, Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall also remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Premises) to the level specified in Applicable Requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. Any personal property of Lessee not removed on or before the Expiration Date or any earlier

DS AK

INITIALS

Initial MC Initial LC

INITIALS

termination date shall be deemed to have been abandoned by Lessee and may be disposed of or retained by Lessor as Lessor may desire. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below.

8. Insurance; Indemnity.

8.1 ~~**Payment of Premium Increases.**~~

~~(a) As used herein, the term "**Insurance Cost Increase**" is defined as any increase in the actual cost of the insurance applicable to the Building and/or the Project and required to be carried by Lessor, pursuant to Paragraphs 8.2(b), 8.3(a) and 8.3(b), over and above the Base Premium, as hereinafter defined, calculated on an annual basis. Insurance Cost Increase shall include, but not be limited to, requirements of the holder of a mortgage or deed of trust covering the Premises, Building and/or Project, increased valuation of the Premises, Building and/or Project, and/or a general premium rate increase. The term Insurance Cost Increase shall not, however, include any premium increases resulting from the nature of the occupancy of any other tenant of the Building. The "**Base Premium**" shall be the annual premium applicable to the 12 month period immediately preceding the Start Date. If, however, the Project was not insured for the entirety of such 12 month period, then the Base Premium shall be the lowest annual premium reasonably obtainable for the Required Insurance as of the Start Date, assuming the most nominal use possible of the Building. In no event, however, shall Lessee be responsible for any portion of the premium cost attributable to liability insurance coverage in excess of $2,000,000 procured under Paragraph 8.2(b).~~

~~(b) Lessee shall pay any Insurance Cost Increase to Lessor pursuant to Paragraph 4.2. Premiums for policy periods commencing prior to, or extending beyond, the term of this Lease shall be prorated to coincide with the corresponding Start Date or Expiration Date.~~

8.2 **Liability Insurance**. See Addendum "B"

~~(a) **Carried by Lessee.** Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $1,000,000 per occurrence with an annual aggregate of not less than $2,000,000. Lessee shall add Lessor as an additional insured by means of an endorsement at least as broad as the Insurance Service Organization's "Additional Insured-Managers or Lessors of Premises" Endorsement. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "**insured contract**" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. Lessee shall provide an endorsement on its liability policy(ies) which provides that its insurance shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only.~~

(b) **Carried by Lessor**. Lessor shall maintain general liability insurance as described in Addendum "B" ~~Paragraph 8.2(a)~~, in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 **Property Insurance - Building, Improvements and Rental Value**.

(a) **Building and Improvements**. Lessor shall obtain and keep in force a policy or policies of insurance in the name of Lessor, with loss payable to Lessor, any ground-lessor, and to any Lender insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full insurable replacement cost of the Premises, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available insurable value thereof. Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee not by Lessor. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed $5,000 per occurrence.

(b) **Rental Value**. Lessor shall also obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one year with an extended period of indemnity for an additional 180 days ("**Rental Value insurance**"). Said insurance shall contain an agreed valuation provision in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next 12 month period. Lessee shall reimburse Lessor upon demand for the cost of the Rental Value insurance.

(c) **Adjacent Premises**. Lessee shall pay for any increase in the premiums for the property insurance of the Building and for the Common Areas or other buildings in the Project if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(d) **Lessee's Improvements**. ~~Since Lessor is the Insuring Party,~~ Lessor shall not be required to insure Lessee Owned Alterations and Utility Installations. unless the item in question has become the property of Lessor under the terms of this Lease.

8.4 **Lessee's Property; Business Interruption Insurance; Worker's Compensation Insurance**.

(a) **Property Damage.** Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures, and Lessee Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a deductible not to exceed $1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of personal property, Trade Fixtures and Lessee Owned Alterations and Utility Installations.

(b) **Business Interruption**. Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all perils commonly insured against by prudent lessees in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

(c) **Worker's Compensation Insurance**. Lessee shall obtain and maintain Worker's Compensation Insurance in such amount as may be required by Applicable Requirements. Such policy shall include a 'Waiver of Subrogation' endorsement. Lessee shall provide Lessor with a copy of such endorsement along with the certificate of insurance or copy of the policy required by paragraph 8.5.

(d) **No Representation of Adequate Coverage**. Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.

8.5 **Insurance Policies.** Insurance required herein shall be by companies maintaining during the policy term a "General Policyholders Rating" of at least A-, VII, as set forth in the most current issue of "Best's Insurance Guide", or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates with copies of the required endorsements evidencing the existence and amounts of the required insurance. No such policy shall be cancelable or subject to modification except after 30 days prior written notice to Lessor. Lessee shall, at least 10 days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may increase Lessor's liability insurance coverage and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure

DS AK   Initial ML   Initial LL

INITIALS   INITIALS

and maintain the same.

8.6 **Waiver of Subrogation**. Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 **Indemnity**. See Paragraphs 53 and 54.
~~Except for Lessor's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, a Breach of the Lease by Lessee and/or the use and/or occupancy of the Premises and/or Project by Lessee and/or by Lessee's employees, contractors or invitees. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified.~~

8.8 **Exemption of Lessor and its Agents from Liability**. Notwithstanding the negligence or breach of this Lease by Lessor or its agents, neither Lessor nor Lessor Parties ~~its agents~~ shall be liable under any circumstances for: (i) injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, indoor air quality, the presence of mold or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the Building, or from other sources or places; (ii) any damages arising from any act or neglect of any other tenant of Lessor or from the failure of Lessor or Lessor Parties ~~its agents~~ to enforce the provisions of any other lease in the Project; or (iii) injury to Lessee's business or for any loss of income or profit therefrom. Instead, it is intended that Lessee's sole recourse in the event of such damages or injury be to file a claim on the insurance policy(ies) that Lessee is required to maintain pursuant to the provisions of paragraph 8.

8.9 **Failure to Provide Insurance**. Lessee acknowledges that any failure on its part to obtain or maintain the insurance required herein will expose Lessor to risks and potentially cause Lessor to incur costs not contemplated by this Lease, the extent of which will be extremely difficult to ascertain. Accordingly, for any month or portion thereof that Lessee does not maintain the required insurance and/or does not provide Lessor with the required binders or certificates evidencing the existence of the required insurance, the Base Rent shall be automatically increased, without any requirement for notice to Lessee, by an amount equal to 10% of the then existing Base Rent or $100, whichever is greater. The parties agree that such increase in Base Rent represents fair and reasonable compensation for the additional risk/costs that Lessor will incur by reason of Lessee's failure to maintain the required insurance. Such increase in Base Rent shall in no event constitute a waiver of Lessee's Default or Breach with respect to the failure to maintain such insurance, prevent the exercise of any of the other rights and remedies granted hereunder, nor relieve Lessee of its obligation to maintain the insurance specified in this Lease.

9. Damage or Destruction.

9.1 **Definitions.**

(a) "**Premises Partial Damage**" shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which can reasonably be repaired in 3 months or less from the date of the damage or destruction, and the cost thereof does not exceed a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(b) "**Premises Total Destruction**" shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which cannot reasonably be repaired in 3 months or less from the date of the damage or destruction and/or the cost thereof exceeds a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) "**Insured Loss**" shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

(d) "**Replacement Cost**" shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) "**Hazardous Substance Condition**" shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance, in, on, or under the Premises which requires restoration.

9.2 **Partial Damage - Insured Loss**. If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is $10,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Lessor ~~Insuring Party~~ shall promptly contribute the shortage in proceeds as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full Replacement Cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said 10 day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 **Partial Damage - Uninsured Loss**. If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense (subject to reimbursement pursuant to Paragraph 4.2), in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective 60 days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to

DS
AK

INITIALS

Initial
MC

Initial
LL

INITIALS

Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 **Total Destruction.** Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate 60 days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6.

9.5 **Damage Near End of Term**. If at any time during the last 6 months of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective 60 days following the date of occurrence of such damage by giving a written termination notice to Lessee within 30 days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is 10 days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished.

9.6 **Abatement of Rent; Lessee's Remedies**.

(a) **Abatement**. In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for either the remaining term of the Lease or for the period required for the repair, remediation or restoration of such damage, as applicable, shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds, if any, received from the Rental Value insurance. All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) **Remedies**. If Lessor is obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within 90 days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than 60 days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within 30 days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such 30 days, this Lease shall continue in full force and effect. "**Commence**" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 **Termination; Advance Payments**. Upon termination of this Lease pursuant to ~~Paragraph 6.2(g) or Paragraph 9, an equitable no adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor.~~ Paragraph 9.6(b), an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Upon termination of this Lease pursuant to Paragraph 6.2(g) or any other provision of Paragraph 9 (other than Paragraph 9.6 (b)), no adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. ~~Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.~~

9.8 Total and Partial Destruction; Waiver of Statutory Terminations Rights. The provisions of this Lease, including this Paragraph 9, constitute an express agreement between Lessor and Lessee with respect to any and all damage to, or destruction of, all or any part of the Premises, the Building, or the Project, and any statute or regulation of the State of California, including, without limitation, California Civil Code sections 1932(2) and 1933(4), with respect to any rights or obligations concerning damage or destruction in the absence of an express agreement between the Parties, and any other statute or regulation, now or hereafter in effect, shall have no application to this Lease or any damage or destruction to all or any part of the Premises, the Building, or the Project.

10. Real Property Taxes.

10.1 **Definitions.**

(a) "**Real Property Taxes**." As used herein, the term "**Real Property Taxes**" shall include any form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Project, Lessor's right to other income therefrom, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Project address. The term "Real Property Taxes" shall also include any tax, fee, levy, assessment or charge, or any increase therein: (i) imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Project; (ii) a change in the improvements thereon; and/or (iii) levied or assessed on machinery or equipment provided by Lessor to Lessee pursuant to this Lease.

(b) ~~"**Base Real Property Taxes**." As used herein, the term "**Base Real Property Taxes**" shall be the amount of Real Property Taxes, which are assessed against the Project, during the entire calendar year in which the Lease is executed.~~

10.2 **Payment of Taxes**. Except as otherwise provided in Paragraph 10.3, ~~Lessor~~ Lessee shall pay the Real Property Taxes applicable to the Premises ~~Project~~ including any increase in Real Property Taxes assessed by reason of Alterations, Trade Fixtures or Utility installations placed upon the Premises and Lessee's proportional share of the Property Taxes attributable to the Common Areas. ~~, and said payments shall be included in the calculation of Common Area Operating Expenses in accordance with the provisions of Paragraph 4.2.~~

10.3 **Additional Improvements**. Common Area Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Project by other tenants or by Lessor for the exclusive enjoyment of such other Tenants. Notwithstanding Paragraph 10.2 hereof, Lessee shall, however, pay to Lessor at the time Common Area Operating Expenses are payable under Paragraph 4.2, the entirety of ~~any increase in~~ Real Property Taxes ~~if~~ assessed ~~solely~~ against the Premises including without limitation by reason of Alterations, Trade Fixtures or Utility Installations placed upon the Premises by Lessee or at Lessee's request or by reason of any alterations or improvements to the Premises made by Lessor subsequent to the execution of this Lease by the Parties.

10.4 **Joint Assessment**. If the Building is not separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.5 **Personal Property Taxes**. Lessee shall pay, prior to delinquency, all taxes assessed against and levied upon Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises. When possible, Lessee shall cause its Lessee

DS
ak
INITIALS

Initial
MC
Initial
LC
INITIALS

Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within 10 days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

10.6 The use of the Premises by the Lessee to operate a charter school may exempt the Lessee and/or the Lessor from having to pay property taxes on their respective real and/or personal property used for that purpose. If so, an exemption claim request must be timely filed with the County in order to effect such tax exempt status. The Parties hereby agree to cooperate and work together to apply in a timely fashion for such tax exempt status. Any tax exemption or tax refund received by Lessor as a result of Lessee's tax-exempt use of the Premises shall accrue to the benefit of Lessee, and shall excuse Lessee from any obligation to pay for Real Property Taxes under this Lease.

11. Utilities and Services.

11.1 Lessee shall pay for all water, gas, heat, light, power, telephone, internet, sewer, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. Notwithstanding the provisions of Paragraph 4.2, if at any time in Lessor's sole judgment, Lessor determines that Lessee is using a disproportionate amount of water, electricity or other commonly metered utilities, or that Lessee is generating such a large volume of trash as to require an increase in the size of the trash receptacle and/or an increase in the number of times per month that it is emptied, then Lessor may increase Lessee's Base Rent by an amount equal to such increased costs. There shall be no abatement of Rent and Lessor shall not be liable in any respect whatsoever for the inadequacy, stoppage, interruption or discontinuance of any utility or service due to riot, strike, labor dispute, breakdown, accident, repair or other cause beyond Lessor's reasonable control or in cooperation with governmental request or directions.

11.2 Within fifteen days of Lessor's written request, Lessee agrees to deliver to Lessor such information, documents and/or authorization as Lessor needs in order for Lessor to comply with new or existing Applicable Requirements relating to commercial building energy usage, ratings, and/or the reporting thereof.

12. Assignment and Subletting.

12.1 **Lessor's Consent Required.**

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, "**assign or assignment**") or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent which may not unreasonably withheld, conditioned, or delayed. For purposes of this Paragraph 12, it is hereby acknowledged that the Lessor has not unreasonably withheld consent if: (1) the proposed transferee's business would change the Agreed Use of the Premises as defined in Paragraph 6.1 of this Lease or would not be consistent with the concept of the Building; (2) Lessee is in default; or (3) Lessor does not reasonably believe the proposed transferee has the creditworthiness necessary to carry out the obligations set forth in this Lease, any sublease, or assignment agreement. Lessee hereby waives the provisions of California Civil Code section 1995.310 and all other remedies, including, without limitation, any right at law or equity to terminate this Lease or the right to claim contract damages .

(b) Unless Lessee is a corporation and its stock is publicly traded on a national stock exchange, a change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of 25% or more of the voting control of Lessee shall constitute a change in control for this purpose. Subject to the provisions of Paragraph 12.1(a), Lessee may assign the Lease to any entity controlled by or under common control of Lessee or an Internal Revenue Code Section 509(a)(3) Type I or II organization formed for the purpose of supporting Lessee, without Lessor's consent, provided further that the assignee assumes all of Lessee's obligations under this Lease. In no event shall an assignment by Lessee of this Lease or any of Lessee's rights or obligations hereunder release Lessee from its obligations under this Lease.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buyout or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than 25% of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. "**Net Worth of Lessee**" shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.

(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(d), or a non-curable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a non-curable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, ~~(i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to 110% of the price previously in effect, and (ii)~~ all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

(f) Lessor may reasonably withhold consent to a proposed assignment or subletting if Lessee is in Default at the time consent is requested.

(g) Notwithstanding the foregoing, allowing a de minimis portion of the Premises, i.e. 20 square feet or less, to be used by a third party vendor in connection with the installation of a vending machine or payphone shall not constitute a subletting.

12.2 **Terms and Conditions Applicable to Assignment and Subletting**.

(a) Regardless of Lessor's consent, no assignment or subletting shall: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) alter the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefor to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of $500 as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested. (See also Paragraph 36)

(f) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment, entering into such sublease, or entering into possession of the Premises or any portion thereof, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation

DS ak Initial MC Initial LC

INITIALS INITIALS

herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

(g) Lessor's consent to any assignment or subletting shall not transfer to the assignee or sublessee any Option granted to the original Lessee by this Lease unless such transfer is specifically consented to by Lessor in writing. (See Paragraph 39.2)

12.3 **Additional Terms and Conditions Applicable to Subletting**. The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. In the event that the amount collected by Lessor exceeds Lessee's then outstanding obligations any such excess shall be refunded to Lessee. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary.

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. Default; Breach; Remedies.

13.1 **Default; Breach**. A "**Default**" is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A "**Breach**" is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; the vacating of the Premises prior to the expiration or termination of this Lease without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism; or failure to deliver to Lessor exclusive possession of the entire Premises in accordance herewith prior to the expiration or termination of this Lease.

(b) The failure of Lessee to (i) make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due; (ii) to provide reasonable evidence of insurance or surety bond; or (iii) to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of 3 business days following written notice to Lessee. THE ACCEPTANCE BY LESSOR OF A PARTIAL PAYMENT OF RENT OR SECURITY DEPOSIT SHALL NOT CONSTITUTE A WAIVER OF ANY OF LESSOR'S RIGHTS, INCLUDING LESSOR'S RIGHT TO RECOVER POSSESSION OF THE PREMISES.

(c) The failure of Lessee to allow Lessor and/or its agents access to the Premises or the commission of waste, act or acts constituting public or private nuisance, and/or an illegal activity on the Premises by Lessee, where such actions continue for a period of 3 business days following written notice to Lessee. In the event that Lessee commits waste, a nuisance or an illegal activity a second time then, the Lessor may elect to treat such conduct as a non-curable Breach rather than a Default.

(d) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate or financial statements, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 41, (viii) material safety data sheets (MSDS), or (ix) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Lessee.

(e) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 2.9 hereof, other than those described in subparagraphs 13.1(a), (b), (c) or (d), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

(f) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a "**debtor**" as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this subparagraph is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(g) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.

(h) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 **Remedies**. If Lessee fails to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. Lessee shall pay to Lessor an amount equal to 115% of the costs and expenses incurred by Lessor in such performance upon receipt of an invoice therefor. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination;

DS ak

INITIALS

Initial MC Initial LC

INITIALS

(ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover any damages to which Lessor is otherwise entitled. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 **Inducement Recapture.** Any agreement for free or abated rent or other charges, the cost of tenant improvements for Lessee paid for or performed by Lessor, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as "**Inducement Provisions**," shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and conditions of this Lease. Upon Breach of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance.

13.4 **Late Charges.** Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within 5 days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall immediately pay to Lessor a one-time late charge equal to 10% of each such overdue amount or $100, whichever is greater. The Parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for 3 consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 **Interest.** Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due shall bear interest from the 31st day after it was due. The interest ("**Interest**") charged shall be computed at the rate of 10% per annum but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 **Breach by Lessor.**

(a) **Notice of Breach.** Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than 30 days after receipt by Lessor, and any Lender whose name and address shall have been furnished to Lessee in writing for such purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than 30 days are reasonably required for its performance, then Lessor shall not be in breach if performance is commenced within such 30 day period and thereafter diligently pursued to completion.

(b) **Performance by Lessee on Behalf of Lessor**. In the event that neither Lessor nor Lender cures said breach within 30 days after receipt of said notice, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from Rent the actual and reasonable cost to perform such cure, provided, however, that such offset shall not exceed an amount equal to the greater of one month's Base Rent or the Security Deposit, reserving Lessee's right to reimbursement from Lessor for any such expense in excess of such offset. Lessee shall document the cost of said cure and supply said documentation to Lessor.

14. Condemnation. If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively "**Condemnation**"), this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than 10% of the floor area of the Unit ~~, or more than 25% of the parking spaces~~ is taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within 10 days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within 10 days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation (but only to the extent Lessor is reimbursed for the reduction in Rent by the Condemnation authority)~~.~~ Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided, however, that Lessee shall be entitled to any compensation paid by the condemnor for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefor. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation.

15. Brokerage Fees.

AK

INITIALS

Initial MC Initial LC

INITIALS

15.1 ~~**Additional Commission**. In addition to the payments owed pursuant to Paragraph 1.10 above, Lessor agrees that: (a) if Lessee exercises any Option, (b) if Lessee or anyone affiliated with Lessee acquires from Lessor any rights to the Premises or other premises owned by Lessor and located within the Project, (c) if Lessee remains in possession of the Premises, with the consent of Lessor, after the expiration of this Lease, or (d) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then, Lessor shall pay Brokers a fee in accordance with the fee schedule of the Brokers in effect at the time the Lease was executed. The provisions of this paragraph are intended to supersede the provisions of any earlier agreement to the contrary.~~

15.2 ~~**Assumption of Obligations**. Any buyer or transferee of Lessor's interest in this Lease shall be deemed to have assumed Lessor's obligation hereunder. Brokers shall be third party beneficiaries of the provisions of Paragraphs 1.10, 15, 22 and 31. If Lessor fails to pay to Brokers any amounts due as and for brokerage fees pertaining to this Lease when due, then such amounts shall accrue Interest. In addition, if Lessor fails to pay any amounts to Lessee's Broker when due, Lessee's Broker may send written notice to Lessor and Lessee of such failure and if Lessor fails to pay such amounts within 10 days after said notice, Lessee shall pay said monies to its Broker and offset such amounts against Rent. In addition, Lessee's Broker shall be deemed to be a third party beneficiary of any commission agreement entered into by and/or between Lessor and Lessor's Broker for the limited purpose of collecting any brokerage fee owed.~~

15.3 **Representations and Indemnities of Broker Relationships**. Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker, agent or finder (other than the Brokers and Agents, if any) in connection with this Lease, and that no one other than said named Brokers and Agents is entitled to any commission or finder's fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party, including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

16. Estoppel Certificates.

(a) Each Party (as "**Responding Party**") shall within 30~~10~~ days after written notice from the other Party (the "**Requesting Party**") execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current "**Estoppel Certificate**" form published by AIR CRE, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

(b) If the Responding Party shall fail to execute or deliver the Estoppel Certificate within such 10 day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance. ~~, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance.~~ Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate. In addition, Lessee acknowledges that any failure on its part to provide such an Estoppel Certificate will expose Lessor to risks and potentially cause Lessor to incur costs not contemplated by this Lease, the extent of which will be extremely difficult to ascertain. Accordingly, should the Lessee fail to execute and/or deliver a requested Estoppel Certificate in a timely fashion the monthly Base Rent shall be automatically increased, without any requirement for notice to Lessee, by an amount equal to 10% of the then existing Base Rent or $100, whichever is greater for remainder of the Lease. The Parties agree that such increase in Base Rent represents fair and reasonable compensation for the additional risk/costs that Lessor will incur by reason of Lessee's failure to provide the Estoppel Certificate. Such increase in Base Rent shall in no event constitute a waiver of Lessee's Default or Breach with respect to the failure to provide the Estoppel Certificate nor prevent the exercise of any of the other rights and remedies granted hereunder.

