

*DUPLICATE
ORIGINAL*

NET LEASE AGREEMENT

By and Between
McCLELLAN BUSINESS PARK LLC,
a Delaware limited liability company

and

SACRAMENTO POLICE DEPARTMENT,
on behalf of the City of Sacramento

DUPLICATE
ORIGINAL

McCLELLAN PARK
STANDARD FORM
NET LEASE AGREEMENT
(With Airfield Use)

THIS STANDARD FORM NET LEASE AGREEMENT ("Lease"), dated for reference purposes only as September 26, 2006 ("Lease Date"), is made by and between McCLELLAN BUSINESS PARK LLC, a Delaware limited liability company ("Landlord"), and SACRAMENTO POLICE DEPARTMENT on behalf of the City of Sacramento ("Tenant").

Witnesseth

1. Premises

1.1 Property. Landlord has the right to lease certain improved real property located within McClellan Park ("McClellan" or "Property"), McClellan, California ("State"), which is more particularly described in Exhibit A-1 attached hereto.

1.2 Premises. Landlord, for and in consideration of the rents, covenants, agreements, and stipulations contained herein, to be paid, kept and performed by Tenant, leases and rents to Tenant, and Tenant hereby leases and takes from Landlord upon the terms and conditions contained herein, the "Premises," which consists of (i) approximately four thousand twenty (4,020) rentable square feet of space located within Building 732-A1, 4843 Kilzer Avenue, McClellan, California 95652 ("Hangar"), and (ii) approximately one thousand seven hundred fifty-four (1,754) rentable square feet of space located in Building 632, 4835 Forcum Avenue, McClellan, California 95652 ("Office"), which measurements are binding and conclusive upon the parties hereto. The Premises is described in Exhibit A-2, and the buildings ("Buildings") in which the Premises is located is described in Exhibit A-3 attached hereto.

1.3 Common Areas. In addition to the Premises, subject to the Rules and Regulations (as hereinafter defined), Tenant may use those certain common areas to be designated by the Landlord from time to time on the Property; such areas shall include, but not be limited to, Parking Areas (as hereinafter defined), access roads and facilities, interior corridors (if applicable), sidewalks, driveways and landscaped and open areas (collectively, the "Common Areas"). The use of the Common Areas shall be for the non-exclusive use of Tenant and Tenant's employees, agents, suppliers, customers and patrons, in common with Landlord and all other tenants of the Property and all such other persons to whom Landlord has previously granted, or may hereinafter grant, rights of usage; provided that such nonexclusive use shall be expressly subject to such Rules and Regulations (as hereinafter defined) which may be amended by the Landlord from time to time. Tenant shall not be entitled to use the Common Areas for storage of goods, vehicles, refuse or any other items. Landlord reserves the right to alter, modify, enlarge, diminish, reduce or eliminate the Common Areas from time to time in its sole discretion.

1.4 Parking Areas. In addition to the Premises, subject to the Rules and Regulations, Tenant and Tenant's employees, agents, suppliers, customers and patrons, in common with Landlord and all other tenants of the Property/McClellan and all such other persons to whom Landlord has previously granted, or may hereinafter grant, rights of usage, shall have the non-exclusive right to use, for parking purposes, the parking area ("Parking Area") identified in Exhibit A-4 attached hereto, for up to a maximum of four (4) parking spaces, as such may be adjusted from time to time by Landlord.

1.5 Airfield Use. Subject to (i) the Airport Requirements (as hereinafter defined), (ii) any and all applicable federal, state or municipal laws, statutes and ordinances, which includes, but is not limited to, requirements of the Federal Aviation Agency, as such exist from time to time, (iii) prudent industry practices, as reasonably determined by Landlord and/or any governmental and/or quasi-governmental authority, (subsection (i), (ii) and (iii) are collectively referred to as the "Airfield Compliance Obligations"), Tenant shall have the non-exclusive right to utilize the McClellan airfield ("Airfield"), as described on Exhibit A-5 attached hereto, for the Airfield Use (as hereinafter defined).

2. Term

2.1 Term. The term of the Lease shall be for three (3) years and zero (0) months beginning on the Commencement Date (the "**Term**"), unless extended or sooner terminated pursuant to the terms of this Lease. The term "**Lease Year**" as used herein shall mean any three hundred sixty-five (365) consecutive day period beginning on the Commencement Date or any anniversary thereafter.

2.2 Commencement Date. The term "**Commencement Date**" as used herein shall mean:

A. The term "**Commencement Date**" as used herein shall mean October 1, 2006 ("**Anticipated Commencement Date**"). Landlord shall construct certain improvements ("**Tenant Improvements**") within the Premises in accordance with the "**Work Letter Agreement**" attached hereto as Exhibit B, which construction shall be completed prior to or after the Commencement Date, subject to delays caused by Force Majeure Event.