(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall within 10 days after written notice from Lessor deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past 3 years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. Definition of Lessor. The term "**Lessor**" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined.

18. Severability. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. Days. Unless otherwise specifically indicated to the contrary, the word "**days**" as used in this Lease shall mean and refer to calendar days.

20. Limitation on Liability. The obligations of Lessor under this Lease shall not constitute personal obligations of Lessor, or its partners, members, directors, officers or shareholders, and Lessee shall look to the Premises, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with respect to this Lease, and shall not seek recourse against Lessor's partners, members, directors, officers or shareholders, or any of their personal assets for such satisfaction.

21. Time of Essence. Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

22. No Prior or Other Agreements; ~~Broker Disclaimer~~. This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the use, nature, quality and character of the Premises. ~~Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party.~~

23. Notices.

23.1 **Notice Requirements**. All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, or by email, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted in Paragraph 62 of ~~adjacent to a Party's signature on~~ this Lease shall be that Party's address for delivery or mailing of notices. Either Party may by written notice to the other specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing.

23.2 **Date of Notice**. Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 72 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantees next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices delivered by hand, or transmitted by facsimile transmission or by email

DS
ak
INITIALS

Initial
MC
Initial
LC
INITIALS

shall be deemed delivered upon actual receipt. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

23.3 **Options.** Notwithstanding the foregoing, in order to exercise any Options (see paragraph 39), the Notice must be sent by Certified Mail (return receipt requested), Express Mail (signature required), courier (signature required) or some other methodology that provides a receipt establishing the date the notice was received by the Lessor.

24. Waivers.

(a) No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent.

(b) The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of monies or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

(c) THE PARTIES AGREE THAT THE TERMS OF THIS LEASE SHALL GOVERN WITH REGARD TO ALL MATTERS RELATED THERETO AND HEREBY WAIVE THE PROVISIONS OF ANY PRESENT OR FUTURE STATUTE TO THE EXTENT THAT SUCH STATUTE IS INCONSISTENT WITH THIS LEASE.

25. Disclosures Regarding the Nature of a Real Estate Agency Relationship.

(a) When entering into a discussion with a real estate agent regarding a real estate transaction, a Lessor or Lessee should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Lessor and Lessee acknowledge being advised by the Brokers in this transaction, as follows:

(i) *Lessor's Agent*. A Lessor's agent under a listing agreement with the Lessor acts as the agent for the Lessor only. A Lessor's agent or subagent has the following affirmative obligations: *To the Lessor*: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessor. *To the Lessee and the Lessor*: (a) Diligent exercise of reasonable skills and care in performance of the agent's duties. (b) A duty of honest and fair dealing and good faith. (c) A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(ii) *Lessee's Agent*. An agent can agree to act as agent for the Lessee only. In these situations, the agent is not the Lessor's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Lessor. An agent acting only for a Lessee has the following affirmative obligations. *To the Lessee*: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessee. *To the Lessee and the Lessor*: (a) Diligent exercise of reasonable skills and care in performance of the agent's duties. (b) A duty of honest and fair dealing and good faith. (c) A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(iii) *Agent Representing Both Lessor and Lessee*. A real estate agent, either acting directly or through one or more associate licensees, can legally be the agent of both the Lessor and the Lessee in a transaction, but only with the knowledge and consent of both the Lessor and the Lessee. In a dual agency situation, the agent has the following affirmative obligations to both the Lessor and the Lessee: (a) A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Lessor or the Lessee. (b) Other duties to the Lessor and the Lessee as stated above in subparagraphs (i) or (ii). In representing both Lessor and Lessee, the agent may not, without the express permission of the respective Party, disclose to the other Party confidential information, including, but not limited to, facts relating to either Lessee's or Lessor's financial position, motivations, bargaining position, or other personal information that may impact rent, including Lessor's willingness to accept a rent less than the listing rent or Lessee's willingness to pay rent greater than the rent offered. The above duties of the agent in a real estate transaction do not relieve a Lessor or Lessee from the responsibility to protect their own interests. Lessor and Lessee should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional. Both Lessor and Lessee should strongly consider obtaining tax advice from a competent professional because the federal and state tax consequences of a transaction can be complex and subject to change.

~~(b) Brokers have no responsibility with respect to any default or breach hereof by either Party. The Parties agree that no lawsuit or other legal proceeding involving any breach of duty, error or omission relating to this Lease may be brought against Broker more than one year after the Start Date and that the liability (including court costs and attorneys' fees), of any Broker with respect to any such lawsuit and/or legal proceeding shall not exceed the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.~~

~~(c) *Confidential Information*. Lessor and Lessee agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.~~

26. No Right To Holdover. Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. At or prior to the expiration or termination of this Lease Lessee shall deliver exclusive possession of the Premises to Lessor. For purposes of this provision and Paragraph 13.1(a), exclusive possession shall mean that Lessee shall have vacated the Premises, removed all of its personal property therefrom and that the Premises have been returned in the condition specified in this Lease. In the event that Lessee does not deliver exclusive possession to Lessor as specified above, then Lessor's damages during any holdover period shall be computed at the amount of the Rent (as defined in Paragraph 4.1) due during the last full month before the expiration or termination of this Lease (disregarding any temporary abatement of Rent that may have been in effect), but with Base Rent being 150% of the Base Rent payable during such last full month. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

27. Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. Covenants and Conditions; Construction of Agreement. All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

29. Binding Effect; Choice of Law. This Lease shall be binding upon the Parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises

DS Initial Initial

AK MC LC

INITIALS INITIALS

are located. Signatures to this Lease accomplished by means of electronic signature or similar technology shall be legal and binding.

30. Subordination; Attornment; Non-Disturbance.

30.1 **Subordination**. This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, "**Security Device**"), now or hereafter placed upon the Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as "**Lender**") shall have no liability or obligation to perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to Lessee, whereupon this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 **Attornment.** In the event that Lessor transfers title to the Premises, or the Premises are acquired by another upon the foreclosure or termination of a Security Device to which this Lease is subordinated (i) Lessee shall, subject to the non-disturbance provisions of Paragraph 30.3, attorn to such new owner, and upon request, enter into a new lease, containing all of the terms and provisions of this Lease, with such new owner for the remainder of the term hereof, or, at the election of the new owner, this Lease will automatically become a new lease between Lessee and such new owner, and (ii) Lessor shall thereafter be relieved of any further obligations hereunder and such new owner shall assume all of Lessor's obligations, except that such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (b) be subject to any offsets or defenses which Lessee might have against any prior lessor, ~~(c) be bound by prepayment of more than one month's rent,~~ or (c~~d~~) be liable for the return of any security deposit paid to any prior lessor which was not paid or credited to such new owner.

30.3 **Non-Disturbance**. With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a "**Non-Disturbance Agreement**") from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within 60 days after the execution of this Lease, Lessor shall, if requested by Lessee, use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to provide the Non-Disturbance Agreement within said 60 days, then Lessee may, at Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 **Self-Executing**. The agreements contained in this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

31. Attorneys' Fees. If any Party ~~or Broker~~ brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, "**Prevailing Party**" shall include, without limitation, a Party ~~or Broker~~ who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party ~~or Broker~~ of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach. ~~($200 is a reasonable minimum per occurrence for such services and consultation).~~

32. Lessor's Access; Showing Premises; Repairs. Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times after reasonable prior notice for the purpose of showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary or desirable and the erecting, using and maintaining of utilities, services, pipes and conduits through the Premises and/or other premises as long as there is no material adverse effect on Lessee's use of the Premises. All such activities shall be without abatement of rent or liability to Lessee.

33. Auctions. Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessor's prior written consent. Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

34. Signs. Lessor may place on the Premises ordinary "For Sale" signs at any time and ordinary "For Lease" signs during the last 6 months of the term hereof. Except for ordinary "For Sublease" signs which may be placed only on the Premises, Lessee shall not place any sign upon the Project without Lessor's prior written consent. All signs must comply with all Applicable Requirements.

35. Termination; Merger. Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subtenancies. Lessor's failure within 10 days following any such event to elect to the contrary by written notice to the holder of any such lesser interest, shall constitute Lessor's election to have such event constitute the termination of such interest.

36. Consents. All requests for consent shall be in writing. Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an invoice and supporting documentation therefor. Lessor's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within 10 business days following such request.

37. Guarantor.

37.1 **Execution.** The Guarantors, if any, shall each execute a guaranty in the form most recently published by AIR CRE.

37.2 **Default.** It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantor's behalf to obligate Guarantor and in the case of a corporate Guarantor, a certified copy of a resolution of its

DS
Ak

INITIALS

Initial
MC

Initial
LC

INITIALS

board of directors authorizing the making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect.

38. Quiet Possession. Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. Options. If Lessee is granted any Option, as defined below, then the following provisions shall apply.

39.1 **Definition**. "**Option**" shall mean: (a) the right to extend or reduce the term of or renew this Lease or to extend or reduce the term of or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Premises or other property of Lessor; (c) the right to purchase, the right of first offer to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 **Options Personal To Original Lessee**. Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting.

39.3 **Multiple Options**. In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised.

39.4 **Effect of Default on Options**.

(a) Lessee shall have no right to exercise an Option: (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term or completion of the purchase, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), or (ii) if Lessee commits a Breach of this Lease.

40. Security Measures. Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

41. Reservations. Lessor reserves the right: (i) to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary; (ii) to cause the recordation of parcel maps and restrictions; and (iii) to create and/or install new utility raceways, so long as such easements, rights, dedications, maps, restrictions, and utility raceways do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate such rights.

42. Performance Under Protest. If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay. A Party who does not initiate suit for the recovery of sums paid "under protest" within 6 months shall be deemed to have waived its right to protest such payment.

43. Authority; Multiple Parties; Execution.

(a) If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. Each Party shall, within 30 days after request, deliver to the other Party satisfactory evidence of such authority.

(b) If this Lease is executed by more than one person or entity as "Lessee", each such person or entity shall be jointly and severally liable hereunder. It is agreed that any one of the named Lessees shall be empowered to execute any amendment to this Lease, or other document ancillary thereto and bind all of the named Lessees, and Lessor may rely on the same as if all of the named Lessees had executed such document.

(c) This Lease may be executed by the Parties in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

44. Conflict. Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

45. Offer. Preparation of this Lease by either Party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

46. Amendments. This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

47. Waiver of Jury Trial. THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING INVOLVING THE PROPERTY OR ARISING OUT OF THIS AGREEMENT.

48. Arbitration of Disputes. An Addendum requiring the Arbitration of all disputes between the Parties ~~and/or Brokers~~ arising out of this Lease ☐ is ☑ is not attached to this Lease.

49. Accessibility; Americans with Disabilities Act.

(a) The Premises:

☑ have not undergone an inspection by a Certified Access Specialist (CASp). Note: 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

DS Ak
INITIALS

Initial MC Initial LL
INITIALS

require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises.

☐ have undergone an inspection by a Certified Access Specialist (CASp) and it was determined that the Premises met all applicable construction-related accessibility standards pursuant to California Civil Code §55.51 et seq. Lessee acknowledges that it received a copy of the inspection report at least 48 hours prior to executing this Lease and agrees to keep such report confidential.

☐ have undergone an inspection by a Certified Access Specialist (CASp) and it was determined that the Premises did not meet all applicable construction-related accessibility standards pursuant to California Civil Code §55.51 et seq. Lessee acknowledges that it received a copy of the inspection report at least 48 hours prior to executing this Lease and agrees to keep such report confidential except as necessary to complete repairs and corrections of violations of construction related accessibility standards.

In the event that the Premises have been issued an inspection report by a CASp the Lessor shall provide a copy of the disability access inspection certificate to Lessee within 7 days of the execution of this Lease.

(b) Since compliance with the Americans with Disabilities Act (ADA) and other state and local accessibility statutes are dependent upon Lessee's specific use of the Premises, Lessor makes no warranty or representation as to whether or not the Premises comply with ADA or any similar legislation. In the event that Lessee's use of the Premises requires modifications or additions to the Premises in order to be in compliance with ADA or other accessibility statutes, Lessee agrees to make any such necessary modifications and/or additions at Lessee's expense.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY AIR CRE OR BY ANY REAL ESTATE BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE.

2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

WARNING: IF THE PREMISES ARE LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES ARE LOCATED.

The parties hereto have executed this Lease at the place and on the dates specified above their respective signatures.

Executed at: Redding, CA
On: 9/4/2025

By LESSOR:
Block 7 Retail Investors, LLC, a California limited liability company

By: ADK Properties, LLC, a California limited liability company
Its: Manager
DocuSigned by:
66BFFB288AC14DD...
By: Allen Knott
Name Printed: Allen Knott
Title: Managing Member of ADK Properties LLC
Phone: (530) 244-0596
Fax:
Email: assets@k2dci.com

By:
Name Printed:
Title:
Phone:
Fax:
Email:

Address: 1011 Parkview Ave, Suite A, Redding, CA 96001
Federal ID No.:

Executed at: Redding, CA
On: 9/4/2025

By LESSEE:
California Heritage Youthbuild Academy, a California nonprofit corporation
Signed by:
By: Marlene Carmichael
8445F483AA5745C...
Name Printed: Marlene Carmichael
Title: Board President/CEO
Phone: 530-605-4900
Fax:
Email: marlene@designtimeandtile.com

Signed by:
By: Lupe Cordova 9/4/2025
F26DD6786977475...
Name Printed: Lupe Cordova
Title: Board Secretary
Phone: 530-605-4900
Fax:
Email: lupe.cordova@cwusd.net

Address: 2150 Churn Creek Road, Ste 150
ATTN: Cathy Taylor
Redding, CA 96002

OR TO THE DEMISED PREMISES:
1255 Industrial Street, Ste 1
Redding, CA 96002
Federal ID No.:

BROKER

Cox Real Estate Consultants, Inc

DS
AK

INITIALS

BROKER

(Unrepresented)

Initial MC
Initial LC

INITIALS

Attn: Jessica Whitlow, CCIM
Title: Broker Associate

Address: PO Box 991479, Redding, CA 96099
Phone: (530) 605-5169
Fax: ____
Email: jess@coxrec.com
Federal ID No.: 68-0380666
Broker DRE License #: 01208621
Agent DRE License #: 01941996

Attn: ____
Title: ____

Address: ____
Phone: ____
Fax: ____
Email: ____
Federal ID No.: ____
Broker DRE License #: ____
Agent DRE License #: ____

DS
ak
INITIALS

Initial Initial
MC LC
INITIALS

Schedule of Lease Exhibits

Addendum “A”	Paragraphs 50-64
Addendum "B”	Insurance Requirements
Exhibit “A”	Lessee Work Letter
Exhibit "B”	Preliminary Plans
Exhibit "C”	As-Built Site Plan
Exhibit "D”	As-Built Building Plans
Exhibit “E”	American With Disabilities Act Disclosure
Exhibit “F”	Hazardous Materials Addendum
Exhibit “G”	Lessee’s Certificate of Possession
Exhibit “H”	Rules and Regulations

DS

Initial: ak   Initial: MC

Initial:________   Initial: LC

AIRCRE contracts

Addendum "A"
ADDENDUM TO LEASE

Date: September 2nd, 2025
By and Between
Lessor: Block 7 Retail Investors, LLC, a California limited liability company
Lessee: California Heritage Youthbuild Academy, a California nonprofit corporation

Property Address: 1255 Industrial St, Suite 1, Redding, CA 96002
(street address, city, state, zip)

Paragraphs: 50-64

50. **Effectiveness of Lease.** Except as set forth in this Addendum all the provisions of the Lease shall remain unchanged and in full force and effect.

51. **No Party Deemed Drafter.** In the event of a dispute between any of the parities hereto over the meaning of this Lease, no party shall be deemed to have been the drafter hereof, and the principle of law that contracts are construed against the drafter does not apply.

52. **Measurements.** It is agreed to by the Lessee that any statement of square footage set forth in this Lease or the exhibits hereto, or that my have been used in calculating rent of Lessee's other monetary obligations, is an approximation. Lessor and Lessee agree that the approximation is fair and reasonable and the rent, or any other monetary obligation based thereon is not subject to revision whether or not the actual square footage is more or less.

53. **Exculpation.**

53.1. **Definition of "Lessee Parties" and "Lessor Parties".** For purposes of this Lease, the term Lessee Parties refers singularly and collectively to Lessee and Lessee's officers, members, partners, agents, employees, and independent contractors as well as to all persons and entities claiming through any of theses persons or entities. The term Lessor Parties refers singularly and collectively to Lessor, Center of Hope Owners Association, Center of Hope Apartments, LP, and their respective officers, directors, shareholders, limited partners, members, parents, subsidiaries, and any other affiliated entities, assigns, licensees, invitees, beneficiaries, agents, servants, property managers, employees, and independent contractors of these persons or entities.

53.2. **Exculpation.** To the fullest extent permitted by law, Lessee, on its behalf and on behalf of all Lessee Parties, waives all claims (in law, equity, or otherwise) against Lessor Parties arising out of, knowingly and voluntarily assumes the risk of, and agrees that Lessor Parties shall not be liable to Lessee Parties for any of the following: (a) injury to or death of any person, or (b) Loss of, injury or damage to, or destruction of any tangible or intangible property, including the resulting loss of use, economic losses, and consequential or resulting damage of any kind from any cause. Lessor Parties shall not be liable under this clause regardless of whether the liability results from any active or passive act, error, omission, or negligence of any of the Lessor Parties or is based on claims in which liability without fault or strict liability is imposed or sought to be imposed on any of the Lessor Parties. This exculpation clause shall not apply to claims against Lessor Parties to the extent that a final judgement of a court of competent jurisdiction establishes that (i) the injury, loss, damage, or destruction was proximately caused by Lessor Parties' gross negligence fraud, willful injury to person, property, or violation of law, or (ii) such claims for death, injury, loss, damage, or destruction that cannot be waived as a matter of law. In all cases, this exculpation provision shall be given the broadest effect permitted by law, and any portion that a court of competent jurisdiction determines should be severed pursuant clause (i) or (ii) in the preceding sentence shall be severed without affecting the validity of the remaining provisions or the intent of this Paragraph 53.

53.3. **Survival of Exculpation.** The clauses of this Paragraph 53 shall survive the expiration or earlier termination of this lease until all claims within the scope of this Paragraph 53 are fully, finally and absolutely barred by the applicable statutes of limitations.

53.4. **Lessee Acknowledgment of Fairness.** Lessee acknowledges that this Paragraph 53 was negotiated with Lessor, that the consideration for it is fair and adequate, and that Lessee had a fair opportunity to negotiate, accept, reject, modify, or alter it.

53.5. **Waiver of Civil Code Section 1542.** With respect to the exculpation provided in this Paragraph 53, Lessee waives the benefits of Civil Code Section 1542 which provides: "A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."

54. **Indemnification.**

54.1. **Lessees Indemnification of Lessor Parties.** To the fullest extent permitted by law, Lessee shall, at Lessee's sole expense and with counsel reasonably acceptable to Lessor, indemnify, defend, and hold harmless Lessor Parties from and against all Claims, as defined in subparagraph 54.2, from any cause, arising out of or relating (directly or indirectly) to this Lease, the tenancy created under this lease, the Premises or the Project, including: (a) the use or occupancy, or manner of use or occupancy, of the Premises or the Project by Lessee Parties; (b) any act, error, omission, or negligence of Lessee Parties or any invitee, guest, or licensee of Lessee in, on, or about the Premises or the Project; (c) Lessee's conducting of its business; (d) any alterations, activities, work, or thing done, omitted, permitted, allowed, or suffered by Lessee Parties in, at, or about the Premises or the Project, including the violation of or failure to comply with any applicable laws, statutes, ordinances, standards, rules, regulations, orders, decrees, or judgments in existence on the Lease Commencement Date or enacted, promulgated, or issued after the date of this Lease, and (e) any breach or default in performance of any obligation on Lessee's part to be performed under this Lease, including obligations which survive expiration or earlier termination of this Lease under the terms of this Lease.

54.2. **Definitions of Claims.** For purposes of this Lease, "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 (including consultant and expert expenses, court costs, and attorney fees actually incurred).

DS ak — INITIALS

Initial MC Initial LC — INITIALS

54.3. **Type of Injury or Loss.** This indemnification extends to and includes Claims for: (a) injury to any persons (including death at any time resulting from that injury); (b) loss of, injury or damage to, or destruction of property (including all loss of use resulting from that loss, injury, damage, or destruction); and (c) all economic losses and consequential or resulting damage of any kind.

54.4. **Active or Passive Negligence; Strict Liability.** Except as provided in this subparagraph 54.4, the indemnification in subparagraph 54.1 shall apply regardless of the active or passive negligence of Lessor Parties and regardless of whether liability without fault or strict liability is imposed or sought to be imposed on Lessor Parties. The indemnification in subparagraph 54.1 shall not apply to the extent that a final judgment of a court of competent jurisdiction establishes that a Claim against one Lessor Party was proximately caused by the gross negligence, or willful misconduct of that Lessor Party. In that event, however, this indemnification shall remain valid for all other Lessor Parties.

54.5. **Indemnification Independent of Insurance Obligations.** The indemnification provided in this Paragraph 54 may not be construed or interpreted as in any way restricting, limiting, or modifying Lessee's insurance or other obligations under this Lease and is independent of Lessee's insurance and other obligations. Lessee's compliance with the insurance requirements and other obligations under this Lease shall not in any way restrict, limit, or modify Lessee's indemnification obligations under this Lease.

54.6. **Attorney Fees.** The prevailing party shall be entitled to recover its actual attorney fees and court costs incurred in enforcing the indemnification clauses set forth in this Paragraph 54.

54.7. **Survival of Indemnification.** The clauses of this Paragraph 54 shall survive the expiration or earlier termination of this lease until all claims against Lessor Parties involving any of the indemnified matters are fully, finally, and absolutely barred by the applicable statutes of limitations.

54.8. **Duty to Defend.** Lessee's duty to defend Lessor Parties is separate and independent of Lessee's duty to indemnify Lessor Parties. The duty to defend includes claims for which Lessor Parties may be liable without fault or strictly liable. The duty to defend applies regardless of whether the issues of negligence, liability, fault, default, or other obligation on the part of Lessee Parties have been determined. The duty to defend applies immediately, regardless of whether Lessor Parties have paid any sums or incurred any detriment arisen out of or relating (directly or indirectly) to any Claims. It is the express intention of the parties that Lessor Parties be entitled to obtain summary adjudication or summary judgment regarding Lessee's duty to defend Lessor Parties at any state of any claim or suit within the scope of this Paragraph 54.

55. **Execution of Agreement.** This Lease may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf or any electronic signature complying with the U.S. Federal ESIGN Act of 2000, California's Uniform Electronic Transactions Act (Cal. Civ. Code § 1633.1, et seq.) or other applicable law) or other transmission method, and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes. With respect to signatures delivered via facsimile or electronically, each Party shall deliver their original ink signatures to the other Party within 30 days following the mutual execution of this Lease, provided, that failure to deliver such original ink signatures shall not affect the validity of the electronic signatures that were delivered.

56. **Use Restriction.** Within 180 days after full execution of this Lease provided that Lessee has paid to Lessor the pre-payment of Rent for years 1-15 pursuant to Paragraph 1.7 of the Lease, Lessor shall record a use restriction agreement the Property's title reflecting that the property will be a public facility for the full term of the Lease. It is acknowledged that this restriction shall apply regardless of any change in property ownership during that time period.

57. **Real Property Taxes.** Lessor and Lessee acknowledge that the Base Rent established has been discounted by the amount of Real Property Taxes that are applicable to the Premises. Lessee shall endeavor to apply for a welfare exemption for the Premises, but in the event at any time during the term of this Lease, the Premises are not eligible for a welfare exemption, Lessee, at Lessee's sole expense' shall pay the Premises' Real Property Taxes.

58. **Signage.** Lessee, at Lessee's expense, may utilize all signage available to the Premises, subject to Lessor's approval and within the legal parameters of all governing agencies. Prior to expiration of the Lease, Lessee, at Lessee's sole expense, shall remove all signage.

59. **Parking.** Lessee shall have the exclusive right to seven (7) parking spaces onsite, including six (6) standard spaces and one (1) handicap accessible space. Lessor will designate by labeling non-handicap accessible spaces with Lessee's name. Any parking of company or personal vehicles shall be at vehicle owners' risk.

60. **Force Majeure.** Except for the payment of Rent, neither Lessor nor Lessee shall be responsible or liable for delays in the performance of its obligations hereunder when caused by, related to, or arising out of acts of God, sinkholes, subsidence, strikes, lockouts, or other labor disputes, embargoes, pandemic, quarantines, weather, national, regional, or local diasters, calamities, or catastrophes, inability to obtain, utilities necessary for performance, governmental restrictions, orders, limitation, regulations, or controls, national emergencies, delay in issuance or revocation of permits, enemy or hostile governmental action, terrorism, insurrection, riots, civil disturbance or commotion, fire or other casualty, and other causes or events beyond their reasonable control ("Force Majeure").

61. **Qualified Commercial Tenant**.

61.1 **Definition.** A "Qualified Commercial Tenant" means a tenant of commercial real property that meets both of the following requirements:

(a)The tenant is a microenterprise, a restaurant with fewer than 10 employees, or a nonprofit organization with fewer than 20 employees ("microenterprise" as defined under Business and Professions code § 18000 means a sole proprietorship, partnership, limited liability company, or corporation that meets both of the following: (i) has 5 or fewer employees including the owner, and (ii) generally lacks sufficient access to loans, equity, or other financial capital); and

(b) Subject to subclause (c), the tenant has provided the landlord, within the previous 12 months, a written notice that the tenant is a qualified commercial tenant and a self-attestation regarding the number of employees, at such time the protections under this provision come into place.

(c) Unless the tenancy is from week to week, month to month, or other period less than a month, the tenant provided the notice of self-attestation described in subclause (b) before or upon execution of the lease, and annually thereafter, at such time the protections under this provision come into place. Lessee hereby represents and warrants that, as of the date of lease execution, it is not deemed a 'qualified commercial tenant' as defined in CA SB 1103. Tenant shall provide Landlord notice if at any time during the lease term, Tenant is deemed a 'qualified commercial tenant' as defined in CA SB 1103.

DS ak — INITIALS

Initial MC Initial LC — INITIALS

62. **Parties addresses for Notice Requirements.**

Notices to Lessor should be provided to:
Allen A. Knott
Asset Management Department, Block 7 Retail Investors, LLC
assets@k2dci.com
1011 Parkview Ave., Ste. A
Redding, CA 96001
(530) 244-0596

With a copy to:
John Mancasola
The McConnell Foundation
jmancasola@mcconnellfoundation.org
800 Shasta View Drive
Redding, CA 96003
(530) 226-6200

Notices to Lessee: Notices to Lessee should be provided to:
California Heritage Youthbuild Academy
Attn: Cathy Taylor
2150 Churn Creek Rd. Suite 150
Redding, CA 96002

Or to the demised Premises:
1255 Industrial Street Ste 1
Redding, Ca 96002
Email: ctaylor@chybacharter.com

With a copy to:
CA Department of Housing and Community Development
Division of Financial Assistance – DR-Workforce Development Program
Attn: Contract Manager
P.O. Box 952054
Sacramento, CA 94252-205

63. **Employee, Vendor, and Visitor Screening Requirements.** Lessor shall cooperate with Lessee to ensure that all its maintenance personnel, employees, and other individuals it sends to the Premises who will have regular or unsupervised contact with Lessee's students: (1) will have completed through Lessee background checks pursuant to the process set forth in Lessee's charter (provided that Lessee shall provide Lessor with the applicable requirements, and any updates thereto, in writing); and (2) will not come into contact with Lessee's students until Lessee has confirmed that they have not been convicted of a violent felony listed in Penal Code Section 667.5(c), a serious felony listed in Penal Code Section 1192.7(c), a sex offense listed in Education Code Section 44010, a controlled substance offense listed in Education Code Section 44011, a crime involving moral turpitude (e.g., embezzlement, perjury, fraud, etc.), or any offense which may make the employee unsuitable/undesirable to work around students. Lessee shall notify Lessor should Lessee receive subsequent arrest notifications for all such individuals from the California Department of Justice to ensure ongoing safety of students.

64. **Grant Fund Contingency.** Lessee has been awarded, as a sub-grantee from the City of Redding, the amount of $4,200,000 from the State of California CDBG-DR Workforce Development funds (the "Funds"). Lessee shall use all reasonable efforts to secure the receipt of the Funds. In the event Lessee does not receive the Funds within ninety (90) days after the Commencement Date, Lessee shall have the option to terminate the Lease by written notice to Lessor delivered not more than One Hundred twenty (120) days after the Commencement Date.

In the event of any conflict between the provisions of this Addendum and the printed provisions of the Lease, this Addendum shall control.

DS
ak
INITIALS

Initial Initial
MC LC
INITIALS

ADDENDUM "B"

Insurance Requirements

1. Lessee shall procure and maintain throughout the term of the Lease the following insurance coverages, endorsements, and minimum limits with insurance carriers holding Standard & Poor's Claims Pay Rating of "AA" of better, or A.M. Best Ratings of no less than A-, and A.M. Best Financial Size category of VII or larger, or a joint powers authority:

(a) Commercial General Liability Coverage. Lessee shall obtain and keep in force a Commercial General Liability (CGL) policy of insurance protecting Lessee and Lessor Parties (as defined in paragraph 53.1), as additional insureds against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy, construction or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $5,000,000 per occurrence with an annual aggregate of not less than $5,000,000. The policy shall cover premises and operations, products and completed operations, independent contractors, and blanket contractual liability. Lessee shall ensure that the policy does not exclude coverage for property damage, bodily injury, or cleanup costs arising out of smoke, fumes, soot, or similar pollutants resulting from a hostile fire, and that any applicable pollution exclusion expressly includes a hostile fire exception. Lessee shall ensure that no Assault and Battery exclusion exists in its general liability insurance policy. Lessee shall also ensure that no Abuse and Molestation exclusion exists in its general liability policy and if such exclusion does exist that appropriate endorsements overriding the exclusion are procured and maintained for the duration of the term of the Lease. Lessee shall add Lessor Parties (as that term is defined in Paragraph 53 of the Lease) as additional insureds by means of an endorsement at least as broad as the Insurance Service Organization's "Additional Insured-Managers or Lessors of Premises" Endorsement. The policy shall not contain any intra-insured exclusions as between insured persons or organizations but shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder.

(b) Comprehensive Commercial Auto Liability Insurance. Lessee shall procure and maintain a Comprehensive Commercial Auto Liability (CAL) insurance policy with limits of not less than One Million Dollars ($1,000,000) Combined Single Limit and include coverage for all Owned, Hired, and Non-Owned vehicles.

(c) Workers' Compensation Coverage and Employers Liability Insurance. Workers' Compensation insurance conforming to the statutory requirements of the State of California and Employers Liability insurance with limits of not less than One Million Dollars ($1,000,000).

(d) Excess Liability insurance in an amount of no less than $50,000,000 providing excess liability insurance coverage over the CGL and CAL insurance described in Sections 1(a) and (b), and Pollution Liability insurance described in Section 2 (b). Such Excess Liability insurance shall name and include Lessor Parties as additional insureds pursuant to one or more endorsements to the policy acceptable to Lessor.

2. Prior to the commencement of construction of the Tenant Improvements (as that term is defined in Exhibit "A" Lessee Work Letter), and for the duration of the construction period, Lessee shall procure and maintain the following insurance coverages, endorsements, and minimum limits with insurance carriers holding Standard & Poor's Claims Pay Rating of "AA" or better, or A.M. Best Ratings of no less than A-, and A.M. Best Financial Size category of VII or larger:

(a) Builder's Risk Insurance. Lessee shall procure Builder's Risk insurance on an "all-risk" or "special form" basis covering all tenant improvements, materials, personal property, fixtures, and equipment for the full replacement cost during construction.

(b) Pollution Liability Insurance. Pollution Liability insurance, with policy limits of not less than One Million Dollars ($1,000,000) per claim and One Million Dollars ($1,000,000) in the aggregate.

In addition to the foregoing, upon expiration or termination of the Lease, Lessee shall continue to maintain in force such insurance policies described in Paragraphs 1(a), 1(d) and 2(b) through the latter of: (1) the statute of repose for construction defect litigation in the State of California; or (2) ten years. Lessee shall ensure that the Commercial General Liability insurance required in Section 1(a) shall not contain any endorsements, exclusions, or restrictions regarding

DS
Initial: ak　　　　Initial: MC

Initial:　　　　Initial: LC

construction or remodeling of the premises, or shall obtain separate coverage providing such insurance if any policy contains any such endorsements, exclusions, or restrictions. In addition, Lessee shall for the duration of the construction period cause its general contractor and all subcontractors performing work on the Tenant Improvements or the Premises to procure and maintain insurance policies containing all coverages, endorsements and for limits not less than those specified in Paragraphs 1(a), 1(b), 1(c) and 2(b).

3. The policies and coverages procured by Lessee, or Lessee's general contractor or any subcontractor, as required pursuant to this Addendum "B" ("Policies") shall (except in the case of Workers' Compensation Insurance) include a separation of insureds clause. The Policies shall be endorsed to include (a) a waiver of subrogation, and (b) a provision that specifies the waiver of subrogation shall not affect the Lessor's right, or any additional insured's right, to recover under such insurance Policies. The CGL, CAL, Pollution Liability, and Excess Liability insurance shall be endorsed to include a provision that specifies the Policies are primary and that any insurance or self-insurance maintained by Lessor under the Lease shall be excess and shall not contribute with it. The coverage should be endorsed to specify that, as to defense provided by the Policies under circumstances where independent counsel is not otherwise required under California law, the selection of counsel paid for by the insurer to defend Lessor against covered or potentially covered claims shall be by mutual consent of Lessor and insurer. If Lessee and/or Lessee's general contractor and/or any subcontractor, as the case may be, maintains higher policy limits or broader coverage than specified in this Addendum "B", or both, Lessee and/or Lessee's general contractor and/or any subcontractor, as the case may be, shall hereby be deemed to have made available the higher limits and broader coverage to Lessor.

4. At Lessor's election, Lessor shall be entitled to inspect original Policies or require complete certified copies of Policies at any time. Such certificate(s) of insurance shall provide that the coverage(s) required herein shall not be cancelled or reduced except by written notice to Lessor, given at least thirty (30) days prior to the effective date of such cancellation or reduction. If Lessee's insurance policy does not provide notice to additional insureds, Lessee shall notify Lessor within three (3) business days of receiving notice of cancellation or reduction of its coverage. In the event the coverage evidenced by any such certificate is cancelled or reduced, Lessee shall procure and furnish to Lessor, prior to the effective date of such cancellation or reduction, new coverages and new certificates conforming to the above requirements (whether said requirements pertain to insurance required to be maintained by Lessee, Lessee's general contractor or any subcontractor). If Lessee has failed for any reason to secure the Policies to the satisfaction of Lessor upon execution of this Lease, or if Lessor has not been furnished a certificate of insurance as aforesaid within ten (10) days prior to the effective date, then Lessor shall have the right, in addition to any other remedy available to it, (a) for the Lease shall be as follows: (a) immediately suspend all Work on the Tenant Improvements, and/or (b) secure any or all of said Policies and Lessee shall immediately reimburse Lessor for the cost of such Policies upon request by Lessor.

5. Notwithstanding any other provision of this Lease, and separate and apart from any obligation of Lessee to indemnify, if any insurance carrier of Lessee, Lessee's general contractor or any subcontractor of a policy or policies said parties are required to maintain pursuant to this Lease fails or refuses to defend or indemnify pursuant to an additional insured endorsement because of a failure to obtain an additional insured endorsement, policy deductible, self-insured retention or unauthorized coverage deletion, Lessee shall stand in the place of its insurer and defend and indemnify to the same extent that an insurer issuing the coverage as required herein would under California law.

DS
Initial: ak

Initial:________

Initial
Initial: MC

Initial
Initial: lc

Exhibit "A"
Lessee Work Letter

1. Lessee Improvements. The Premises shall be modified in compliance with the improvements described in the Preliminary Plans attached hereto as Exhibit B. The Parties agree, however, that the scope of the improvements will likely change substantially due to cost concerns, and as such Lessee may elect to make additional or different improvements than those identified in the Preliminary Plans but that shall still allow Lessee to use the Premises for the Agreed Use, by providing the Final Plans to Lessor for review (the "Tenant Improvements"). Lessee shall be responsible, at its sole cost for any design, planning, permitting, project management, and construction costs related to its improvements that exceed the Tenant Improvement Allowance described below. Unless work has already been completed as of the date of execution of this Lease, Lessee shall engage all architects, engineers, contractors, and subcontractors required to complete the Tenant Improvements, and shall ensure that all work is performed in a good and workmanlike manner, in compliance with all applicable laws, codes, and regulations, and in accordance with the Final Plans (as defined below) approved by Lessor.

2. Tenant Improvement Allowance from Lessor. Lessor shall provide Lessee with a Tenant Improvement Allowance in the amount of Seven Hundred Thousand Dollars ($700,000.00) (the "Tenant Improvement Allowance") to be applied toward the cost of the Tenant Improvements. Of this amount, Sixty-One Thousand Four Hundred Sixty-Five Dollars ($61,465.00) has already been incurred by Lessor for preliminary preconstruction design work and plans and such amount shall be credited against the Tenant Improvement Allowance. The Tenant Improvement Allowance shall be disbursed to Lessee on a reimbursement basis in accordance with the disbursement procedure set forth in Section 7 below.

3. Final Plan Approval. Lessee shall submit to Lessor for approval detailed plans and specifications for the Tenant Improvements ("Final Plans"). Lessor shall have the right to review and approve the Final Plans, which approval shall not be unreasonably withheld, conditioned, or delayed. Lessor's approval of the Final Plans shall be solely for the purpose of ensuring that the Tenant Improvements do not (1) adversely affect the structural integrity, systems, or long-term value of the building; or (2) materially impair the long-term value of the Premises or Building, except to the extent reasonably necessary to accommodate the Agreed Use. Lessee shall not commence any construction until Lessor has approved the Final Plans in writing, Lessee has paid Lessor the Base Rent then due in full, and Lessee has provided certificates of insurance to Lessor evidencing adequate insurance coverages as required by this Work Letter, and Lessee has obtained all applicable governmental approvals for the construction of the Tenant Improvements.

4. Insurance Requirements. In addition to the insurance requirements specified in Addendum "B", Section 1 of the Lease, prior to commencement of any construction activities, Lessee shall procure and maintain the coverages, endorsements, and minimum limits set forth in Addendum "B", Section 2 of the Lease, and cause its general contractor and all subcontractors performing any work on Tenant Improvements or the Premises to procure and maintain insurance policies containing all the coverages, endorsements and for limits not less than those specified in sections 1(a), 1(b), 1(c), and 2(b) of Addendum "B."

5. Indemnification. Lessee shall indemnify, defend, and hold harmless Lessor, its agents, employees, and contractors, from and against any and all claims, damages, losses, liabilities, and expenses (including reasonable attorneys' fees) arising out of or in connection with the Tenant Improvements, including but not limited to: (1) Any negligent acts or omissions of Lessee, its contractors, subcontractors, or agents; (2) Any construction defects arising out of the work of Lessee; (3) Any failure to comply with applicable laws, codes, or regulations; (4) Any liens or claims asserted against the Premises, Building, or Project as a result of Lessee's activities.

Notwithstanding any other provision of this Lease, this indemnification shall survive the completion of the Tenant Improvements and the termination of the Lease. Lessee's indemnification obligations shall not apply to the extent that any claim or loss arises from the gross negligence or willful misconduct of, Lessor.