B. Within thirty (30) days after the Lease Commencement Date, Landlord and Tenant shall execute a certification ("**Declaration of Lease Commencement**") setting forth the Lease Commencement Date and the expiration date of the term of the Lease, which shall be in the form attached hereto as Exhibit C. For the purpose of this Lease, "**Force Majeure Event**" shall mean any delays beyond the reasonable control of Landlord, such as acts of God, fire, earthquake, acts of a public enemy, riot, insurrection, unavailability of materials, governmental restrictions on the sale of materials or supplies or on the transportation of such materials or supplies, strike directly affecting construction or transportation of materials or supplies, shortages of materials or labor resulting from government controls, weather conditions, unavailability of possession of the Premises due to governmental action or inaction, or any other cause or events beyond the reasonable control of Landlord. If Landlord is unable to deliver possession of the Premises by the Anticipated Commencement Date, plus any extension due to a Force Majeure Event(s), this Lease shall not be void or voidable, nor shall Landlord be liable to Tenant for any loss or damage resulting therefrom, and the expiration date of the term of this Lease shall be extended for such delay; but in such event, Tenant shall not be liable for any rent until the Lease Commencement Date; provided, however if such delays were caused or attributable to the Tenant, rent shall commence as of the scheduled Lease Commencement Date.

C. In the event that Landlord permits Tenant to occupy the Premises prior to the Commencement Date, such occupancy shall be subject to all the provisions of this Lease, which includes, but is not limited to, payment of Base Rent and Utilities/Services (as such terms are hereinafter defined).

3. Base Rent

3.1 Base Rent. Rent shall be due and payable in lawful money of the United States in advance on the first day of each month after the Commencement Date. Rent for any period during the Term hereof which is for less than one (1) full calendar month shall be prorated based upon the actual number of days of the calendar month involved. Tenant shall pay the first full month's Base Rent and any other charges upon execution of this Lease. Tenant shall pay to Landlord as base rent ("**Base Rent**") for the Premises, without notice or demand and without abatement, deduction, offset or set off, the following sums:

(a) Building 732-A1: \$2,211.00 per month beginning on the Commencement Date and continuing for months 1 through 12 following the Commencement Date, and

(b) Building 632: \$1,315.50 per month beginning on the Commencement Date and continuing for months 1 through 12 following the Commencement Date for a total Base Rent amount of \$3,526.50.

(c) Commencing on the first day of the thirteenth (13th) month following the Commencement Date, and on each annual anniversary thereafter, Base Rent shall be increased by the amount of three percent (3.00%) of the Base Rent then in effect.

3.2 Airfield Use Fee. In accordance with the Airfield Requirements, in addition to the Base Rent and any other amounts due under this Lease, for each aircraft ("**Aircraft**") of Tenant, its agents, employees, contractors,

customers, and invitees that land at the Airfield, Tenant shall pay Landlord an Airfield Usage Fee ("**Airfield Use Fee**") in accordance with a usage fee ordinance to be adopted by the County of Sacramento, as such is amended from time to time ("**Airfield Fee Schedule**"), which rate shall be subject to adjustments mandated by applicable governmental authorities. Such fees shall be payable on a monthly basis concurrent with payments of Base Rent. In addition to records that may be maintained by Landlord, Tenant shall keep a written record of the total usage of the Airfield throughout the Term and with each payment of the Airfield Use Fee shall provide Landlord with a written summary of the total usage for the applicable month. Landlord shall have the right to audit such records upon two (2) business day written request. The Airfield Use Fee shall not be applicable to any Aircraft which utilize the Premises for its permanent base of operation, referred to as "**Resident Aircraft**;" provided, however, such limitation shall not alter any amounts payable by Tenant pursuant to Section 3.3 below. In the event that the named Landlord assigns its interest under this Lease, the County of Sacramento shall retain the right to collect (or designate a third party to collect) the Airfield Use Fee pursuant to the provisions of this Lease. Notwithstanding the foregoing, until such time as such Airfield Use Fee ordinance is adopted by the County of Sacramento, Tenant shall not be charged an Airfield Use Fee.

3.3 Airfield Related Charges. The parties acknowledge that the formulation for the Base Rent, Additional Rent and other amounts payable under this Lease, is predicated on Tenant paying Landlord, on a monthly basis, for the first twelve (12) months following the Commencement Date, Airfield related charges of Five Hundred Seventy-Seven and 40/100ths Dollars (\$577.40) ("**Airfield Related Charges**") (based upon ten cents (10¢) per rentable square foot of the Premises), which amount shall be increased on the first day of the thirteenth (13th) month following the Commencement Date by the greater of (i) three percent (3.00%) of the Airfield Related Charges in effect immediately prior to such adjustment date, or (ii) the increase in the CPI Index (As used in the foregoing lease agreement the "CPI Index" shall refer to the Urban Wage Earners and Clerical Workers in San Francisco-Oakland CPI) for the previous twelve (12) month period reported at such time. On or before the fifteenth (15th) of each calendar month during the Term, to the extent that Tenant has not paid Landlord Airfield Use Fees (which includes the period during which such fees are not authorized pursuant to Section 3.2 above) during the previous calendar month equal to the Airfield Related Charges, Tenant shall pay Landlord an amount equal to such shortfall amount, hereinafter referred to as the "**Airfield Equalization Payment**." If Tenant has paid Landlord Airfield Use Fees in excess of the Airfield Related Charges for a particular calendar month, such payment in excess of the Airfield Related Charges shall not be subject to rebate and/or further adjustment.