6. Notice of Non-Responsibility and Liens. Prior to the commencement of any construction work, Lessor shall have the right to record a Notice of Non-Responsibility in accordance with California law. Lessee shall provide Lessor with at least ten (10) days' written notice prior to the start of any construction to allow Lessor sufficient time to record such notice. Lessee shall ensure that all contractors and subcontractors are aware that Lessor is not responsible for payment of any work performed or materials supplied by Lessee or its employees, agents, contractors or subcontractors in connection with the Tenant Improvements. Should any lien related to Lessee's construction or other activities and not caused by the

DS
Initial: ak

Initial
Initial: MC

Initial:

Initial
Initial: LC

actions of Lessor or its employees, agents or contractors be recorded against the Premises, Building, or Project, Lessee shall automatically be obligated to pay and satisfy any such lien within ten (10 days after Lessor's written demand. After satisfaction of any such lien, Lessee shall cause any lien, encumbrance, or cloud on title which results from any such suit or lien to be removed from the legal title to the Premises, Building, or Project. In the event Lessee shall fail to do so, Lessor is authorized to use whatever means in its discretion it may deem appropriate to cause said lien to be removed or dismissed and the cost thereof, together with actual attorney's fees, shall be immediately due and payable to Lessee.

7. Disbursement Procedure for Tenant Improvement Allowance. Lessee shall be entitled to submit to Lessor, no more frequently than once per calendar month, a written draw request (each, an "Application for Payment") seeking reimbursement for costs actually incurred by Lessee in connection with the Tenant Improvements. The Application for Payment shall be submitted on AIA Document G702 and shall include the Contractor's and Architect's certificates for payment specified therein. Each Application for Payment shall be accompanied by (1) a detailed invoice or statement of the costs incurred, (2) unconditional lien waivers from all contractors, subcontractors, and suppliers for work performed and materials supplied (the "Work") through the date that is 30 days preceding the date covered by the Application for Payment, and (3) conditional waivers from all contractors, subcontractors, and suppliers whose costs for the Work are included in the current Payment Application request. Lessor shall approve such disbursement within ten (10) business days following the date of receipt of all the documentation specified above. Once approved, Lessor shall disburse the corresponding Tenant Improvement Allowance amount directly to Lessee within ten (10) days of such approval. The final ten percent (10%) of the Tenant Improvement Allowance ("Final Disbursement") shall be disbursed only after the Tenant Improvements have been fully completed, Lessee has obtained and delivered a temporary certificate of occupancy (if required by local authorities), and final unconditional lien waivers from all contractors, subcontractors and suppliers have been delivered to Lessor.

Notwithstanding anything contained in this Lease to the contrary, if at any time Lessor reasonably believes that the unexpended balance of the Tenant Improvement Allowance is insufficient to complete the Final Plans, Lessor may withhold payment of the Tenant Improvement Allowance until Lessee has provided Lessor with adequate assurance that the incurring cost to complete the Final Plans, together with an adequate contingency is less than the unexpended balance of the Tenant Improvement Allowance.

8. Quality Control. To ensure that the Tenant Improvements do not adversely affect the long-term condition or value of the building, Lessee agrees to engage only contractors and subcontractors who are duly licensed, reputable, and experienced in commercial construction projects of similar size and complexity. If students are used in the completion of construction work, those students shall only perform work if they are directly supervised by qualified and licensed contractors. Lessor and its designated agents or representatives shall have the right to inspect the Tenant Improvements during construction, at reasonable times and upon reasonable notice, to confirm compliance with the approved Final Plans and the applicable quality standards. Such inspections shall not constitute approval or acceptance or a waiver of future approval or acceptance of the work by Lessor and shall not relieve Lessee of its obligation to complete the work in compliance with the Lease.

DS
Initial: ak

Initial

Initial: MC

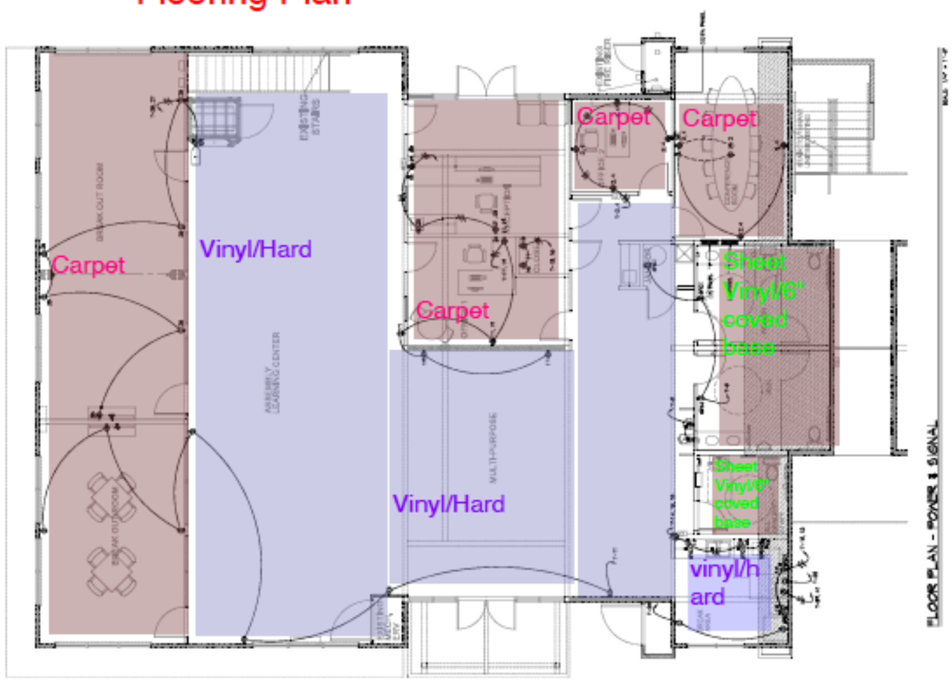
Initial

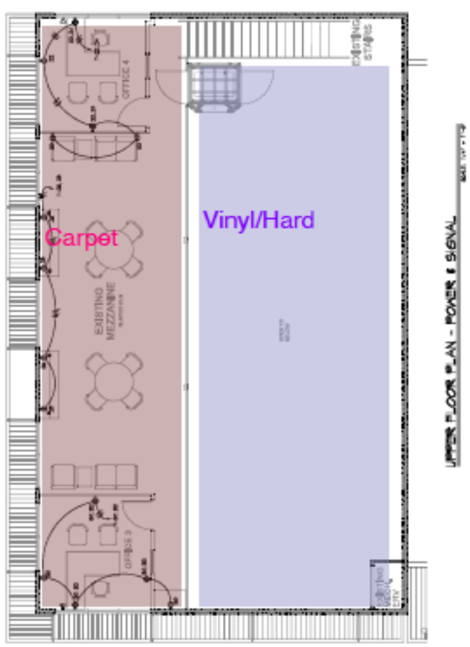
Initial: ________

Initial: LC

Exhibit "B"
Preliminary Plans

Flooring Plan





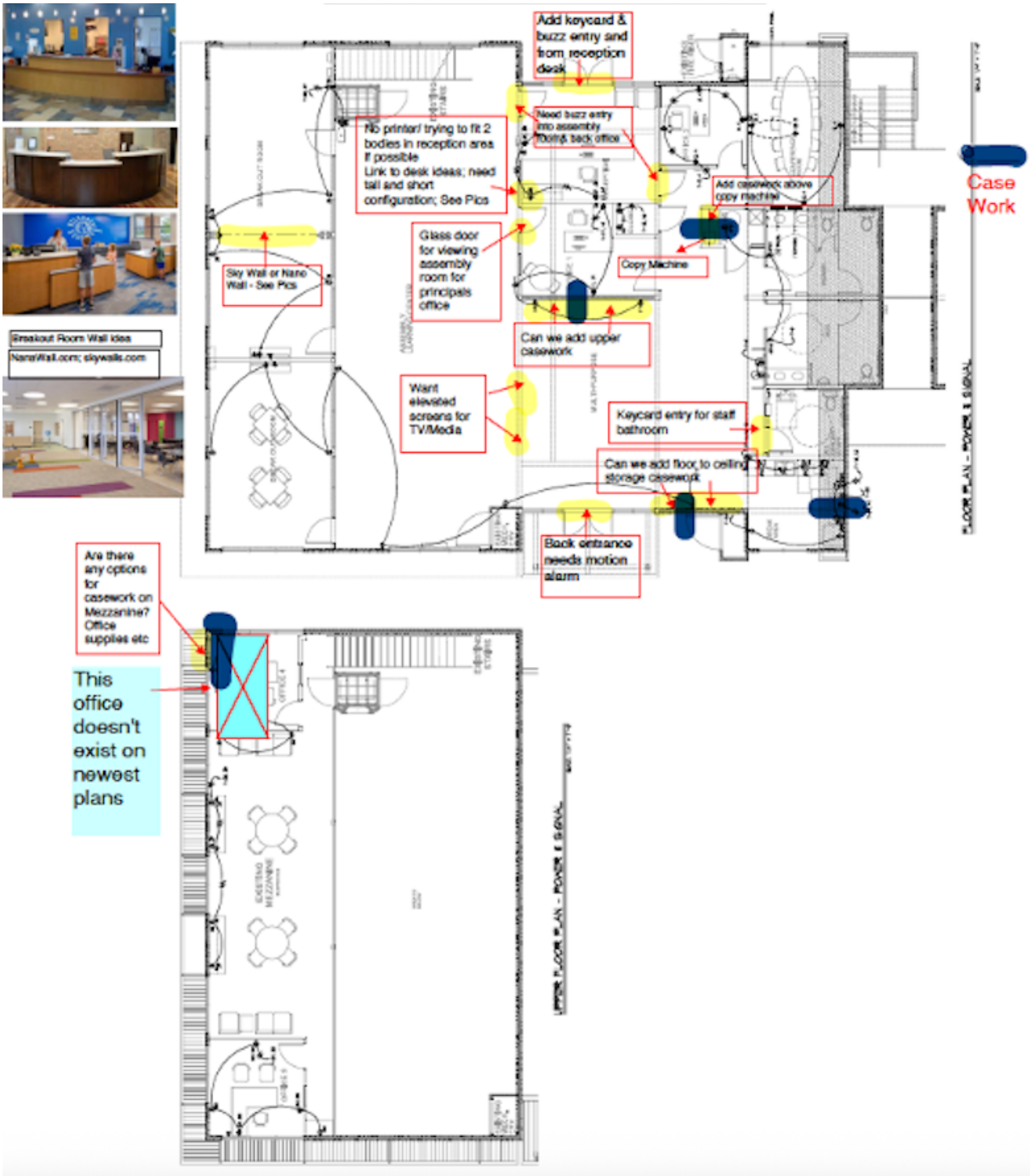
DS
Initial: ak

Initial:________

Initial
Initial: MC

Initial
Initial: LL

Docusign Envelope ID: 2C518349-7F41-4665-9190-ACB9DB1D0695



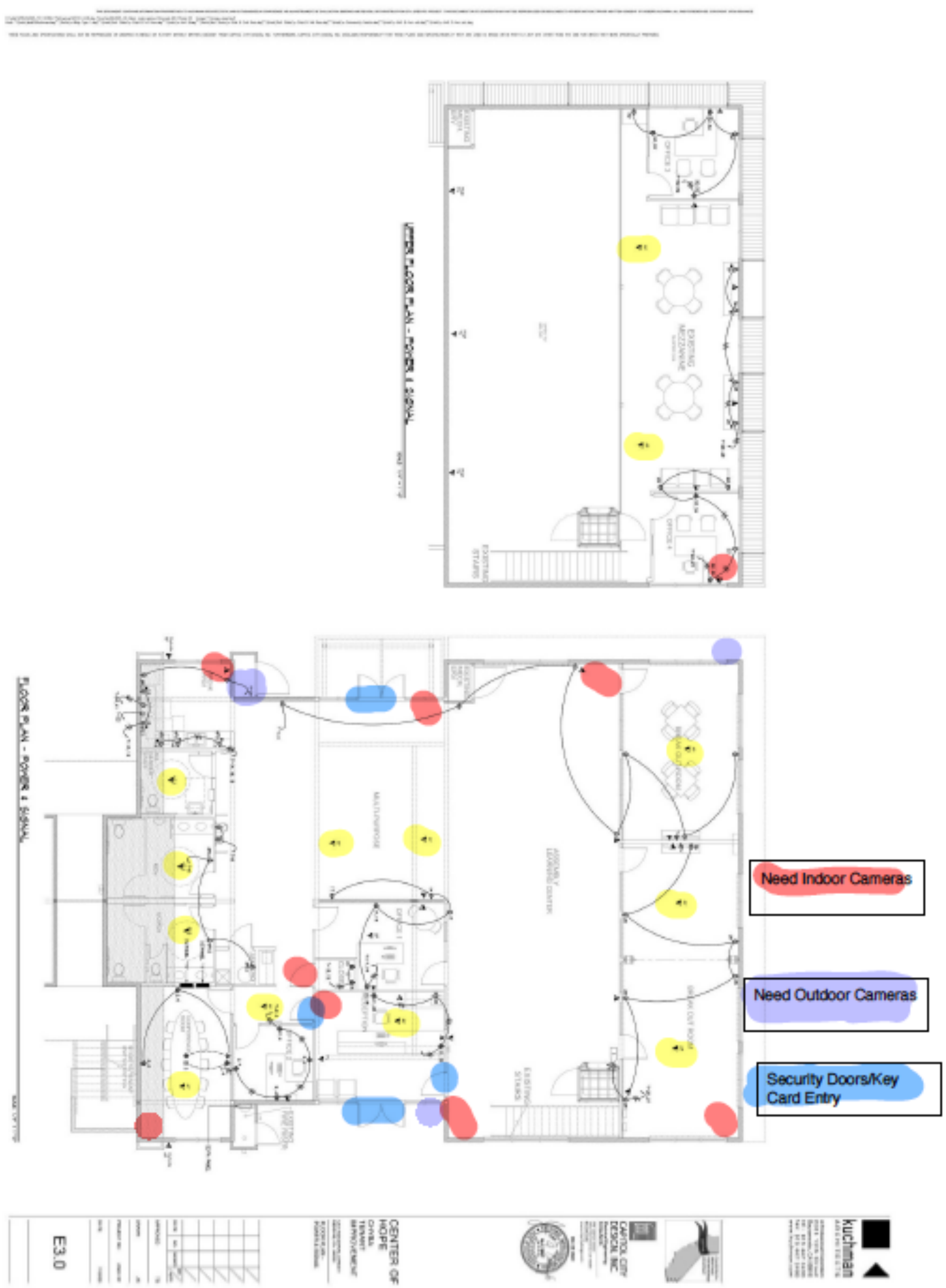
Initial: ak

Initial:

Initial: MC

Initial: LC

Docusign Envelope ID: 2C518349-7F41-4665-9190-ACB9DB1D0695



DS
Initial: ak

Initial

Initial: MC

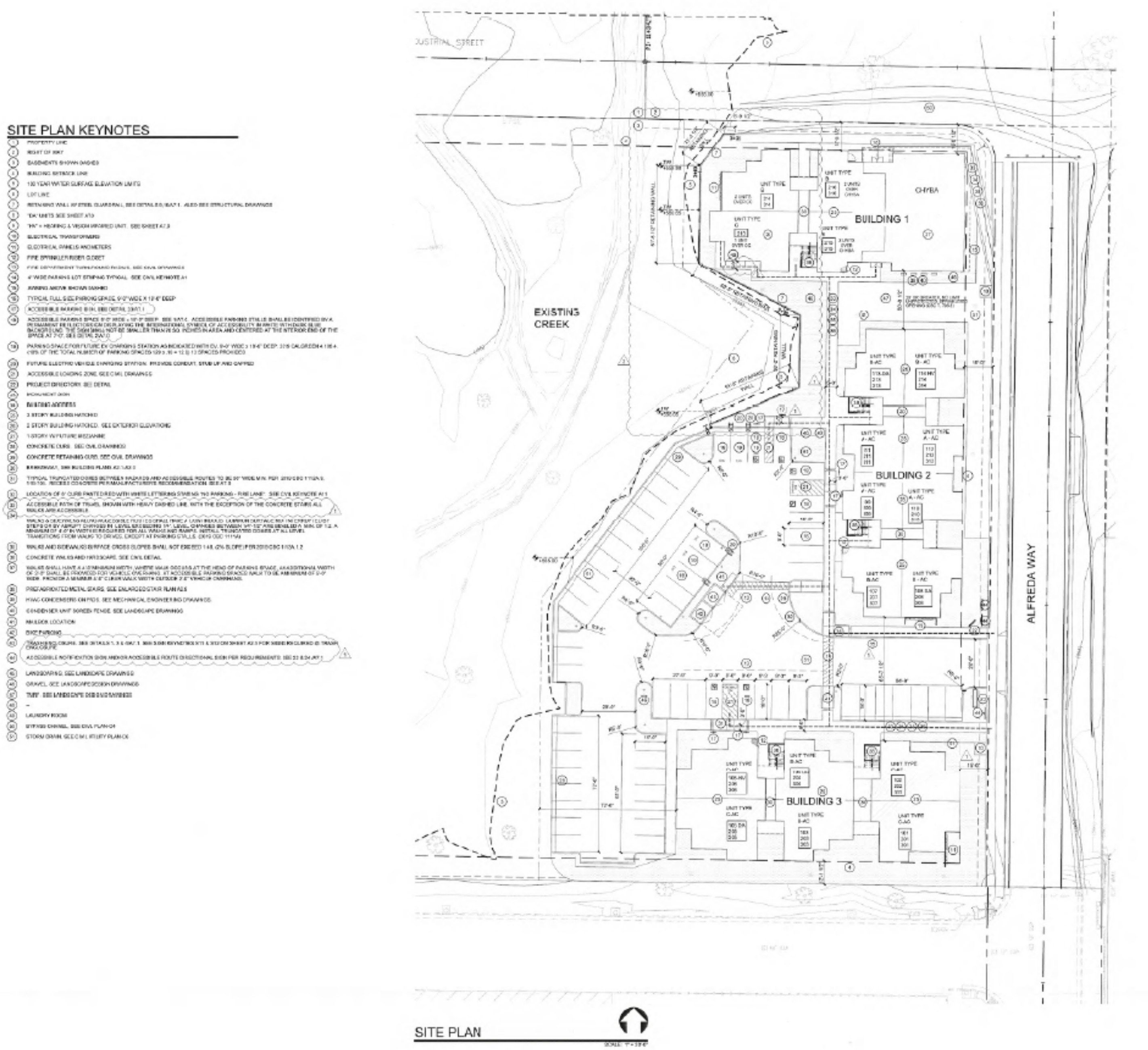
Initial: ________

Initial

Initial: lC

Docusign Envelope ID: 2C518349-7F41-4665-9190-ACB9DB1D0695

Exhibit "C"
As-Built Site Plan



Initial: ak

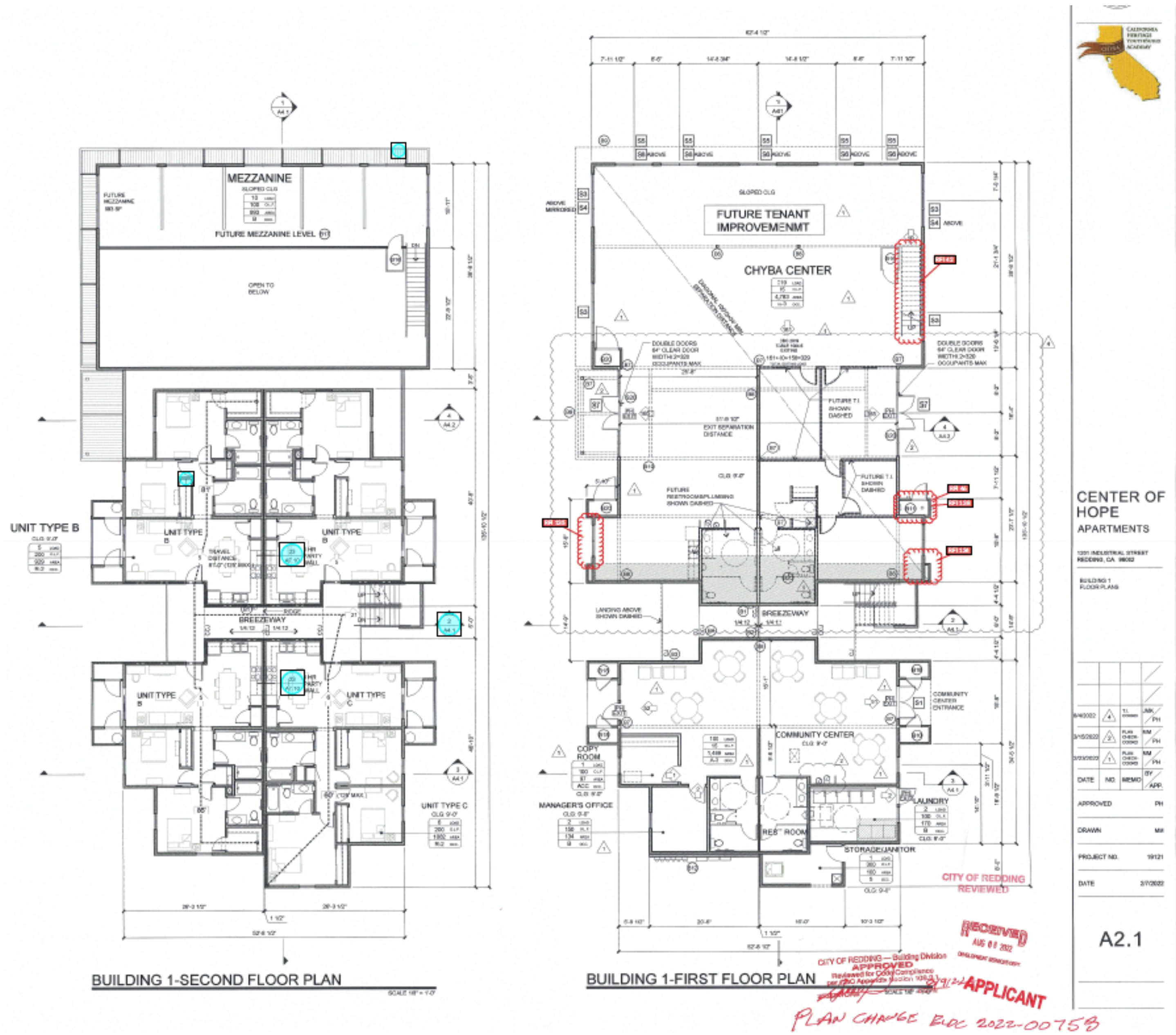
Initial:________

Initial: MC

Initial: LC

Docusign Envelope ID: 2C518349-7F41-4665-9190-ACB9DB1D0695

Exhibit "D"
As-Built Building Plans



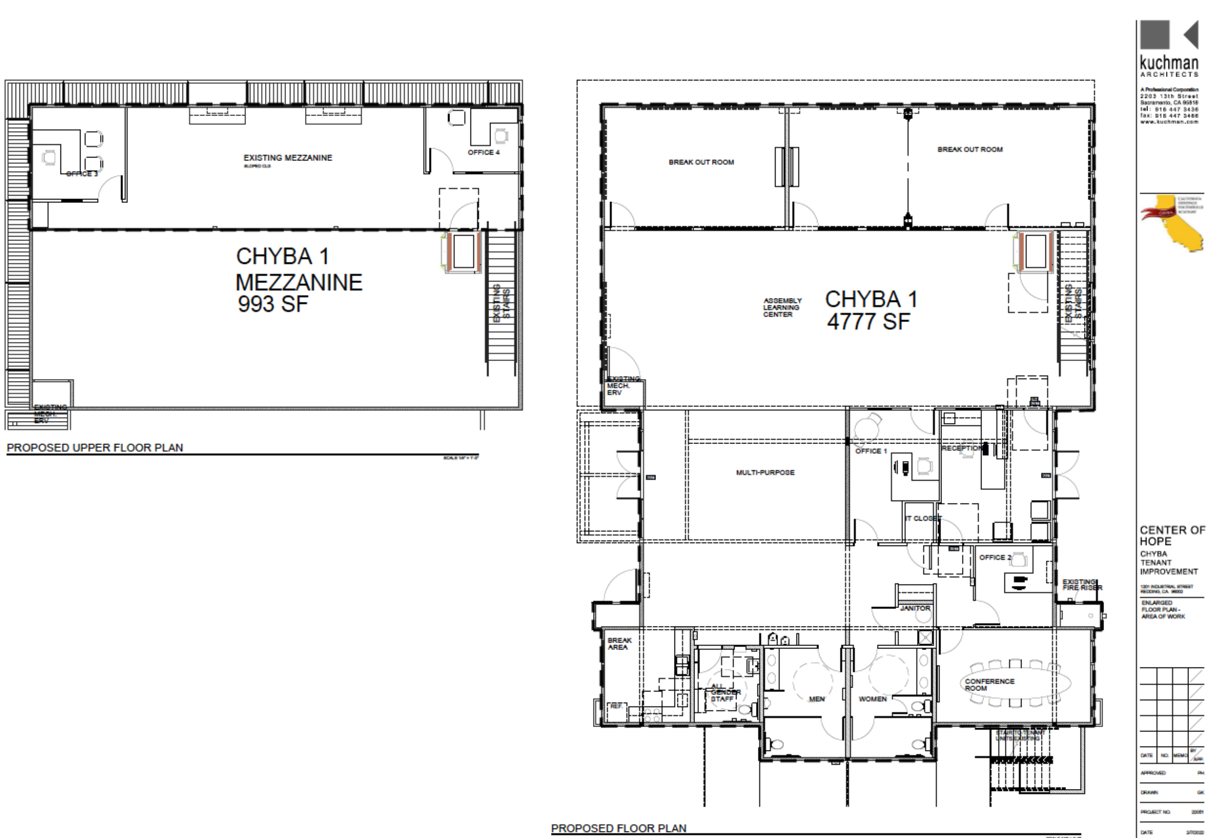
Initial: ak

Initial:

Initial: MC

Initial: LC

Docusign Envelope ID: 2C518349-7F41-4665-9190-ACB9DB1D0695



CHYBA TENANT IMPROVEMENT AREA

FIRST FLOOR AREA	4,777 SF
MEZZANINE AREA	993 SF
TOTAL AREA	5,770 SF

Initial: ak

Initial: ________

Initial: MC

Initial: LC

Exhibit "E"
AMERICANS WITH DISABILITIES ACT DISCLOSURE

The following terms and conditions are hereby incorporated in and made a part of the lease agreement by and between BLOCK 7 RETAIL INVESTORS, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY ("Lessor") and CALIFORNIA HERITAGE YOUTHBUILD ACADEMY, A CALIFORNIA NONPROFIT CORPORATION, ("Lessee"), dated September 2, 2025, concerning the property located 1255 Industrial St, Ste 1, Redding, California. The Americans With Disabilities Act, effective July 26, 1992, prohibits discrimination against persons with a disability in virtually all places of public accommodation and commercial facilities, including certain residential properties. The law requires removal of architectural and communications barriers in existing privately owned places of public accommodation, to make buildings readily accessible to disabled persons.

A new building intended for first occupancy after January 26, 1993, must for all practical purposes be barrier free or readily accessible to people with disabilities.

Compliance with the ADA may require considerable expense, and penalties may be incurred if a property is not in compliance.

A real estate broker does not have the technical expertise to either determine whether a building is in compliance with ADA requirements or to advise a principal on the requirements of the ADA. Principals to the above referenced agreement are advised to consult an attorney, contractor, architect, engineer, or other qualified professional(s) of their own choosing, to determine if and to what extent the ADA affects their property or this transaction.

The undersigned acknowledge that they have read and understand this disclosure and have received a copy.

Block 7 Retail Investors, LLC, a California limited liability company, Lessor

By: ADK Properties LLC, a California limited liability company
Its Manager

By: DocuSigned by: Allen Knott 66BFFB288AC14DD... 9/4/2025
Allen Knott, Managing Member of ADK Properties LLC

California Heritage Youthbuild Company, a California nonprofit corporation, Lessee

Signed by: Marlene Carmichael 8445F403AA5745C... 9/4/2025
Marlene Carmichael, Board President/CEO

Signed by: Lupe Cordova F26DD5786977475... 9/4/2025
Lupe Cordova, Board Secretary

Initial: DS ak

Initial:________

Initial: MC

Initial: LC

Exhibit "F"
HAZARDOUS MATERIALS ADDENDUM

The following terms and conditions are hereby incorporated in and made part of the Lease agreement by and between BLOCK 7 RETAIL INVESTORS, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY ("Lessor") and CALIFORNIA HERITAGE YOUTHBUILD ACADEMY, A CALIFORNIA NONPROFIT CORPORATION, ("Lessee"), dated September 2nd 2025, covering the Premises commonly known as 1255 Industrial St, Ste 1, Redding, California (the "Premises").

Various materials utilized in the construction of any improvements to Premises may contain materials that have been or may in the future be determined to be toxic, hazardous or undesirable and may need to be specially handled and/or removed from the Premises. For example, some electrical transformers and other electrical components can contain PCBs, and asbestos has been used in a wide variety of building components such as fireproofing, air duct insulation, acoustical tiles, spray-on acoustical materials, linoleum, floor tiles and plaster. Due to current or prior uses, the Premises may contain materials such as metals, minerals, chemicals, hydrocarbons, biological or radioactive materials and other substances which are considered, or in the future may be determined to be, toxic wastes, hazardous materials or undesirable substances. Such substances may be in above-and-below-ground containers on the Premises or may be present on or in soils, water, building components or other portions of the Premises in areas that may not be accessible or noticeable.

Current and future federal, state and local laws and regulations may require the clean-up of such toxic, hazardous or undesirable materials at the expense of those persons who in the past, present or future have had any interest in Premises including, but not limited to current, past and future owners and users of the Premises. The Parties are advised to consult with independent legal counsel of their choice to determine the potential liability with respect to toxic, hazardous, or undesirable materials. The Parties should also consult with such legal counsel to determine what provisions regarding toxic, hazardous or undesirable materials they may wish to include in purchase and sale agreements, leases, options and other legal documentation related to transactions they contemplate entering into with respect to the Premises.

The real estate salesperson and brokers in this transaction have no expertise with respect to toxic wastes, hazardous materials or undesirable substances. Proper inspections of the Premises by qualified experts are an absolute necessity to determine whether or not there are any current or potential toxic wastes, hazardous materials or undesirable substances in or on the Premises. The real estate salesperson and brokers in this transaction have not made, nor will make, any representations, either expressed or implied, regarding the existence or nonexistence of toxic wastes, hazardous materials, or undesirable substances in or on the Premises. Problems involving toxic wastes, hazardous materials or undesirable substances can be extremely costly to correct. It is the

Initial: ak   Initial MC

Initial: Initial UC responsibility of the Parties to retain qualified experts to deal with the detection and correction of such matters.

The Parties are directed to seek further information concerning any and all future correctional measures, if any, from municipal, county, state and/or Federal Agencies.

Block 7 Retail Investors, LLC, a California limited liability company, Lessor

By: ADK Properties LLC, a California limited liability company
Its Manager

By: DocuSigned by: [signature] 66BEFB288AC14DD... 9/4/2025
Allen Knott, Managing Member of ADK Properties LLC

California Heritage Youthbuild Company, a California nonprofit corporation, Lessee

Signed by: Marlene Carmichael 8445F483AA5745C... 9/4/2025
Marlene Carmichael, Board President/CEO

Signed by: Lupe Cordova F26DD5786977475... 9/4/2025
Lupe Cordova, Board Secretary

Initial: DS ak

Initial:

Initial: Initial MC

Initial: Initial LC

Exhibit "G"
LESSEE'S CERTIFICATE OF POSSESSION

The undersigned as Lessee under that certain Lease dated September 2nd 2025, entered into with Block 7 Retail Investors, LLC, a California limited liability company, as Lessor, hereby certifies as follows:

1. That the undersigned has entered into occupancy and possession of the Premises described in said Lease.

2. That said Lease is in full force and effect and has not been assigned, modified, supplemented or amended in any way other than as set forth in writing as attached hereto.

3. That the Lease represents the entire agreement between the parties and all modifications and representations thereto must be in writing to be effective.

4. The Commencement Date of said Lease was ____________________ and the Expiration Date of said Lease is _________________.

5. To Lessee's knowledge, Lessor has performed all conditions of said Lease necessary to the enforceability of said Lease.

6. That there are no defaults by either Lessee or, to Lessee's knowledge, by Lessor of said Lease.

7. That no monies have been paid other than as provided for in said Lease.

8. That all Improvements have been completed by Lessor, if required by said Lease, and have been inspected by Lessee and accepted as being complete.

9. That Lessee disclaims any and all right, title and interest to said Premises except as set forth in said Lease.

Executed on____________________, at Redding, California.

Lessee:

California Heritage Youthbuild Company, a California nonprofit corporation

____
Marlene Carmichael, Board President/CEO

____
Lupe Cordova, Board Secretary

DS
Initial: ak

Initial:________

Initial
Initial: MC

Initial
Initial: LC

Exhibit "H"
RULES AND REGULATIONS

1. Subject to the terms and conditions of this Lease, the Premises and all portions thereof, including vestibules, entrances, fixtures, windows and plate glass, shall be maintained in a safe, neat and clean condition.

2. The Premises or any portion or portions thereof shall not be used for lodging purposes.

3. Lessee agrees to store or stock in the Premises only such goods, wares, merchandise or other property as shall be reasonably required in connection with Lessee's business operations on the Premises, and not to use any portion of the Premises for storage or warehouse purposes beyond such needs.

4. Lessee agrees not to overload any floor in the Premises or use or operate any machinery, equipment, or other devices that in Lessor's opinion is harmful to the Building or disturbs other lessees in the Building or the Project.

5. Lessee agrees not to solicit business in the parking lot or any Common Areas nor distribute any handbills or other advertising matter on or about any part of the Premises.

6. Lessee agrees not to use the plumbing facilities for any purpose other than that for which they were constructed and not to dispose of any noxious, damaging or injurious substances therein.

7. Lessee agrees not to use any sidewalks, walkways, vestibules, entrances or returns located within the Premises for the keeping, displaying, advertising and/or sale of any merchandise or other object, including but not limited to, the use of any of the foregoing for any sidewalk shop or stand or any business, occupation or undertaking; except in those cases where the location and operation of same have been approved in writing by Lessor.

8. Lessee agrees not to install on or about the Premises any exterior lighting, amplifiers, or similar devices nor use in, on or about the Premises any advertising medium which may be heard or experienced outside the Premises, such as flashing lights, searchlights, loudspeakers, phonographs, television or radio broadcasts or to permit live entertainment on or about the Premises.

9. Other than as provided in the Lease, Lessee agrees not to exhibit any sign, placard, banner, notice or other written material.

10. Lessee agrees not to permit the extermination of vermin to be performed in, on or about the Premises except by a person or company reasonably designated by Lessor and at times reasonably designated by Lessor.

11. No auction, fire, bankruptcy and/or going-out-of-business sale shall be conducted in, at or about the Premises, or any portions thereof, without the approval of Lessor.

12. Delivery service during business hours shall be permissible, provided they do not, in the reasonable opinion of Lessor, constitute a nuisance to the operation of the Premises.

13. Lessee, its students, clients, invitees, independent contractors and employees shall park their vehicles only in those portions of the parking areas from time to time designated for that purpose by Lessor. Lessee shall furnish Lessor with a list of its employees' vehicle license numbers within fifteen (15) days after each such change occurs. If Lessee or its employees park in other than such designated parking areas then Lessor may charge Lessee, as additional Rent, Twenty Dollars ($20.00) per day for each day or partial day each such vehicle is parked in any part of the Common Areas other than that designated.

14. Lessee shall not place or cause to be placed any fences, walls, booths, stands, kiosks, racks, structures, divisions or rails outside the Premises.

15. Lessee shall not place any coin or token operated amusement machines on or in the Premises.

16. Lessee agrees to prohibit smoking/vaping within the Premises, Common Areas, or Project.

DS
AK

Initial:________ Initial: MC

Initial:________ Initial: LC

CALIFORNIA ASSOCIATION OF REALTORS®

BUYER (OR TENANT) NON-AGENCY AGREEMENT

(C.A.R. Form BNA, Revised 8/24)

☒ (If Checked) This form is being provided in connection with a leasehold interest.

1. **PARTIES AND PROPERTY:**
   - **A.** *Block 7 Retail Investors, LLC* ("Seller/Landlord") is the owner of real property described as *1255 Industrial St*, Assessor's Parcel No. *067-110-062*, situated in *Redding*, County of *Shasta*, California ("Property").
   - **B.** *California Heritage Youthbuild Academy* ("Buyer/Tenant") has made, or is contemplating making, an offer to purchase/lease the Property.
   - **C.** *Cox Real Estate Consultants, Inc.* ("Seller/Landlord's Broker") is a California real estate licensee who has entered into a written agreement with Seller for the marketing and sale of the Property.
   - **D.** ☐ (if checked) ____________ ("Other Broker"), is a real estate licensee, other than Seller/Landlord's Broker, who represents Buyer.
2. **NO REPRESENTATION OF BUYER/TENANT BY SELLER'S/LANDLORD'S BROKER:** Buyer/Tenant understands and agrees to the following:
   - **A. Seller/Landlord's Broker does NOT represent Buyer/Tenant** and **Seller/Landlord's Broker will NOT be Buyer/Tenant's agent** during any negotiation or transaction that results between Buyer/Tenant and Seller/Landlord regarding the Property. All acts of Seller/Landlord's Broker, even those that assist Buyer/Tenant in entering into a transaction or performing or completing any of Buyer/Tenant's contractual or legal obligations, are for the benefit of Seller/Landlord exclusively. Any information that Buyer/Tenant reveals to Seller/Landlord's Broker may be conveyed to Seller/Landlord.
   - **B. Seller/Landlord's Broker does NOT represent Buyer/Tenant** and **Seller/Landlord's Broker will NOT be Buyer/Tenant's agent** even though Seller/Landlord's Broker may provide Buyer/Tenant forms describing agency relationships as required by law or otherwise.
3. **REPRESENTATION OF BUYER/TENANT BY OTHERS: (check box that applies)**
   - ☐ Buyer/Tenant is represented by Other Broker. Any questions that Buyer/Tenant may have regarding the scope of that representation should be directed to Other Broker.
   - ☒ Buyer/Tenant is not at this time represented by another broker. Buyer/Tenant has the right to enter into an agency relationship with a real estate licensee, other than Seller/Landlord's Broker, at any time during any negotiation or transaction regarding the Property.
4. **REPRESENTATION OF SELLER/LANDLORD BY SELLER'S/LANDLORD'S BROKER:** Seller/Landlord's Broker will act as the agent of Seller/Landlord exclusively during any negotiation or transaction regarding the Property.
5. **STATUTORY AGENCY CONFIRMATION COMPLIANCE (Applies to sales and leases over one year.):** Seller/Landlord's Broker shall confirm the agency relationship described above, or as modified, in writing, prior to or at the same time as Seller's execution of a purchase agreement.
6. **OTHER ADVICE:** Buyer/Tenant is advised to seek real estate, legal, tax, insurance, title and all other desired assistance from appropriate professionals.
   Note: Real estate broker commissions are not set by law and are fully negotiable.
7. **ACKNOWLEDGMENT:**
   By signing below, Buyer/Tenant acknowledges that Buyer/Tenant has read, understands, accepts and has received a copy of this Agreement.

Buyer/Tenant — Signed by: Marlene Carmichael 9/4/2025 (34A5F483A067456...) Signed by: Lupe Cordova (F26DD5786977475...) Date 9/4/2025

California Heritage Youthbuild Academy

Address ______ City ______ State ____ Zip ______

Telephone ______ E-mail ______

Seller/Landlord's Broker (Firm) *Cox Real Estate Consultants, Inc.*

By (Agent) DocuSigned by: Jessica Whitlow (7F1F3C19C50A4C7...) Date 9/4/2025

Jessica Whitlow, CCIM

Address *1246 East Street, Suite 1* City *Redding* State *CA* Zip *96001*

Telephone *(530)605-5169* E-mail *jess@coxrec.com*

Published and Distributed by:
REAL ESTATE BUSINESS SERVICES, LLC.
a subsidiary of the California Association of REALTORS®
525 South Virgil Avenue, Los Angeles, California 90020

EQUAL HOUSING OPPORTUNITY

AIRCRE contracts

DISCLOSURE REGARDING REAL ESTATE AGENCY RELATIONSHIP

(As required by the Civil Code)

When you enter into a discussion with a real estate agent regarding a real estate transaction, you should from the outset understand what type of agency relationship or representation you wish to have with the agent in the transaction.

SELLER'S AGENT

A Seller's agent under a listing agreement with the Seller acts as the agent for the Seller only. A Seller's agent or a subagent of that agent has the following affirmative obligations:

To the Seller: A fiduciary duty of utmost care, integrity, honesty and loyalty in dealings with the Seller.

To the Buyer and the Seller:

(a) Diligent exercise of reasonable skill and care in performance of the agent's duties.

(b) A duty of honest and fair dealing and good faith.

(c) A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the parties.

An agent is not obligated to reveal to either party any confidential information obtained from the other party that does not involve the affirmative duties set forth above.

BUYER'S AGENT

A Buyer's agent can, with a Buyer's consent, agree to act as agent for the Buyer only. In these situations, the agent is not the Seller's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Seller. An agent acting only for a Buyer has the following affirmative obligations:

To the Buyer: A fiduciary duty of utmost care, integrity, honesty and loyalty in dealings with the Buyer.

To the Buyer and the Seller:

(a) Diligent exercise of reasonable skill and care in performance of the agent's duties.

(b) A duty of honest and fair dealing and good faith.

(c) A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the parties.

An agent is not obligated to reveal to either party any confidential information obtained from the other party that does not involve the affirmative duties set forth above.

AGENT REPRESENTING BOTH SELLER AND BUYER

A real estate agent, either acting directly or through one or more salesperson and broker associates, can legally be the agent of both the Seller and the Buyer in a transaction, but only with the knowledge and consent of both the Seller and the Buyer.