3.4 Place of Payment. All payments under this Lease to be made by Tenant to Landlord shall be made payable to, and mailed or personally delivered to Landlord at the following address or such other address(es) of which Landlord may notify Tenant from time to time: McClellan Business Park, Post Office Box 588, North Highlands, California 95660-0588.

3.5 Late Payment. Tenant hereby acknowledges that late payment by Tenant to Landlord of Rent (as hereinafter defined) pursuant to this Lease will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Accordingly, if any installment of rent or other payment under this Lease is not received by Landlord, on or before the fifth (5th) day of the month in which such rent or other payment is due, Tenant shall pay a late charge equal to five percent (5.00%) of such overdue amounts. Tenant shall also be responsible for a service fee equal to Fifty and No/100ths Dollars (\$50.00) for any check returned for insufficient funds together with such other costs and expenses as may be imposed by Landlord's bank. Upon the assessment of a late charge, Landlord may require that all future payments of rent be made by cashier's check. The payment to and acceptance by Landlord of such late charge shall in no event constitute a waiver by Landlord of Tenant's default with respect to such overdue amounts, nor prevent Landlord from exercising any of the other rights and remedies granted at law or equity or pursuant to this Lease.

3.6 Interest. Notwithstanding any other provisions of this Lease, any installment of rent or other amounts due under this Lease not paid to Landlord when due shall bear interest from the date due or from the date of expenditure by Landlord for the account of Tenant, until the same have been fully paid, at a rate per annum which is equal to the Prime Rate, plus two (2) percentage points, but not to exceed the highest rate permitted under applicable law. The payment of such interest shall not constitute a waiver of any default by Tenant hereunder.

4 [Intentionally Deleted]

5. Additional Rent

5.1 Definitions

- (a) **"Additional Rent"** shall mean Tenant's Share of the Project Expenses.
- (b) **"Common Expenses"** shall mean the aggregate amount of the total costs and expenses paid or incurred by Landlord in any way connected with or related to the operation, repair, replacement, refurbishment, providing utilities, and maintenance of the Common Areas, the Buildings and the Property. Such costs shall include managerial fees (not to exceed five percent (5.00)% of the gross rental income from the Property per 12 month period) and administrative expenses related to the Property (not exceed ten percent (10.00%) of the Common Expenses per 12 month period). The computation of Common Expenses shall be made in accordance with generally accepted accounting principles. Landlord, from time to time, shall have the right, for the purpose of calculating Common Expenses to increase/decrease the **"Common Areas"** and **"Property"** to include/exclude certain designated areas within McClellan.
- (c) **"Computation Year"** shall mean each twelve (12) consecutive month period commencing January 1 of each year during the Term, provided that Landlord, upon notice to Tenant, may change the Computation Year from time to time to any other twelve (12) consecutive month period and, in the event of any such change, Tenant's Share of Project Expenses shall be equitably adjusted for the Computation Years involved in any such change.
- (d) **"Insurance Expenses"** shall mean the aggregate amount of the cost of fire, extended coverage, boiler, sprinkler, public liability, property damage, rent, earthquake, terrorism, and other insurance obtained by Landlord in connection with the Property, including insurance required pursuant to Section 14.1 hereof, and the deductible portion of any insured loss otherwise covered by such insurance.
- (e) **"Project Expenses"** shall mean and include Taxes, Insurance Expenses and Common Expenses.
- (f) **"Rent"** or **"Rent"** shall mean the total of all sums due to Landlord from Tenant hereunder, including but not limited to Base Rent, Additional Rent, Utilities/Services, and all other fees and charges owed to Landlord as well as all damages, costs, expenses, and sums that Landlord may suffer or incur, or that may become due, by reason of any default of Tenant or failure by Tenant to comply with the terms and conditions of this Lease, and, in the event of nonpayment, Landlord shall have all the rights and remedies as herein provided for failure to pay rent. Expenses shall be adjusted to reflect a ninety-five percent (95.00%) occupancy of the Property during any period in which the Property is not at least ninety-five percent (95.00%) occupied.
- (g) **"Rentable Area of the Buildings"** shall mean 5,774 agreed rentable square feet, which measurement is binding and conclusive upon the parties. Landlord, from time to time, shall have the right to (i) increase/decrease the number of Buildings within McClellan utilized in arriving at the square footage calculation set forth in this Section, or (ii) segregate McClellan into separate districts based upon building type (the square footage of each district would thereafter be the denominator for determining Tenant's Share), following which Tenant's Share shall be recalculated.
- (h) **"Rentable Area of the Premises"** shall mean 5,774 agreed rentable square feet.
- (i) **"Taxes"** shall mean all taxes, assessments and charges levied upon or with respect to the Property or any personal property of Landlord used in the operation thereof, or Landlord's interest in the Property or such personal property. Taxes shall include, without limitation, all general real property taxes and general and special assessments, occupancy taxes, commercial rental taxes, charges, fees or assessments for transit, housing, police, fire or other governmental services or purported benefits to the Property, service payments in lieu of taxes, and any tax, fee or excise on the act of entering into any lease for space in the Property, or on the use or occupancy of the Property or any part thereof, or on the rent payable under any lease or in connection

with the business of renting space in the Property that are now or hereafter levied or assessed against Landlord by the United States of America, the state in which the Property is located, or any political subdivision, public corporation, district or other political or public entity, whether due to increased rate and/or valuation, additional improvements, change of ownership, or any other events or circumstances, and shall also include any other tax, fee or other excise, however described, that may be levied or assessed as a substitute for or as an addition to, as a whole or in part, any other Taxes whether or not now customary or in the contemplation of the parties on the date of this Lease. Any assessments imposed under any covenants, conditions and/or restrictions encumbering, presently or in the future, the Property shall be within such definition of Taxes. Taxes shall not include franchise, transfer, inheritance or capital stock taxes or income taxes measured by the net income of Landlord from all sources unless, due to a change in the method of taxation, any of such taxes is levied or assessed against Landlord as a substitute for or as an addition to, as a whole or in part, any other tax that would otherwise constitute a Tax. If any Taxes are specially assessed by reason of the occupancy or activities of one or more tenants and not the occupancy or activities of the Tenants as a whole, such Taxes shall be allocated by Landlord to the tenant or tenants whose occupancy or activities brought about such assessment. Tenant shall participate in any infrastructure financing plan for McClellan that may be adopted by the Board of Supervisors of Sacramento County, including, but not limited to, Sacramento County Ordinance No. SZC 97-0027, for the purposes of constructing, upgrading, operating or maintaining public infrastructure, which may include, but not be limited to, roadways, water supply, sanitary sewers, drainage, fire protection, landscape and lighting, and transit facilities. At the time such financing plan is adopted and enacted by the Board of Supervisors of Sacramento County, all payment obligations resulting therefrom shall be within the definition of Taxes.

(j) **"Tenant's Share"** is determined by dividing the rentable Area of the Premises by the rentable Area of the Buildings. Tenant acknowledges that certain Project Expenses apply to the entirety of McClellan (e.g. common area landscaping costs, utilities for Common Areas, security, etc.). In this regard, such McClellan-wide Project Expenses shall be allocated to the Premises on the basis of the rentable square footage of the Premises divided by the rentable square footage of leasable space within McClellan (unless any tenant(s) use of its premises requires an increased allocation, and/or a separate allocation due to location and nexus to an expense and/or service incurred, as reasonably determined by Landlord) (Landlord shall not recover more than one hundred percent (100.00%) of such costs incurred by Landlord). In the event that either the rentable Area of the Premises or the rentable Area of the Building are changed, Tenant's Share will be appropriately adjusted by Landlord. For purposes of the Computation Year in which such change occurs, Tenant's Share shall be determined on the basis of the number of days during such Computation Year at each such percentage.

5.2 **Payments** In addition to Base Rent, and beginning on the Commencement Date, Tenant shall pay to Landlord, monthly, in advance, one-twelfth (1/12) of the Additional Rent due for each Computation Year, in an amount estimated by Landlord and billed by Landlord to Tenant ("**Estimated Expenses**"). Landlord shall have the right to reasonably revise such estimates from time to time and to adjust Tenant's monthly payments accordingly. The estimate for Additional Expenses for calendar year 2006 is fifteen cents (.07¢) for the Hangar and twenty cents (15¢) for the Office per rentable square foot per month. If either the Commencement Date or the expiration of the Lease Term shall occur on a date other than the first or last day of a Computation Year respectively, the Additional Rent for such Computation Year shall be in the proportion that the number of days the Lease was in effect during such Computation Year bears to 365. With reasonable promptness after the expiration of each Computation Year, Landlord shall furnish Tenant with a statement of the actual expenses ("**Actual Expenses Statement**"), setting forth in reasonable detail the Project Expenses and Additional Rent for such Computation Year. If the actual Project Expenses for such Computation Year exceed the estimated Additional Rent paid by Tenant for such Computation Year, Tenant shall pay to Landlord the difference between the amount paid by Tenant and Tenant's Share of the actual Project Expenses within thirty (30) days after the receipt of Landlord's Expense Statement. If the total amount paid by Tenant for any such Computation Year shall exceed the Tenant's Share of the actual Project Expenses for such Computation Year, such excess shall be credited against the next installments of Additional Rent due from Tenant to Landlord hereunder. Neither Landlord's failure to deliver, nor late delivery of, the Estimated or Actual Expenses Statement shall constitute a default by Landlord hereunder or a waiver of Landlord's right to collect any payment provided for herein.