In a dual agency situation, the agent has the following affirmative obligations to both the Seller and the Buyer:

(a) A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either the Seller or the Buyer.

(b) Other duties to the Seller and the Buyer as stated above in their respective sections.

In representing both Seller and Buyer, a dual agent may not, without the express permission of the respective party, disclose to the other party confidential information, including, but not limited to, facts relating to either the Buyer's or Seller's financial position, motivations, bargaining position, or other personal information that may impact price, including the Seller's willingness to accept a price less than the listing price or the Buyer's willingness to pay a price greater than the price offered.

SELLER AND BUYER RESPONSIBILITIES

Either the purchase agreement or a separate document will contain a confirmation of which agent is representing you and whether that agent is representing you exclusively in the transaction or acting as a dual agent. Please pay attention to that confirmation to make sure it accurately reflects your understanding of your agent's role. The above duties of the agent in a real estate transaction do not relieve a Seller or Buyer from the responsibility to protect his or her own interests. You should carefully read all agreements to assure that they adequately express your understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional. If you are a Buyer, you have the duty to exercise reasonable care to protect yourself, including as to those facts about the property which are known to you or within your diligent attention and observation. Both Sellers and Buyers should strongly consider obtaining tax advice from a competent professional because the federal and state tax consequences of a transaction can be complex and subject to change.

Throughout your real property transaction you may receive more than one disclosure form, depending upon the number of agents assisting in the transaction. The law requires each agent with whom you have more than a casual relationship to present you with this disclosure form. You should read its contents each time it is presented to you, considering the relationship between you and the real estate agent in your specific transaction. **This disclosure form includes the provisions of Sections 2079.13 to 2079.24, inclusive, of the Civil Code set forth on page 2. Read it carefully. I/WE ACKNOWLEDGE RECEIPT OF A COPY OF THIS DISCLOSURE AND THE PORTIONS OF THE CIVIL CODE PRINTED ON THE BACK (OR A SEPARATE PAGE).**

[See Page 2 for Executing Signatures]

DS ak
INITIALS

DS JW
INITIALS

☐ Buyer ☐ Seller ☑ Lessor ☐ Lessee

DocuSigned by:
66BFFB288AC14DD...
Block 7 Retail Investors, LLC, a California limited liability company

Date: 9/4/2025

☐ Buyer ☐ Seller ☐ Lessor ☐ Lessee

Date:

Agent: Cox Real Estate Consultants, Inc. DRE Lic. #: 01208621

Real Estate Broker (Firm)

DocuSigned by:
By: Jessica Whitlow
7E1E3C19C50A4C7...
DRE Lic. #: 01941996 Date: 9/4/2025

Jessica Whitlow, CCIM (~~Salesperson or~~ Broker-Associate)

THIS FORM HAS BEEN PREPARED BY AIR CRE. NO REPRESENTATION IS MADE AS TO THE LEGAL VALIDITY OR ADEQUACY OF THIS FORM FOR ANY SPECIFIC TRANSACTION. PLEASE SEEK LEGAL COUNSEL AS TO THE APPROPRIATENESS OF THIS FORM.

DISCLOSURE REGARDING REAL ESTATE AGENCY RELATIONSHIP
CIVIL CODE SECTIONS 2079.13 THROUGH 2079.24 (2079.16 APPEARS ON THE FRONT)

2079.13. As used in Sections 2079.7 and 2079.14 to 2079.24, inclusive, the following terms have the following meanings:
(a) "Agent" means a person acting under provisions of Title 9 (commencing with Section 2295) in a real property transaction, and includes a person who is licensed as a real estate broker under Chapter 3 (commencing with Section 10130) of Part 1 of Division 4 of the Business and Professions Code, and under whose license a listing is executed or an offer to purchase is obtained. The agent in the real property transaction bears responsibility for that agent's salespersons or broker associates who perform as agents of the agent. When a salesperson or broker associate owes a duty to any principal, or to any buyer or seller who is not a principal, in a real property transaction, that duty is equivalent to the duty owed to that party by the broker for whom the salesperson or broker associate functions. **(b)** "Buyer" means a transferee in a real property transaction, and includes a person who executes an offer to purchase real property from a seller through an agent, or who seeks the services of an agent in more than a casual, transitory, or preliminary manner, with the object of entering into a real property transaction. "Buyer" includes vendee or lessee of real property. **(c)** "Commercial real property" means all real property in the state, except (1) single-family residential real property, (2) dwelling units made subject to Chapter 2 (commencing with Section 1940) of Title 5, (3) a mobile home, as defined in Section 798.3, (4) vacant land, or (5) a recreational vehicle, as defined in Section 799.29. **(d)** "Dual agent" means an agent acting, either directly or through a salesperson or broker associate, as agent for both the seller and the buyer in a real property transaction. **(e)** "Listing agreement" means a written contract between a seller of real property and an agent, by which the agent has been authorized to sell the real property or to find or obtain a buyer, including rendering other services for which a real estate license is required to the seller pursuant to the terms of the agreement. **(f)** "Seller's agent" means a person who has obtained a listing of real property to act as an agent for compensation. **(g)** "Listing price" is the amount expressed in dollars specified in the listing for which the seller is willing to sell the real property through the seller's agent. **(h)** "Offering price" is the amount expressed in dollars specified in an offer to purchase for which the buyer is willing to buy the real property. **(i)** "Offer to purchase" means a written contract executed by a buyer acting through a buyer's agent that becomes the contract for the sale of the real property upon acceptance by the seller. **(j)** "Real property" means any estate specified by subdivision (1) or (2) of Section 761 in property, and includes (1) single-family residential property, (2) multi-unit residential property with more than four dwelling units, (3) commercial real property, (4) vacant land, (5) a ground lease coupled with improvements, or (6) a manufactured home as defined in Section 18007 of the Health and Safety Code, or a mobile home as defined in Section 18008 of the Health and Safety Code, when offered for sale or sold through an agent pursuant to the authority contained in Section 10131.6 of the Business and Professions Code. **(k)** "Real property transaction" means a transaction for the sale of real property in which an agent is retained by a buyer, seller, or both a buyer and seller to act in that transaction, and includes a listing or an offer to purchase. **(l)** "Sell," "sale," or "sold" refers to a transaction for the transfer of real property from the seller to the buyer and includes exchanges of real property between the seller and buyer, transactions for the creation of a real property sales contract within the meaning of Section 2985, and transactions for the creation of a leasehold exceeding one year's duration. **(m)** "Seller" means the transferor in a real property transaction and includes an owner who lists real property with an agent, whether or not a transfer results, or who receives an offer to purchase real property of which he or she is the owner from an agent on behalf of another. "Seller" includes both a vendor and a lessor of real property. **(n)** "Buyer's agent" means an agent who represents a buyer in a real property transaction.

2079.14. A seller's agent and buyer's agent shall provide the seller and buyer in a real property transaction with a copy of the disclosure form specified in Section 2079.16, and shall obtain a signed acknowledgment of receipt from that seller and buyer, except as provided in Section 2079.15, as follows: **(a)** The seller's agent, if any, shall provide the disclosure form to the seller prior to entering into the listing agreement. **(b)** The buyer's agent shall provide the disclosure form to the buyer as soon as practicable prior to execution of the buyer's offer to purchase. If the offer to purchase is not prepared by the buyer's agent, the buyer's agent shall present the disclosure form to the buyer not later than the next business day after receiving the offer to purchase from the buyer.

2079.15. In any circumstance in which the seller or buyer refuses to sign an acknowledgment of receipt pursuant to Section 2079.14, the agent shall set forth, sign, and date a written declaration of the facts of the refusal.

2079.16 Reproduced on Page 1 of this AD form.

2079.17(a) As soon as practicable, the buyer's agent shall disclose to the buyer and seller whether the agent is acting in the real property transaction as the buyer's agent, or as a dual agent representing both the buyer and the seller. This relationship shall be confirmed in the contract to purchase and sell real property or in a separate writing executed or acknowledged by the seller, the buyer, and the buyer's agent prior to or coincident with execution of that contract by the buyer and the seller, respectively. **(b)** As soon as practicable, the seller's agent shall disclose to the seller whether the seller's agent is acting in the real property transaction as the seller's agent, or as a dual agent representing both the buyer and seller. This relationship shall be confirmed in the contract to purchase and sell real property or in a separate writing executed or acknowledged by the seller and the seller's agent prior to or coincident with the execution of that contract by the seller.
(C) CONFIRMATION: The following agency relationships are confirmed for this transaction.

Seller's Brokerage Firm DO NOT COMPLETE, SAMPLE ONLY License Number ________
Is the broker of (check one): ☐ the seller; or ☐ both the buyer and seller. (dual agent)
Seller's Agent DO NOT COMPLETE, SAMPLE ONLY License Number ________
Is (check one): ☐ the Seller's Agent. (salesperson or broker associate); or ☐ both the Buyer's Agent and the Seller's Agent. (dual agent)
Buyer's Brokerage Firm DO NOT COMPLETE, SAMPLE ONLY License Number ________
Is the broker of (check one): ☐ the buyer; or ☐ both the buyer and seller. (dual agent)
Buyer's Agent DO NOT COMPLETE, SAMPLE ONLY License Number ________
Is (check one): ☐ the Buyer's Agent. (salesperson or broker associate); or ☐ both the Buyer's Agent and the Seller's Agent. (dual agent)

(d) The disclosures and confirmation required by this section shall be in addition to the disclosure required by Section 2079.14. An agent's duty to provide disclosure and confirmation of representation in this section may be performed by a real estate salesperson or broker associate affiliated with that broker.

2079.18 (Repealed pursuant to AB-1289, 2017-18 California Legislative session)

2079.19 The payment of compensation or the obligation to pay compensation to an agent by the seller or buyer is not necessarily determinative of a particular agency relationship between an agent and the seller or buyer. A listing agent and a selling agent may agree to share any compensation or commission paid, or any right to any compensation or commission for which an obligation arises as the result of a real estate transaction, and the terms of any such agreement shall not necessarily be determinative of a particular relationship.

2079.20 Nothing in this article prevents an agent from selecting, as a condition of the agent's employment, a specific form of agency relationship not specifically

DS ak ________ INITIALS

DS JW ________ INITIALS

prohibited by this article if the requirements of Section 2079.14 and Section 2079.17 are complied with.

2079.21 (a) A dual agent may not, without the express permission of the seller, disclose to the buyer any confidential information obtained from the seller. **(b)** A dual agent may not, without the express permission of the buyer, disclose to the seller any confidential information obtained from the buyer. **(c)** "Confidential information" means facts relating to the client's financial position, motivations, bargaining position, or other personal information that may impact price, such as the seller is willing to accept a price less than the listing price or the buyer is willing to pay a price greater than the price offered. **(d)** This section does not alter in any way the duty or responsibility of a dual agent to any principal with respect to confidential information other than price.

2079.22 Nothing in this article precludes a seller's agent from also being a buyer's agent. If a seller or buyer in a transaction chooses to not be represented by an agent, that does not, of itself, make that agent a dual agent.

2079.23 (a) A contract between the principal and agent may be modified or altered to change the agency relationship at any time before the performance of the act which is the object of the agency with the written consent of the parties to the agency relationship. **(b)** A lender or an auction company retained by a lender to control aspects of a transaction of real property subject to this part, including validating the sales price, shall not require, as a condition of receiving the lender's approval of the transaction, the homeowner or listing agent to defend or indemnify the lender or auction company from any liability alleged to result from the actions of the lender or auction company. Any clause, provision, covenant, or agreement purporting to impose an obligation to defend or indemnify a lender or an auction company in violation of this subdivision is against public policy, void, and unenforceable.

2079.24 Nothing in this article shall be construed to either diminish the duty of disclosure owed buyers and sellers by agents and their associate licensees, subagents, and employees or to relieve agents and their associate licensees, subagents, and employees from liability for their conduct in connection with acts governed by this article or for any breach of a fiduciary duty or a duty of disclosure.

DS
JW
INITIALS

DS
ak
INITIALS

OPTION AGREEMENT

THIS OPTION AGREEMENT (this "Agreement") is made and entered into as of September 2, 2025 ("Effective Date"), by and among California Heritage YouthBuild Academy, a California nonprofit public benefit corporation, its permitted successors or assigns ("Optionee"), and Block 7 Retail Investors, LLC, a California limited liability company (the "Optionor") (each a "Party" and collectively the "Parties").

RECITALS

A. Optionee and Optionor are concurrently parties to that certain AIR CRE Standard Industrial/Commercial Multi-Tenant Lease dated September 2, 2025 ("Lease") for the real property commonly known as 1255 Industrial Street, Suite A, Redding, CA**,** more particularly described in Exhibit "A" attached hereto and made a part hereof (the "Property"), whereby Optionee, as Lessee, will occupy the Property to operate a public charter school known as California Heritage YouthBuild Academy.

B. Optionor desires to grant Optionee the right to purchase the Property from Optionor.

C. Optionee desires to acquire the Option granted hereunder.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the Option Consideration (as defined in Section 2 below), along with other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Optionor and Optionee hereby agree as follows:

Agreement

1. Grant of Option. Optionor hereby grants Optionee the right and option to purchase the Property for the price and upon the terms and conditions (the "Option") set forth herein. Either party shall execute, upon request of the other party, a Memorandum of this Agreement, in recordable form.

2. Option Consideration. As consideration for the Option, Optionee shall deliver to Optionor One Hundred Dollars ($100) (the "Option Consideration").

3. Option Exercise Terms. The Option shall be exercisable anytime after payment by Lessee to Lessor of the Base Rent pursuant to Paragraph 1.7 of the Lease ("Base Rent") until (a) thirty (30) days after Optionee has received notice from the State of California or the City of Redding of satisfaction of all the terms and conditions of the leasehold component of Optionee's State of California CDBG-DR Workforce Development sub-grant through the City of Redding; or (b) 5:00 p.m. on June 30, 2027 (the "Option Period"). Provided, however, if not previously exercised, the Option shall expire on June 30, 2026, unless Optionee tenders to Optionor the additional sum of Twenty Three Thousand Dollars ($23,000) or an amount equal to actual annual operating expenses, whichever is greater, on or before said date for the right to extend the outside date for exercising the Option to June 30, 2027. The Option shall be exercised, if at all, by

DS ak Initial MC Initial LC

Optionee's giving Optionor written notice of exercise (the "Option Notice") by mail, overnight delivery, personal delivery or email at the address indicated below. The Option Notice shall specify Optionee's proposed closing date for such purchase and sale (the "Closing Date"), which date shall be not more than sixty (60) days after the date of the Option Notice. The conditions to closing of the purchase or sale shall be, and Optionor and Optionee shall take all steps necessary to provide, (a) the execution and delivery by Optionor and Optionee of a Purchase and Sale Agreement and Escrow Instructions ("Purchase and Sale Agreement") substantially in the form of Exhibit B attached hereto and made a part hereof (together with such modifications to Seller's representations and warranties contained therein which arise from events which occur or of which Seller acquires Actual Knowledge (as that term is defined in the Purchase and Sale Agreement) in either case subsequent to the Effective Date of this Agreement, (b) the payment of the Purchase Price by Optionee, (c) a grant deed signed by Optionor and conveying title to the Property, and such other documentation as reasonably required by the escrow or Optionee to consummate the sale, including without limitation an affidavit to satisfy the foreign investment in real property requirements, a CA 593 filing, and issuance of a title policy by the title company evidencing Optionee's ownership of the Property, (and the consummation of any other actions required thereunder to convey title to the Property to Optionee.

4. Purchase Price. The Purchase Price ("Purchase Price") for Optionee to purchase the Property from Optionor under this Option Agreement will be:

a. Two Hundred Thousand Dollars ($200,000).

b. The Base Rent shall not be credited against the Purchase Price to be paid by Optionee to Optionor. For the avoidance of doubt, Optionee, as Lessee, shall not be entitled to the return of the Base Rent or any portion thereof, whether for the term of the Lease before or after the exercise of the Option and consummation of the Closing.

c. Pursuant to terms of and conditions of the Lease, Optionor, as Lessor, provided to Optionee, as Lessee, an allowance in the amount of Seven Hundred Thousand Dollars ($700,000) to be used for tenant improvements ("Tenant Improvement Allowance"). Optionee shall be entitled to a credit against the Purchase Price for any unexpended balance of the Tenant Improvement Allowance as of the Closing Date (or a refund to the extent any unexpended balance exceeds the Purchase Price. Should Optionee not elect to exercise the Option and there is an unexpended balance of the Tenant Improvement Allowance as of the expiration of the Option Period, Optionor shall refund the unexpended balance of the Tenant Improvement Allowance to Optionee upon ten (10) days' written notice from Optionee to Optionor.

The Purchase Price (less any applicable credit) or any refund, as the case may be, shall be payable all cash on the Closing Date.

5. Interim Actions. During the Option Period, Optionor shall not permit or create any liens or encumbrances upon the Property, except liens or encumbrances existing of record as of the date of this Agreement and statutory liens for obligations the payment of which is not past due.

DS ak

Initial MC Initial LC

6. General Provisions.

a. This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto, provided however, Optionee may not assign this Agreement without the prior written consent of Optionor, which may withhold its consent in its absolute and sole discretion. Notwithstanding the foregoing, Optionee may assign the Agreement to any entity controlled by or under common control of Optionee or an Internal Revenue Code Section 509(a)(3) Type I or Type II organization formed for the purpose of supporting Lessee, without Optionor's consent, provided that in any case the assignee assumes all of Optionee's obligations under this Agreement. In no event shall an assignment by Optionee of this Agreement or any of Optionee's rights hereunder release Optionee from its obligations under this Agreement.

b. Where one party is required to provide its consent herein, such consent shall not be unreasonably withheld or delayed unless otherwise specified herein.

c. Notices. All notices, demands or other communications of any type given by either party to the other, whether required by this Agreement or in any way related to this transaction, shall be in writing and delivered: (i) by hand or Federal Express or similar courier service; (ii) by United States Mail, as a certified item, return receipt requested, and deposited in a Post Office or other depository under the care or custody of the United States Postal Service, with proper postage affixed, or (iii) via e-mail to the email address for that noticed party below. Each notice to a party shall be addressed as follows:

To Optionor:
Block 7 Retail Investors, LLC
1011 Parkview Avenue, Suite A
Redding, CA 96001
Attn: Allen Knott
Email: aknott@k2dci.com

With a copy to:
The McConnell Foundation
800 Shasta View Drive
Redding, CA 96003
Attn: John A. Mancasola
Email: jmancasola@mcconnellfoundation.org

To Optionee:
California Heritage YouthBuild Academy
8544 Airport Rd.
Redding, CA 96002
Attn: Cathy Taylor, Executive Director
Email: ctaylor@chybacharter.com

Any notice delivered by hand or Federal Express or similar courier service shall be deemed to be delivered when actual delivery is made. Any notice deposited in the United States Mail in the manner required above shall be deemed to be delivered three (3) calendar days after the date of such deposit, and any time periods provided for herein during which a party may act

DS
Ak

Initial
MC

Initial
CC

shall not commence until such notice is deemed to be so delivered. Any notice delivered by e-mail shall be deemed delivered upon sending of an e-mail to the email address for that noticed party below, if a hard copy of the transmission is thereafter delivered in one of the methods described in (i) or (ii) above. Either party hereto may change its address by notice given as provided herein to the other party.

7. Amendment; Waivers. This Agreement may not be modified or amended except by an agreement in writing signed by the parties hereto. A party may waive any of the conditions contained herein or any of the obligations of the other party hereunder, but any such waiver shall be effective only if in writing and signed by the party waiving such conditions or obligations.

8. Governing Law. This Agreement shall be construed and interpreted in accordance with the laws of the State of California (without giving effect to the conflict of law provisions of such State). In the event of litigation with respect to any matter under this Agreement, the Parties agree to submit to the non-exclusive jurisdiction of the federal or state court located in Redding, California. Each Party waives any objection it may have to the location of the court considering the dispute.

9. Entire Agreement. This Agreement constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes all prior and contemporaneous agreements and understandings of the parties in connection therewith. No representation, warranty, covenant, agreement or condition not expressed in this Agreement shall be binding upon the parties hereto or shall affect or be effective to interpret, change or restrict the provisions of this Agreement.

10. Legal Representation. Optionor and Optionee each have separately retained and are each relying on their own attorneys, accountants, financial advisors and consultants (collectively "Advisors") in connection with this transaction. Optionor and Optionee each separately agree that they are not relying upon any statements, information, representations or advice from the other party or other party's Advisors regarding this transaction.

11. Time is of the Essence. Time is of the essence of this Agreement.

12. No Party Deemed Drafter. In the event of a dispute between the parties hereto over the meaning of this Agreement, no party shall be deemed to have been the drafter hereof, and the principle of law that contracts are construed against the drafter does not apply.