5.3 **Allocated Expenses** Notwithstanding the calculation of Tenant's Share of Project Expenses, Landlord may specifically allocate certain Project Expenses to specific tenants, including Tenant, based upon the nexus of such specific expense or service incurred to such tenant's building(s) and/or operations(s), as

reasonably determined by Landlord. Allocated Project Expenses shall be paid in full by the designated tenant utilizing the monthly payment process set forth in this Article 5. If a tenant is assessed an allocated Project Expense, such Tenant's obligation to pay its share of standard Project Expenses shall be equitably adjusted (in no event shall Landlord recover more than one hundred percent (100.00%) of Project Expenses incurred).

5.4 Disputes. If there is any dispute as to any Additional Rent due under this Section 5, for a period of six (6) months following Tenant's receipt of the Actual Expense Statement, Tenant shall have the right, after reasonable written notice to Landlord and at reasonable times, to inspect Landlord's computation of Tenant's Project Expenses as they are set forth in the subject Actual Expense Statement at Landlord's accounting office. Tenant's failure to request such inspection within the six (6) month period set forth herein shall be deemed Tenant's approval of the Actual Expense Statement. If after such inspection Tenant still disputes such Additional Rent, upon Tenant's written request therefore, a certification as to the proper amount of Project Expenses and the amount due to or payable by Tenant shall be made by an independent accounting firm selected by Landlord and Tenant. If Landlord and Tenant are unable to agree upon an accounting firm, Landlord and Tenant shall each select an accounting firm and the two firms so selected shall select a third firm which shall make the certification requested hereunder. Tenant agrees to pay all costs and expenses incurred in connection with such certification, with the exception that if Landlord overstated Project Expenses by more than three percent (3.00%), all costs and expenses incurred in connection with such certification shall be paid by Landlord. Such certification shall be final and conclusive as to all parties. Notwithstanding the foregoing, in no event shall Tenant be entitled to withhold payment of Additional Rent during the certification process and Tenant shall remain obligated to pay all Additional Rent due as otherwise set forth in this Lease. In the event Tenant shall prevail in the certification process, Landlord, at its election, shall either promptly refund any excess Additional Rent payments to Tenant or shall apply such excess as a credit against future Additional Rent due from Tenant.

6. [Intentionally Deleted]

7. Permitted Uses. Tenant shall use and occupy the Premises throughout the Term of the Lease for (i) in regard to the Office, for general office use, and (ii) in regard to the Hangar, the storage and hanging of its aircraft ("**Permitted Use**"), consistent with and in compliance with McClellan Use Documentation (as hereinafter defined), and for no other purpose. No use shall be made or permitted to be made of the Premises, nor acts done which will increase the existing rate of insurance upon the Buildings, or cause a cancellation of any insurance policy covering the Buildings, or any part thereof, nor shall Tenant sell, or permit to be kept, used, or sold, in or about the Premises, any article which may be prohibited by insurance policies maintained by Landlord. Tenant shall comply with all laws, ordinances, rules, regulations and codes, which includes, but is not limited to, the Americans With Disabilities Act, of all municipal, county, state and federal authorities (collectively, "**Law**") pertaining to Tenant's use and occupation of the Premises. Tenant shall not commit, or suffer to be committed, any waste upon the Premises or any public or private nuisance, or other act or thing which disturbs the quiet enjoyment of any other tenant in the Buildings, nor shall Tenant store any materials on the Premises which are visible from areas adjacent to the Premises, unless otherwise specifically set forth in Exhibit A-2 or expressly provided in this Lease. Tenant shall also specifically not permit any objectionable odor to escape or be emitted from the Premises and shall insure sanitation and freedom from odor, smell and infestation from rodents or insects. Tenant, at its expense, shall provide (and enclose if required by codes or Landlord) a dumpster or dumpsters for Tenant's trash in a location and manner approved by Landlord, and shall cause its trash to be removed at intervals reasonably satisfactory to Landlord. In connection therewith, Tenant shall keep the dumpster(s) clean and insect, rodent and odor free.

7.1 Airfield Use. Subject to Section 1.5 of this Lease, Tenant's nonexclusive use of the Airfield shall be limited to those aviation uses permitted by the County of Sacramento ("**Airfield Use**"), Tenant shall be responsible for obtaining and maintaining, at Tenant's cost, all requisite permits and authorizations required by any and all applicable governmental and/or quasi-governmental authorities concerning such usage of the Airfield, and Tenant shall comply with the Airfield Compliance Obligations. Tenant and Tenant's Airfield Use shall faithfully observe and comply with the nondiscriminatory dues and regulations that Landlord shall from time to time promulgate regarding the Airfield and use thereof ("**Airport Requirements**"). Landlord reserves the right from time to time to make all nondiscriminatory modifications to the Airport Requirements. The additions to those rules and regulations shall be binding upon Tenant upon delivery of a copy to Tenant (a copy of the present Airport Requirements are attached hereto as Exhibit D). Landlord shall use its reasonable efforts to enforce compliance with such rules

7.2 Noninterference with Aircraft. Tenant, its agents, employees, invitees, contractors and/or subcontractors, shall not utilize the Airfield in any manner or act in any manner that might interfere with any aircraft landing or takeoff from the Airfield or otherwise create a hazard. If this covenant is breached, in addition to any other legal, equitable or contractual remedies available to Landlord, Landlord shall have the right to abate and/or eliminate the interference at the expense of Tenant.

7.3 Subordinate to U.S. Requirements. This Lease shall be subordinate to the terms of any existing or future agreements between Landlord and the United States, or to any United States legal requirements relative to the development, operation or maintenance of the Airfield.

7.4 War or National Emergency. In the event of war or national emergency, this Lease and all of its provisions shall be subject to any United States Government right, existing now or in the future, affecting the control, operation, regulation, takeover, or exclusive or nonexclusive use of the Airfield.

7.5 Airfield Development. Landlord reserves the right to further develop, change or improve the Airfield and its routes and landing areas as Landlord sees fit, without Tenant's interference or hindrance and regardless of Tenant's views and desires.

7.6 Nonexclusive Right. Tenant understands and agrees that nothing in this Lease shall be construed to grant or authorize an exclusive right within the meaning of the Federal Aviation Act, as amended.

7.7 Landing Area Maintenance. Landlord reserves the right, but not the obligation, to maintain and repair the Airfield and all other public facilities. Landlord also has the right to direct and control all Tenant's activities affecting the maintenance and repair of these facilities.

7.8 Employee Conduct. Tenant shall be responsible for the conduct of any employee(s), contractors or subcontractors, within McClellan, if that employee is at the Airfield during any period of employment.

7.9 Aircraft Parking. Tenant shall require that all aircraft under its control be parked only on the Exclusive Control Area, except as otherwise provided by the direction of Landlord. At no time shall any aircraft, vehicle or other object, including refuse, under Tenant's control, be allowed to obstruct any designated taxiways.

7.10 Noise Abatement. Tenant shall comply at all times with all airport noise abatement rules and regulations ("Noise Abatement Program") implemented, from time to time, by Landlord or any applicable governmental authority as may be applicable to Tenant's use of the Airfield and this Lease. Current information on the Noise Abatement Program for the Airfield may be obtained from Landlord. It is Landlord's intent, but not obligation, to take whatever action is necessary to enforce its Noise Abatement Program. This may include fining violators and/or terminating their use of the Airport. Tenant shall fully cooperate with Landlord in its enforcement of its Noise Abatement Program with users of the leased premises, including providing Landlord with any information it has in its records that would assist the Landlord in identifying and locating those that violate the Noise Abatement Program.

7.11 Operation of the Airfield. Tenant acknowledges that the Airfield is owned and operated by the County of Sacramento and that Landlord has no control over such operations.

7.12 Fueling Activities. Due solely to legal requirements imposed upon Tenant and Tenant's representation concerning such matters (the truth and accuracy of which Landlord is relying), Tenant shall be entitled to refuel its own aircraft (which does not include any aircraft of any other third party) adjacent to the Hangar utilizing a process mutually agreed upon by Landlord and Tenant. Such refueling activities by Tenant shall be subject to fuel fee ordinance, as amended, enacted by the County, the Airport Requirements, and all fueling activities by Tenant, its agents, employees, and contractors shall be subject to Tenant's indemnification, defense and hold harmless obligation set forth in Section 15 of this Lease and all such obligations shall additionally be subject to Tenant's insurance requirements in Section 14 of this Lease.

8. Environmental Compliance\Hazardous Materials

8.1 Definitions. "**Hazardous Materials**" shall mean any material, substance or waste that is or has the characteristic of being hazardous, toxic, ignitable, reactive, flammable, explosive, radioactive or corrosive, including, without limitation, petroleum, solvents, lead, acids, pesticides, paints, printing ink, PCBs, asbestos, materials commonly known to cause cancer or reproductive problems and those materials, substances and/or wastes, including wastes which are or later become regulated by any local governmental authority, the state in which the Premises are located or the United States Government, including, but not limited to, substances defined as "hazardous substances," "hazardous materials," "toxic substances" or "hazardous wastes" in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. §9601, et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. §1801, et seq.; the Resource Conservation and Recovery Act; all environmental laws of the state where the Property is located, and any other environmental law, regulation or ordinance now existing or hereinafter enacted. "**Hazardous Materials Laws**" shall mean all present and future federal, state and local laws, ordinances and regulations, prudent industry practices, requirements of governmental entities (including without limitation the U.S. Air Force) and manufacturer's instructions relating to industrial hygiene, environmental protection or the use, analysis, generation, manufacture, storage, presence, disposal or transportation of any Hazardous Materials, including without limitation the laws, regulations and ordinances referred to in the preceding sentence.