13. Attorneys' Fees. If either party brings an action or proceeding at law or in equity to interpret or enforce this Agreement or any provisions contained herein, the prevailing party shall be entitled to recover, in addition to all other remedies or damages, reasonable attorneys' fees incurred in such action or proceeding.

14. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, California's

DS
ak

Initial
MC

Initial
LC

Uniform Electronic Transactions Act (Cal. Civ. Code § 1633.1, et seq.) or other applicable law) or other transmission method, and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes. With respect to signatures delivered via facsimile or electronically, each party shall deliver their original ink signatures to the other party within 30 days following the mutual execution of this Agreement, provided, that failure to deliver such original ink signatures shall not affect the validity of the electronic signatures that were delivered.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

OPTIONEE: CALIFORNIA HERITAGE YOUTHBUILD ACADEMY, A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION

By: Signed by:
Name: Marlene Carmichael 9/4/2025
8445F483AA5745C...
Its: Board President/CEO
[Chair/President/Vice President]

By: Signed by:
Name: Lupe Cordova 9/4/2025
F26DD5786977475...
Its: Board Secretary
[Secretary/Assistant Secretary/Chief Financial Officer/Assistant Treasurer]

OPTIONOR: BLOCK 7 RETAIL INVESTORS, LLC,
A California limited liability company

By: ADK Properties LLC
A California limited liability company,
Its Managing Member

DocuSigned by:
By: 9/4/2025
66BFFB288AC14DD...
Allen Knott
Managing Member

EXHIBIT A

LEGAL DESCRIPTION

Exhibit "A" Legal Description

The land described herein is situated in the State of California, County of Shasta, City of Redding, described as follows:

A CONDOMINIUM COMPRISED OF:

PARCEL ONE:

Unit C-1, as shown on the Condominium Plan for Center of Hope, recorded July 23, 2024, Instrument No. 2024-0015409, Official Records of Shasta County (hereafter referred to as the "Plan"), and as defined in the Declaration of Covenants, Conditions and Restrictions for Center of Hope, recorded July 23, 2024, Instrument No. 2024-0015410, Official Records of Shasta County (hereafter referred to as the "Declaration"); said Unit being situated on Parcel B as shown on that certain Parcel Map entitled "Center of Hope PM 2021-01672" filed February 10, 2022 in Book 39 of Parcel Maps at Page 94, Official Records of Shasta County.

PARCEL TWO:

An equal undivided interest in the Condominium Common Area or Common Area, as defined in the Declaration and depicted on the Plan.

EXCEPTING AND RESERVING FROM PARCELS ONE AND TWO ABOVE, THE FOLLOWING:

1. Non-exclusive easements for access, support, utilities, telecommunications lines, encroachments, as said easements and rights are defined in the Declaration.

2. All easements as provided for in the Declaration.

PARCEL THREE:

Non-exclusive easements, appurtenant to Parcel One above, over portions of Unit R-1, as shown on the Plan comprising the Shared Maintenance Area, for ingress and egress and vehicle parking within parking spaces located within the Shared Maintenance Area, as provided for in the Declaration.

PARCEL FOUR:

Non-exclusive easements, appurtenant to Parcel One above, for access, support, utilities, telecommunications lines, encroachments and all other easements and rights, as said easements and rights are defined in the Declaration.

DS
ak

Initial
MC
Initial
LC

PARCEL FIVE:

Easement rights, appurtenant to Parcel One above, granted in documents recorded October 7, 2005 as Instrument No. 2005-0060002 and Instrument No. 2005-0060004, Shasta County Records.

PARCEL SIX:

Easement rights, appurtenant to Parcel One above, granted in the Easement Agreement recorded May 26, 2000 as Instrument No. 2000-0018605, Shasta County Records; and as amended by documents recorded October 7, 2005 as Instrument No. 2005-0060000 and Instrument No. 2005-0060001, Shasta County Records.

Portion of APN 067-110-062

DS

ak

Initial

MC

Initial

LC

EXHIBIT B

PURCHASE AND SALE AGREEMENT AND ESCROW INSTRUCTIONS

This **PURCHASE AND SALE AGREEMENT AND ESCROW INSTRUCTIONS** ("**Agreement**") is dated as of this ____th day of _____, 202___, for reference purposes only, and is made by and between **BLOCK 7 RETAIL INVESTORS, LLC,** a California limited liability company ("**Seller**"), and **CALIFORNIA HERITAGE YOUTHBUILD ACADEMY,** a California nonprofit public benefit corporation ("**Buyer**"). This Agreement shall be effective on the "**Effective Date**," which is the date on which the last person signing this Agreement shall have signed this Agreement.

RECITALS:

This Agreement is entered into on the basis of the following facts, understandings and intentions of the parties:

A. Seller is the owner of that certain real property located in the City of Redding, County of Shasta, State of California commonly known as 1255 Industrial Street, Suite A, Redding, CA**,** more particularly described in Attachment I, attached hereto and made a part hereof (the "**Property**").

B. Seller is leasing the Property to Buyer pursuant to that certain AIRCRE Standard Industrial/Commercial Multi-Tenant Lease dated May 23, 2025 (the "Lease"). Buyer desires to purchase the Property from Seller pursuant to that Option Agreement between Seller and Buyer dated May 23, 2025, and Seller desires to sell the Property to Buyer, upon the terms and conditions stated in this Agreement.

C. Buyer hereby exercises the option pursuant to that certain Option Agreement by and between Buyer and Seller, dated as of May 23, 2025 (the "Option") and such exercise triggers the Parties' mutual obligation to enter into and perform a purchase and sale of the Property.

D. In order to effectuate the foregoing, Seller and Buyer desire to enter into this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants of the parties herein contained and other valuable consideration, the parties agree as follows:

1. SALE AND PURCHASE; TITLE COMPANY.

1.1 General. Subject to the terms, covenants and conditions of this Agreement, Seller shall sell to Buyer, and Buyer shall purchase from Seller, all of the Property.

1.2 The Property. As used in this Agreement, the term Property includes all of Seller's right, title and interest in the Property and all of the items referred to in Subsections 1.2.1 through 1.2.2.

DS
ak

Initial
MC

Initial
LC

1.2.1 Rights and Privileges. All of Seller's right, title and interest, if any, in and to all rights, privileges, tenements, hereditaments, rights-of-way, easements, appurtenances, mineral rights, development rights, air rights and riparian or littoral rights belonging or appertaining to the Property.

1.2.2 Permits. All of Seller's right, title and interest, if any, in and to all licenses, permits and approvals affecting or pertaining to the Property which, if assignable, are to be assigned to Buyer at the Closing (as hereinafter defined).

1.3 Title Company. The purchase and sale of the Property shall be accomplished through an escrow which Seller has established or will establish within two (2) business days after the Effective Date with Placer Title Company (the "**Title Company**") at 2415 Larkspur Lane, Redding, CA 96002 Attn: Scott Lewis.

1.4 Property Documents. Seller shall deliver or otherwise make available to Buyer within five (5) business days after the Effective Date for Buyer's review, and Buyer agrees that Buyer shall have reviewed and approved on or before the Due Diligence Expiration Date, each of the following to the extent in Seller's possession and they relate to the Property (collectively, the "**Due Diligence Documents**"):

a. Statement of current property taxes and assessed value, as well as tax bills for the last three (3) years;

b. Copies of any third-party reports with respect to the Property;

c. Current and complete preliminary title report and all supporting documents;

d. Legal description and any ALTA survey, showing location of all improvements and easements, if available;

e. Any letters from, agreements with, or approvals by municipal agencies, including City, County, and State including all entitlements and permits related to the Property;

f. Any CEQA documents pertaining to the property, including but not limited to initial studies, environmental impact reports, negative declarations and so forth;

g. Any documents pertaining to threatened, current, or past lawsuits or other disputes or actions related to the Property;

h. Copies of any service and maintenance contracts, employment agreements, equipment leases, utility agreements, management agreements (including any correspondence relating to any deficiencies Seller has identified at the Property), parking agreements, operating agreements, ground leases and other agreements of any kind or

DS ak

Initial MC Initial LC

nature relating to, or affecting any portion of, the Property.

1.5 Property Information. Seller has, pursuant to this Agreement and otherwise, provided to Buyer certain documents and information related to the Property, and may provide Buyer with additional documents or instruments relating to the Property prior to the Closing (collectively, the "Property Information"). Buyer acknowledges and agrees that (a) the Property Information is and will be for informational purposes only and without representation or warranty by Seller as to the truth, accuracy or completeness, and (b) any reliance by Buyer on the Property Information shall be at Buyer's own risk and without any liability to Seller.

2. PAYMENT OF PURCHASE PRICE.

2.1 Amount.

a. The total purchase price (the "**Purchase Price**") to be paid by Buyer to Seller for the Property shall be Two Hundred Thousand Dollars ($200,000).

b. Buyer has previously paid Seller Base Rent pursuant to the terms of the Lease in the amount of Four Million Two Hundred Thousand Dollars ($4,200,000). The Base Rent paid by Buyer, as Lessee, to Seller, as Lessor, pursuant to terms of the Lease shall not be credited against the Purchase Price. For the avoidance of doubt, Buyer, as Lessee, under the Lease shall not be entitled to the return of the Base Rent, or any portion thereof, whether for the term before or after the exercise of the Option and consummation of the Closing.

c. Pursuant to the terms and conditions of the Lease, Seller, as Lessor, provided to Buyer, as Lessee, an allowance in the amount of Seven Hundred Thousand Dollars ($700,000) to be used for tenant improvements ("Tenant Improvement Allowance"). Buyer shall be entitled to a credit against the Purchase Price for any unexpended balance of the Tenant Improvement Allowance as of the Closing Date (or a refund to the extent any unexpended balance exceeds the Purchase Price).

The Purchase Price shall be payable all cash to Optionor on the Closing Date.

2.2 Terms of Payment. Buyer shall pay the Purchase Price to Seller as follows:

2.2.1 Deposit. Within two (2) business days after the Effective Date, and as a condition precedent to the effectiveness of this Agreement, Buyer shall deposit in escrow with the Title Company, by wire transfer or cashier's check, an all cash payment in the amount of Ten Thousand Dollars ($10,000.00) (the "**Deposit**"), as an earnest money deposit on account of the Purchase Price. Buyer shall receive credit at Closing for an amount equal to the Deposit, which shall be applied against the Purchase Price on the Closing Date.

2.2.2 Liquidated Damages. BUYER ACKNOWLEDGES THAT THE CLOSING OF THE SALE OF THE PROPERTY TO BUYER, ON THE TERMS AND CONDITIONS AND WITHIN THE TIME PERIOD SET FORTH IN THIS AGREEMENT, IS

DS
ak

Initial
MC

Initial
LC

MATERIAL TO SELLER. BUYER ALSO ACKNOWLEDGES THAT SUBSTANTIAL DAMAGES WILL BE SUFFERED BY SELLER IF SUCH TRANSACTION IS NOT SO CONSUMMATED DUE TO BUYER'S DEFAULT UNDER THIS AGREEMENT. BUYER FURTHER ACKNOWLEDGES THAT, AS OF THE DATE OF THIS AGREEMENT, SELLER'S DAMAGES WOULD BE EXTREMELY DIFFICULT OR IMPOSSIBLE TO COMPUTE IN LIGHT OF THE UNPREDICTABLE STATE OF THE ECONOMY AND OF GOVERNMENTAL REGULATIONS, THE FLUCTUATING MARKET FOR REAL ESTATE AND REAL ESTATE LOANS OF ALL TYPES, AND OTHER FACTORS WHICH DIRECTLY AFFECT THE VALUE AND MARKETABILITY OF THE PROPERTY. IN LIGHT OF THE FOREGOING AND ALL OF THE OTHER FACTS AND CIRCUMSTANCES SURROUNDING THIS TRANSACTION, AND FOLLOWING NEGOTIATIONS BETWEEN THE PARTIES, BUYER AND SELLER AGREE THAT THE AMOUNT OF THE DEPOSIT REPRESENTS A REASONABLE ESTIMATE OF THE DAMAGES WHICH SELLER WOULD SUFFER BY REASON OF BUYER'S DEFAULT HEREUNDER. ACCORDINGLY, BUYER AND SELLER HEREBY AGREE THAT, IN THE EVENT OF SUCH DEFAULT BY BUYER UNDER THIS AGREEMENT, SELLER MAY TERMINATE THIS AGREEMENT BY GIVING NOTICE TO BUYER AND TITLE COMPANY. IN THE EVENT OF SUCH TERMINATION, SELLER SHALL RETAIN THE DEPOSIT AS LIQUIDATED DAMAGES IN LIEU OF ANY OTHER CLAIM SELLER MAY HAVE AT LAW OR IN EQUITY (INCLUDING, WITHOUT LIMITATION, SPECIFIC PERFORMANCE) ARISING BY REASON OF BUYER'S DEFAULT. THE PARTIES HAVE INITIALED THIS SECTION 2.2.2 TO ESTABLISH THEIR INTENT SO TO LIQUIDATE DAMAGES. NOTWITHSTANDING THE FOREGOING, NOTHING CONTAINED IN THIS SECTION 2.2.2 SHALL BE DEEMED TO LIMIT BUYER'S OBLIGATION TO PERFORM THE OBLIGATIONS IN SECTION 5.6,, ARTICLE 7, OR ANY INDEMNITY PROVIDED BY BUYER PURSUANT TO THIS AGREEMENT (THE "CONTINUING OBLIGATIONS").

Seller's Initials: ______	Buyer's Initials: _____

2.2.3 Seller's Default. If the sale of the Property is not consummated due to Seller's default under this Agreement, then, as Buyer's sole remedies, Buyer may either: (i) terminate this Agreement, in which case the Deposit shall be returned to Buyer and thereafter neither Seller nor Buyer shall have any further rights or obligations under this Agreement, except for the Continuing Obligations, or (ii) Buyer may bring an action for specific performance of this Agreement, and if Buyer prevails in such action, Buyer shall be entitled to recover the actual, reasonable costs, fees and expenses incurred in connection with the filing of such action from Seller by way of a credit against the Purchase Price. Buyer must commence any such action for specific performance within ninety (90) days after the occurrence of such default. Buyer agrees that its failure to timely commence such an action for specific performance within such ninety (90) day period shall be deemed a waiver by it of its right to commence such an action. Notwithstanding the foregoing, if the remedy of specific performance is unavailable to Buyer because Seller has conveyed the Property to a third party in breach of Seller's obligations hereunder, Buyer may pursue an action against Seller for monetary damages as a result of such breach.

DS
ak

Initial
MC

Initial
LC

2.2.4 Payment of Balance. The balance of the Purchase Price shall be paid in full, in cash, through escrow at the Closing.

3. TITLE.

3.1 Acquisition Subject to Existing Title Matters. Notwithstanding anything herein to the contrary, Seller shall convey title to the Property to Buyer at the Closing subject to all existing liens, encumbrances, covenants, conditions, restrictions, reservations, easements, encroachments, rights-of-way, rights and other matters affecting title to the Property, whether or not of record. Without limiting the generality of the foregoing, Buyer shall, subject to Buyer's approval rights set forth in Section 1.4, acquire title to Property subject to all liens, encumbrances and other matter described in the Placer Title Company Preliminary Report No. ______, effective as of __________, 2025, a copy of which has been delivered to Buyer prior to the execution and delivery of this Agreement.

3.2 Evidence of Title. Conclusive evidence of delivery of title in accordance with the foregoing shall be the willingness of Title Company to issue to Buyer, upon payment of its regularly scheduled premium, a CLTA owner's policy of title insurance, in the amount of the Purchase Price, showing title to the Property vested of record in Buyer, subject only to (i) liens to secure payment of real estate taxes and assessments not delinquent (which shall be pro-rated at Closing); (ii) applicable zoning and use laws, ordinances, rules and regulations of any municipality, township, county, state or other governmental agency or authority, (iii) all matters which a correct survey of the Property would disclose, (iv) all matters which could be ascertained by a physical inspection of the Property; (v) the standard printed exceptions and conditions in the policy of title insurance, and (vi) all rights, interest and other matters disclosed in the Preliminary Report.

4. Representations and Warranties. Seller warrants it is not a foreign person as defined in Internal Revenue Code Section 1445(f)(3) and Seller is not subject to withholding under Section 26131 of the California Revenue and Taxation Code. At the Closing, Seller shall deliver to Buyer through Escrow a declaration under penalty of perjury confirming the foregoing statement. Buyer warrants as of the date hereof it is not, and as of the Closing it will not be in violation of any Anti-Terrorism Law, and Buyer is not, as of the date hereof, and as of the Closing date will not be: (1) conducting any business or engaging in any transaction or dealing with any Prohibited Person, including the making or receiving of any contribution of funds, goods or services to or for the benefit of any Prohibited Person; (2) dealing in, or otherwise engaging in any transaction relating to, any property or interests in property blocked pursuant to Executive Order No. 13224; or (3) engaging in or conspiring to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate any of the prohibitions set forth in, any Anti-Terrorism Law. Neither Buyer nor, if Buyer is not a natural person, any of its officers, directors, shareholders or members, as applicable, is a Prohibited Person. As used herein, "**Anti-Terrorism Law**" is defined as any law relating to terrorism, anti-terrorism, money-laundering or anti-money laundering activities, including without limitation the United States Bank Secrecy Act, the United States Money Laundering Control Act of 1986, Executive Order No. 13224, and Title 3 of the USA Patriot Act, and any regulations promulgated under any of

DS ak

Initial MC Initial LC

them. As used herein "**Executive Order No. 13224**" is defined as Executive Order No. 13224 on Terrorist Financing effective September 24, 2001, and relating to "Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism", as may be amended from time to time. " **Prohibited Person**" is defined as a person or entity that is listed in the Annex to Executive Order No. 13224, or a person or entity owned or controlled by an entity that is listed in the Annex to Executive Order No. 13224; a person or entity with whom Seller is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law; or (iii) a person or entity that is named as a "specially designated national and blocked person" on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control at its official website, http://www.treas.gov/ofac/t11sdn.pdf or at any replacement website or other official publication of such list. "**USA Patriot Act**" is defined as the "Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001" (Public Law 107-56), as may be amended from time to time.

5. CLOSING.

5.1 Closing. The transaction contemplated by this Agreement shall be consummated through escrow at the office of Title Company on or before 5:00 p.m. (California time) on [insert the date that is 30 days after the Effective Date] (the "**Closing Date**"). For purposes of this Agreement, the term "**Closing**" shall mean the consummation of the sale and conveyance of the Property to Buyer as evidenced by recordation of the Deed.

5.2 Intentionally omitted.

5.3 Seller's Delivery Into Escrow. Seller shall deliver the following items into escrow:

5.3.1 Deed. The grant deed for the Property ("Deed"), duly executed and acknowledged by Seller.

5.3.2 Other Documents. Such other documents or instruments as may be reasonably required to consummate this transaction in accordance with the terms and conditions herein contained, such as appropriate escrow instructions to Title Company.

5.4 Buyer's Delivery Into Escrow. Buyer shall deliver the following items into escrow:

5.4.1 Cash. Immediately available funds in the following amounts: (i) the balance of the Purchase Price; (ii) such amount, if any, as is necessary for Buyer to pay Buyer's share of the prorations and closing costs; and (iii) any other amounts required to close escrow in accordance with the terms of this Agreement.

5.4.2 Other Documents. Such other documents and instruments as may be reasonably required in order to consummate this transaction in accordance with the terms and conditions of this Agreement, such as appropriate escrow instructions to Title Company.

DS ak

Initial MC Initial LC

5.5 Closing Prorations. At the Closing, property taxes and assessments shall be prorated through escrow, and all other items of income and expense shall be prorated outside of escrow as of the Closing Date by the parties.

5.6 Closing Costs. The Parties shall split all closing costs as is customary in Shasta County. Each party shall pay for the costs of their respective counsel, if any, in connection with the Closing. If this Agreement is terminated pursuant to the terms hereof, each party shall pay one-half of any escrow cancellation fee charged by Title Company.

5.7 Compliance. The Title Company shall comply with all applicable federal, state and local reporting and withholding requirements relating to the close of the transactions contemplated herein. Without limiting the generality of the foregoing, to the extent the transactions contemplated by this Agreement involve a real estate transaction within the purview of Section 6045 of the Internal Revenue Code of 1986, as amended (the "**Internal Revenue Code**"), Title Company shall have sole responsibility to comply with the requirements of Section 6045 of the Internal Revenue Code (and any similar requirements imposed by state or local law).

5.8 Damage and Destruction. If at any time prior to the Closing, the Property has been destroyed or damaged by earthquake, flood or other casualty (a "**Casualty**"), or if a proceeding is instituted for the taking of all or any material portion of the Property under the power of eminent domain (a "**Taking**"), Buyer shall have the obligation to consummate the purchase of the Property in accordance with this Agreement, in which event Seller shall assign to Buyer at the Closing (A) any insurance proceeds applicable to the Property payable to Seller on account of such Casualty (excluding rental income insurance proceeds) or (B) any award payable to Seller by reason of the Taking (excluding any award for a temporary taking to the extent allocable to the period commencing on the execution date of the Lease through the Closing, as the case may be). Nothing herein shall be deemed to constitute an obligation on the part of Seller to carry or maintain any insurance of any kind whatsoever pertaining to the Property.

5.9 Operation of Property. During the period between the Effective Date of this Agreement and the earlier to occur of (i) the Closing Date or (ii) the termination of this Agreement: Seller shall (A) promptly furnish Buyer with copies of any and all written notices or communications that it receives from any person, governmental or quasi-governmental entities regarding any violation by Seller of any such laws, and (B) not (except as otherwise specifically permitted or required pursuant to this Agreement, or as otherwise agreed or permitted by Buyer in writing in Buyer's sole and absolute discretion) (i) grant, create or allow the creation of any easement, right-of-way, encumbrance, lien, restriction, or assessment on title that affects the Property post-Closing, (ii) amend, extend or otherwise modify the terms of any existing lease, easement, right-of-way, encumbrance, lien, restriction or assessment that affects the Property post-Closing, (iii) enter into any further or amend any existing agreements, contracts or leases with respect to the Property which will survive and remain in effect after the Closing, or as otherwise agreed by the Parties, or (iv) default under any contract, agreement, lease or obligation with respect to the Property, which default would have a material adverse effect on the Property or Buyer after the Closing and shall promptly furnish Buyer with copies of any and all written notices or communications that it receives from any governmental or quasi-governmental entities

DS ak Initial MC Initial LC

regarding any claim of violation or default by Seller with respect to the use, occupancy, ownership or physical condition of the Property.

6. SELLER'S REPRESENTATIONS AND WARRANTIES.

6.1 Seller's Knowledge. For the purposes of this Agreement, and all documents and instruments executed and/or delivered in accordance with the terms of this Agreement, the term "**Seller's Actual Knowledge**" means matters that are within the present, current actual knowledge, with no duty of due diligence or inquiry, of Allen Knott ("**Seller's Representative**"), and such term shall not include the knowledge of any other person or firm, it being understood by Buyer that Seller's Representative is not charged with knowledge of any of the acts or omissions of predecessors in title to the Property or the management of the Property before Seller's acquisition of the Property. Allen Knott will have no personal liability to Buyer for any inaccuracy of any representation, warranty, or statement made on behalf of Seller pursuant to this Agreement or any documents or instruments executed and/or delivered in accordance with the terms hereof.

6.2 Representations and Warranties. Seller hereby makes the following representations and warranties as of the date of this Agreement:

6.2.1 No Commitments or Agreements. Except for (1) the Bylaws of Center of Hope Owners Association, (2) the Declaration of Covenants, Conditions and Restrictions for Center of Hope and (3) the Condominium Plan for Center of Hope, receipt of each of which Buyer hereby acknowledges, and except as otherwise specifically disclosed to Buyer in writing, Seller has made no written commitments or agreements materially and adversely affecting the Property, or any part thereof, or any interest therein, which will survive the Closing.

6.2.2 Liens. Except as specifically disclosed to Buyer in writing, to Seller's Actual Knowledge, there are no mechanics', materialmen's or similar claims or liens presently claimed or which will be claimed against the Property for work performed or commenced for Seller or on Seller's behalf.

6.2.3 Rights of Possession. Except as specifically disclosed to Buyer in writing, to Seller's Actual Knowledge, there are not as of the date of this Agreement, nor will there be as of the Closing, any written or oral leases or contractual right or option to lease, purchase, or otherwise enjoy possession, rights or interest of any nature in and to the Property and no persons shall have any right of possession to the Property as of the Closing or at any time thereof, other than the Lease.

6.2.4 Ownership and Encumbrances. Seller has not and shall not, prior to Closing without the prior written consent of Buyer, which consent may be given or denied in Buyer's absolute discretion, enter into any lien, encumbrance, easement or license agreement, or any other agreement permitting others to use the Property, or any portion thereof, or convey any part of the Property; provided, however, Buyer shall not unreasonably withhold its consent to the granting by Seller of one or more easements over the Property for public utility, sewer and/or drainage purposes so long as the granting of any such easement does not

DS
ak

Initial
MC

Initial
LC

unreasonably interfere with Buyer's use of the Property for its intended purpose.

6.2.5 Full Power and Authority. Seller has the full power and authority to enter into this Agreement and complete the sale of the Property. Neither this Agreement nor anything provided to be done hereunder including the transfer of title to the Property to Buyer violates or shall violate any contract, agreement or instrument to which Seller is a party.

6.2.6 Condemnation. To Seller's Actual Knowledge, Seller has not received written notice of any pending condemnation or eminent domain proceedings affecting the Property or any part thereof.

6.2.7 Litigation. Except as specifically disclosed to Buyer in writing, to Seller's Actual Knowledge, there are no actions, suits, claims or legal or other proceedings pending or threatened against Seller or against the Property, which does or will materially adversely affect Seller's ability to consummate this transaction and to convey the Property to the Buyer.

6.2.8 Reports. To Seller's Actual Knowledge, Seller has made available to the Buyer all third party professional reports within its possession concerning the Property.

6.2.9 Due Authorization. Seller has been duly authorized to execute and perform its obligations under this Agreement. The persons signing this Agreement on behalf of Seller have the power and authority to do so and to bind Seller to this Agreement. All the instruments, agreements and other documents executed by Seller which are to be delivered to Buyer at the Closing are and at the time of the Closing will be duly authorized, executed and delivered by Seller.

6.2.10 Non-Foreign Person. Seller is not a foreign person as defined in Internal Revenue Code Section 1445(f)(3) and Seller is not subject to withholding under Section 26131 of the California Revenue and Taxation Code. At the Closing, Seller shall deliver to Buyer through Escrow a declaration under penalty of perjury confirming the foregoing statement.

6.2.11 No Official Notices. To Seller's Actual Knowledge, Seller has not received any written notice from any insurance company, governmental agency, the Board of Fire Underwriters or any similar rating organization requiring or requesting that any work or repairs be done at or to the Real Property.

6.2.12 Environmental Laws/Hazardous Materials. Except as disclosed in writing by Seller, to Seller's Actual Knowledge: (i) there has been no production, storage or disposal on the Property of any Hazardous Material (as defined below) by Seller or by any previous owner or tenant of the Property prior to the Lease; (ii) Hazardous Materials have not been dumped, buried, leaked, or otherwise released upon, in or under Property or allowed to pass on, under or through the Property at any time during or prior to Seller's ownership of the Property; (iii) Seller has complied with all laws, regulations, and ordinances ("Environmental Laws") relating to the use of all Hazardous Materials used on the Property except where the Lease places this obligation on Buyer; (iv) there is no proceeding or inquiry by any federal, state or local governmental agency with respect to the use, production, storage, release or migration of Hazardous Materials on,

DS
ak

Initial
MC

Initial
LC

through or across the Property; and (v) there is no contamination of Hazardous Materials on, at, about, or within the Property, except as has been identified through Buyer's environmental site assessment work. "Hazardous Material" means any hazardous or toxic substance, material or waste that is: (i) regulated by any governmental authority, the State of California or the United States; (ii) defined as an "acutely hazardous waste," "extremely hazardous waste," "hazardous waste," or "waste" under Sections 25110.02, 25115, 25117, or 25124 of the California Health and Safety Code, or listed pursuant to Sections 25141 and 25141.5 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control); (iii) defined as a "hazardous material," "hazardous substance," or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory); (iv) defined as a "hazardous substance" under Section 25281 of the California Health and Safety Code Division 20 Chapter 6.7 (Underground Storage of Hazardous Substances); (v) petroleum; (vi) asbestos; (vii) listed under Chapter 10 Division 4.5 of Title 22 or defined as hazardous or extremely hazardous pursuant to Division 21.5 of Title 26 of the California Code of Regulations; (viii) designated as a "hazardous waste" pursuant to Section 6903 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq.; (ix) defined as a "hazardous substance" pursuant to Section 9601 of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq.; (x) any flammable substances or explosives; or (xi) any radioactive material.

6.2.13 To Seller's Actual Knowledge, Seller is not in default of any of its obligations or liabilities pertaining to the Property, nor are there any existing facts, circumstances, conditions, or events that would constitute or result in any default on the giving of notice, the passage of time, or both.

6.2.14 Seller has not received written notice from any governmental agency that the Property is in violation of any statute, ordinance, or regulation.

6.2.15 Seller has not:

a. Made a general assignment for the benefit of creditors;

b. Filed any voluntary petition in bankruptcy or suffered the filing of an involuntary petition by its creditors;

c. Suffered the appointment of a receiver to take possession of all or substantially all of its assets;

d. Suffered the attachment or other judicial seizure of all, or substantially all, of its assets;

e. Admitted in writing its inability to pay its debts as they come due; or

f. Made an offer of settlement, extension, or composition to its creditors generally.

DS ak

Initial MC Initial LC

6.2.16 If between the Effective Date and the Closing, Seller or Buyer becomes aware of facts or circumstances which would make any of Seller's representations or warranties hereunder materially incorrect such fact or circumstance shall not be construed as a breach by Seller of such applicable representation or warranty but Buyer shall have the right to either: (i) terminate this Agreement if such fact or circumstance would have a material and adverse impact on the Property or Buyer's intended development thereof, in which case the Deposit shall be returned to Buyer, or (ii) waive such condition and proceed to Closing in accordance with this Agreement in which case the representations and warranties of Seller hereunder shall be deemed modified and remade to incorporate such fact or circumstance as an exception thereto.

7. BUYER'S REPRESENTATIONS AND WARRANTIES.

7.1 General. Buyer makes the covenants, representations and warranties set forth in this Section 7.1, each of which (i) shall survive the Closing regardless of what investigations Seller shall have made with respect thereto prior to the Closing, (ii) is material and being relied upon by Seller, (iii) is true in all respects as of the date hereof, and (iv) shall be true as of the Closing.

7.1.1 Organization. If Buyer is not a natural person, Buyer is duly organized, validly existing and in good standing under the laws of the State of California.

7.1.2 Authorization. Neither this Agreement nor anything provided to be done hereunder including the transfer of title to the Property to Buyer, violates or shall violate any contract, agreement or instrument to which Buyer is a party. Buyer has the full power and authority to enter into this Agreement and consummate the transaction contemplated hereby. The execution, delivery and performance of this Agreement will have been duly and validly authorized by Buyer upon ratification by Buyer's governing board, and no other action by Buyer is requisite to the valid and binding execution, delivery, and performance of this Agreement by Buyer.

7.1.3 Anti-Terrorism. Buyer is not in violation of any Anti-Terrorism Law, and Buyer is not, as of the date hereof: (1) conducting any business or engaging in any transaction or dealing with any Prohibited Person, including the making or receiving of any contribution of funds, goods or services to or for the benefit of any Prohibited Person; (2) dealing in, or otherwise engaging in any transaction relating to, any property or interests in property blocked pursuant to Executive Order No. 13224; or (3) engaging in or conspiring to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate any of the prohibitions set forth in, any Anti-Terrorism Law. Neither Buyer nor, if Buyer is not a natural person, any of its officers, directors, shareholders or members, as applicable, is a Prohibited Person. As used herein, "**Anti-Terrorism Law**" is defined as any law relating to terrorism, anti-terrorism, money-laundering or anti-money laundering activities, including without limitation the United States Bank Secrecy Act, the United States Money Laundering Control Act of 1986, Executive Order No. 13224, and Title 3 of the USA Patriot Act, and any regulations promulgated under any of them. As used herein "**Executive Order No. 13224**" is defined as Executive Order No. 13224 on Terrorist Financing effective September 24, 2001, and relating to "Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism", as may be amended from time to time. "**Prohibited Person**" is defined as a

DS ak

Initial MC Initial LC

person or entity that is listed in the Annex to Executive Order No. 13224, or a person or entity owned or controlled by an entity that is listed in the Annex to Executive Order No. 13224; a person or entity with whom Buyer is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law; or (iii) a person or entity that is named as a "specially designated national and blocked person" on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control at its official website, http://www.treas.gov/ofac/t11sdn.pdf or at any replacement website or other official publication of such list. "**USA Patriot Act**" is defined as the "Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001" (Public Law 107-56), as may be amended from time to time.

7.1.4 No Broker's Commission. Buyer represents to Seller that it has not used a real estate broker in connection with this Agreement or the transaction contemplated hereby. In the event any person asserts a claim for a broker's commission or finder's fee, on account of Buyer's conduct or actions, then Buyer shall indemnify, defend, and hold Seller harmless from said claim, including attorney's fees.

7.1.5 Buyer has not:

a. Made a general assignment for the benefit of creditors;

b. Filed any voluntary petition in bankruptcy or suffered the filing of an involuntary petition by its creditors;

c. Suffered the appointment of a receiver to take possession of all or substantially all of its assets;

d. Suffered the attachment or other judicial seizure of all, or substantially all, of its assets;

e. Admitted in writing its inability to pay its debts as they come due; or

f. Made an offer of settlement, extension, or composition to its creditors generally.

7.1.6 Change of Representation or Warranty. In the event Buyer acquires knowledge that any such representation or warranty is no longer accurate, Buyer shall advise Seller of same prior to Close of Escrow.

7.1.7 Disclaimer. Buyer acknowledges and agrees that, other than the express representations and warranties of Seller set forth in Article 6, Seller makes no representations or warranties, express or implied, concerning the Property, including, without limitation: (a) the compliance of the Property with any applicable codes, laws, regulations, statutes or ordinances, including Hazardous Materials Laws (as defined below), State or local subdivision ordinances, zoning or building code requirements; (b) the presence of any Hazardous Materials (as defined below) on, under or about the Property or any adjoining or neighboring property; (c) the availability of public utilities and services for the Property; (d)

DS ak

Initial MC Initial LC

any surface water, groundwater or other water rights relating to the Property; (e) the physical condition of the Property generally, or (f) the condition of title to the Property. Buyer acknowledges and agrees that the Property is being sold and accepted by Buyer on an "AS-IS, WHERE IS, WITH ALL FAULTS" basis, without any representation or warranty, including any representation or warranty by Seller or any agent, officer, employee, attorney, broker or representative of Seller, and that, effective as of the Closing, Buyer assumes all responsibility for all faults and conditions then existing relating to the Property, or the improvements thereon, specifically including, but not limited to, all faults and conditions relating to the matters described in this Section 7.1.7, above, and/or as disclosed in any of the documents or instruments described or referred to in Section 1.4, above. Buyer further acknowledges that Buyer has been and/or will be given a full and complete opportunity to make such inspections and investigations relating to the Property as Buyer deems necessary or advisable and Buyer shall rely solely upon Buyer's own inspections and investigations and not upon any statement of Seller. As used herein, "Hazardous Materials" means any material, substance or waste designated as hazardous, toxic, radioactive, injurious or potentially injurious to human health or the environment, or as a pollutant or contaminant, or words of similar import, under any Hazardous Materials Law (as defined below), including, but not limited to, petroleum and petroleum products, asbestos, mold, polychlorinated biphenyls, urea formaldehyde, radon gas, lead, mercury, radioactive matter, medical waste, and chemicals which may cause cancer or reproductive toxicity. As used herein, "Hazardous Materials Law" means any federal, state or local law, statute, regulation or ordinance now or hereafter in force, as amended from time to time, pertaining to materials, substances or wastes which are injurious or potentially injurious to human health or the environment or the release, disposal or transportation of which is otherwise regulated by any agency or the federal, state or any local government with jurisdiction over the Property or any such material, substance or waste removed therefrom, or in any way pertaining to pollution or contamination of the air, soil, surface water or groundwater.

8. MISCELLANEOUS.

8.1 Notices. All notices, demands or other communications of any type given by either party to the other or to Title Company, whether required by this Agreement or in any way related to this transaction, shall be in writing and delivered: (i) by hand or Federal Express or similar courier service; (ii) by United States Mail, as a certified item, return receipt requested, and deposited in a Post Office or other depository under the care or custody of the United States Postal Service, with proper postage affixed, or (iii) via e-mail to the email address for that noticed party below. Each notice to a party shall be addressed as follows:

To Seller: Block 7 Retail Investors, LLC
1011 Parkview Avenue, Suite A
Redding, CA 96001
Attn: Allen Knott
Email: aknott@k2dci.com

DS
ak

Initial
MC

Initial
LC

With a copy to:	The McConnell Foundation 800 Shasta View Drive Redding, CA 96003 Attn: John A. Mancasola Email: jmancasola@mcconnellfoundation.org
To Buyer:	California Heritage YouthBuild Academy 8544 Airport Rd. Redding, CA 96002 Attn: Cathy Taylor, Executive Director Email: ctaylor@chybacharter.com

Any notice delivered by hand or Federal Express or similar courier service shall be deemed to be delivered when actual delivery is made. Any notice deposited in the United States Mail in the manner required above shall be deemed to be delivered three (3) calendar days after the date of such deposit, and any time periods provided for herein during which a party may act shall not commence until such notice is deemed to be so delivered. Any notice delivered by e-mail shall be deemed delivered upon sending of an e-mail to the email address for that noticed party above, if a hard copy of the transmission is thereafter delivered in one of the methods described in (i) or (ii) above. Either party hereto may change its address by notice given as provided herein to the other party and Title Company.

8.2 Amendment; Waivers. This Agreement may not be modified or amended except by an agreement in writing signed by the parties hereto. A party may waive any of the conditions contained herein or any of the obligations of the other party hereunder, but any such waiver shall be effective only if in writing and signed by the party waiving such conditions or obligations.

8.3 Governing Law. This Agreement shall be construed and interpreted in accordance with the laws of the State of California (without giving effect to the conflict of law provisions of such State) . In the event of litigation with respect to any matter under this Agreement, the Parties agree to submit to the non-exclusive jurisdiction of the federal or state court located in Redding, California. Each Party waives any objection it may have to the location of the court considering the dispute.

DS
ak

Initial
MC

Initial
CC

8.4 Attorneys' Fees. If either party brings an action or proceeding at law or in equity to interpret or enforce this Agreement or any provisions contained herein, the prevailing party shall be entitled to recover, in addition to all other remedies or damages, reasonable attorneys' fees incurred in such action or proceeding.

8.5 Assignment. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto, provided however, Buyer may not assign this Agreement without the prior written consent of Seller, which may withhold its consent in its absolute and sole discretion. Notwithstanding the foregoing, Buyer may assign the Agreement to any entity controlled by or under common control of Buyer or an Internal Revenue Code Section 509(a)(3) Type I or Type II organization formed for the purpose of supporting Buyer, without Seller's consent, provided the assignee assumes all of Buyer's obligations under this Agreement. In no event shall an assignment by Buyer of this Agreement or any of Buyer's rights or obligations hereunder release Buyer from its obligations under this Agreement.

8.6 Entire Agreement. This Agreement constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes all prior and contemporaneous agreements and understandings of the parties in connection therewith. No representation, warranty, covenant, agreement or condition not expressed in this Agreement shall be binding upon the parties hereto or shall affect or be effective to interpret, change or restrict the provisions of this Agreement.

8.7 Legal Representation. Seller and Buyer have retained and are each relying on their own attorneys, accountants, financial advisors and consultants (collectively "Advisors") in connection with this transaction. Seller and Buyer each separately agree that they are not relying upon any statements, information, representations or advice from the other party or other party's Advisors regarding this transaction.

8.8 Time is of the Essence. Time is of the essence of this Agreement.

8.9 No Party Deemed Drafter. In the event of a dispute between the parties hereto over the meaning of this Agreement, no party shall be deemed to have been the drafter hereof, and the principle of law that contracts are construed against the drafter does not apply.

8.10 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, California's Uniform Electronic Transactions Act (Cal. Civ. Code § 1633.1, et seq.) or other applicable law) or other transmission method, and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes. With respect to signatures delivered via facsimile or electronically, each party shall deliver their original ink signatures to the other party within 30 days following the mutual execution of this Agreement, provided, that failure to deliver such original ink signatures shall not affect the validity of the electronic signatures that were delivered.

DS ak

Initial MC Initial LC

IN WITNESS WHEREOF, the parties have executed this Agreement on the dates set forth below.

SELLER: BLOCK 7 RETAIL INVESTORS, LLC,
A California limited liability company

By: ADK Properties LLC
A California limited liability company,
Its Managing Member

By:_________________________
Allen Knott
Managing Member

BUYER: CALIFORNIA HERITAGE YOUTHBUILD ACADEMY, A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION

By:
Name: ______________________________
Its: ______________________________
[Chair/President/Vice President]

By:
Name:______________________________
Its: ______________________________
[Secretary/Assistant Secretary/Chief Financial Officer/Assistant Treasurer]

DS
ak

Initial
MC

Initial
LC