8.2 Use of Premises by Tenant. Subject to the provisions of this Section 8, Tenant hereby agrees that Tenant and Tenant's officers, employees, representatives, agents, contractors, subcontractors, successors, assigns, subtenants, concessionaires, invitees and any other occupants of the Premises (for purposes of this Section 8, referred to collectively herein as "**Tenant Representatives**") shall not cause or permit any Hazardous Materials to be used, generated, manufactured, refined, produced, processed, stored or disposed of, on, under or about the Premises or Property or transport to or from the Premises or Property without the express prior written consent of Landlord, which consent may be limited in scope and predicated on strict compliance by Tenant of all applicable Hazardous Materials Laws and such other reasonable rules, regulations and safeguards as may be required by Landlord (or any insurance carrier, environmental consultant or lender of Landlord, or environmental consultant retained by any lender of Landlord) in connection with using, generating, manufacturing, refining, producing, processing, storing or disposing of Hazardous Materials on, under or about the Premises or the Property. In connection therewith, Tenant shall at its own expense procure, maintain in effect and comply with all conditions of any and all permits, licenses and other governmental and regulatory approvals required for the storage or use by Tenant or any of Tenant's Representatives of Hazardous Materials on the Premises or the Property, including without limitation, discharge of (appropriately treated) materials or wastes into or through any sanitary sewer serving the Premises or the Property.

8.3 Remediation. If at any time during the Lease Term any contamination of the Premises by Hazardous Materials shall occur where such contamination is caused by the act or omission of Tenant or Tenant's Representatives ("**Tenant's Contamination**"), then Tenant, at Tenant's sole cost and expense, shall promptly and diligently remove such Hazardous Materials from the Premises or the groundwater underlying the Premises to the extent required to comply with applicable Hazardous Materials Laws. Tenant shall not take any required remedial action in response to any Tenant's Contamination in or about the Premises or enter into any settlement agreement, consent, decree or other compromise in respect to any claims relating to any Tenant's Contamination without first obtaining the prior written consent of Landlord, which may be subject to conditions imposed by Landlord as determined in Landlord's sole discretion. Landlord and Tenant shall jointly prepare a remediation plan in compliance with all Hazardous Materials Laws and the provisions of this Lease. In addition to all other rights and remedies of the Landlord hereunder, if Tenant does not promptly and diligently take all steps to prepare and obtain all necessary approvals of a remediation plan for any Tenant's Contamination, and thereafter commence the required remediation of any Hazardous Materials released or discharged in connection with Tenant's Contamination within thirty (30) days after all necessary approvals and consents have been obtained and thereafter continue to prosecute such remediation to completion in accordance with the approved remediation plan, then Landlord, at its sole discretion, shall have the right, but not the obligation, to cause such remediation to be accomplished, and Tenant shall reimburse Landlord within fifteen (15) business days of Landlord's demand for reimbursement of all amounts reasonably paid by Landlord (together with interest on such amounts at the highest lawful rate until paid), when such demand is accompanied by proof of payment by Landlord of the amounts demanded. Tenant shall promptly deliver

to Landlord, copies of hazardous waste manifests reflecting the legal and proper disposal of all Hazardous Materials removed from the Premises as part of Tenant's remediation of any Tenant's Contamination

8.4 Disposition of Hazardous Materials Except as discharged into the sanitary sewer in strict accordance and conformity with Section 8.2 herein and all applicable Hazardous Materials Laws, Tenant shall cause any and all Hazardous Materials used, generated, manufactured, refined, produced, processed, stored or disposed of by Tenant and/or Tenant Representatives to be removed from the Premises and the Property by duly licensed haulers to duly licensed facilities for recycling or final disposal of such materials and wastes. Tenant is and shall be deemed to be the "operator" "in charge" of Tenant's "facility" and the "owner," as such terms are used in the Hazardous Materials Laws, of all Hazardous Materials and any wastes generated or resulting therefrom. Tenant shall be designated as the "generator," as such terms are used in the Hazardous Materials Laws, on all manifests relating to such Hazardous Materials or wastes.

8.5 Notice of Hazardous Materials Matters. Each party hereto (for purposes of this Section, "Notifying Party") shall immediately notify the other party (for purposes of this Section, "Notice Recipient") in writing of: (i) any enforcement, clean up, removal or other governmental or regulatory action instituted, contemplated or threatened concerning the Premises pursuant to any Hazardous Materials Laws; (ii) any claim made or threatened by any person against the Notifying Party or the Premises relating to damage contribution, cost recovery, compensation, loss or injury resulting from or claimed to result from any Hazardous Materials on or about the Premises; (iii) any reports made to any environmental agency arising out of or in connection with any Hazardous Materials in or removed from the Premises including any complaints, notices, warnings or asserted violations in connection therewith, all upon receipt by the Notifying Party of actual knowledge of any of the foregoing matters; and (iv) any spill, release, discharge or disposal of any Hazardous Materials in, on or under the Premises, the Property, or any portion thereof. Notifying Party shall also supply to Notice Recipient as promptly as possible, and in any event within five (5) business days after Notifying Party first receives or sends the same, with copies of all claims, reports, complaints, notices, warnings or asserted violations relating in any way to the Premises or Tenant's use thereof.

8.6 Indemnification by Tenant. Tenant shall indemnify, defend (by counsel reasonably acceptable to Landlord), protect, and hold Landlord, and each of Landlord's employees, representatives, agents, attorneys, successors and assigns, free and harmless from and against any and all claims, actions (including, without limitation, remedial and enforcement actions of any kind, administrative or judicial proceedings and orders or judgments arising therefrom), causes of action, liabilities, penalties, forfeitures, damages, fines, injunctive relief, losses or expenses (including, without limitation, reasonable attorneys' fees and costs) or death of or injury to any person or damage to any property whatsoever, arising from or caused in whole or in part, directly or indirectly by (i) any Tenant's Contamination, or (ii) Tenant's failure to comply with any Hazardous Materials Laws with respect to the Premises. Tenant's obligations hereunder shall include without limitation, and whether foreseeable or unforeseeable, all costs of any required or necessary repair, clean up or detoxification or decontamination of the Premises, and the preparation and implementation of any closure, remedial action or other required plans in connection therewith. For purposes of the indemnity provisions hereof, any acts or omissions of Tenant, or by employees, agents, assignees, contractors or subcontractors of Tenant or others acting for or on behalf of Tenant (whether or not they are negligent, intentional, willful or unlawful), shall be strictly attributable to Tenant.

8.7 Indemnification by Landlord. Landlord shall indemnify, defend (by counsel reasonably acceptable to Tenant), protect, and hold Tenant, and each of Tenant's employees, representatives, agents, attorneys, successors and assigns, free and harmless from and against any and all claims, actions, causes of action (including, without limitation, remedial and enforcement actions of any kind, administrative or judicial proceedings, and orders or judgments arising therefrom), liabilities, penalties, forfeitures, losses or expenses (including, without limitation, reasonable attorneys' fees and costs) or death of or injury to any person or damage to any property whatsoever, to the extent arising from or caused in whole or in part, directly or indirectly by any contamination caused by Landlord. Landlord's obligations hereunder shall include without limitation, and whether foreseeable or unforeseeable, all costs of any required or necessary repair, clean up or detoxification or decontamination of the Premises, and the preparation and implementation of any closure, remedial action or other required plans in connection therewith. This indemnity shall be specifically limited to affirmative acts of Landlord, and shall not include the acts or omissions of any other tenants of the Property or other persons.

8.8 Environmental Questionnaire: Reports. Prior to execution of this Lease and thereafter on each anniversary of the Commencement Date, Tenant shall complete, execute, and deliver to Landlord the (i) Environmental Questionnaire Disclosure Statement (the "**Environmental Questionnaire**"), and (ii) Sewer Use Questionnaire ("**Sewer Use Questionnaire**") in a form of Exhibit E attached hereto. For a period of fifteen (15) days following Landlord's receipt of the Environmental Questionnaire, Landlord shall have the right to approve or disapprove such document. The failure of Landlord to respond to such document within such time period shall be deemed Landlord's disapproval thereof. Landlord's approval of the Environmental Questionnaire shall constitute approval for Tenant's use of the Hazardous Materials set forth therein in compliance with Hazardous Materials Laws and the Hazardous Materials Handling Plan. Tenant acknowledges that, in conjunction with Landlord's review of the Environmental Questionnaire, Landlord may require Tenant to comply with a "**Hazardous Materials Handling Plan**." Tenant's use of Hazardous Materials shall comply with Hazardous Materials Laws and be limited to uses consistent with the Hazardous Materials Handling Plan required by Landlord. Unless approved in writing by Landlord, Tenant shall not be entitled to utilize any Hazardous Materials within the Premises, excepting de minimus office use products used for Tenant's office use (if applicable). Tenant shall promptly provide Landlord with complete and legible copies of all information/notices relating to its use of Hazardous Materials, which include, but are not limited to, reports filed pursuant to any self-reporting requirements; permit applications, permits, monitoring reports, workplace exposure and community exposure warnings or notices and all other reports, disclosures, plans or documents relating to water discharges, air pollution, waste generation or disposal, and underground storage tanks for Hazardous Materials; orders, reports, notices, listings and correspondence of or concerning the release, investigation of, compliance, cleanup, remedial and corrective actions, and abatement of Hazardous Materials; and all complaints, pleadings and other legal documents filed by or against Tenant related to Tenant's use, handling, storage or disposal of Hazardous Materials.

8.9 Tenant Certifications. Within ninety (90) days prior to the expiration of the Lease Term, Tenant shall certify to Landlord in writing that, to the best of its knowledge, no Tenant Contamination has occurred. If Landlord reasonably believes that such certification is inaccurate, or if an environmental report is required by law, Landlord shall give notice to Tenant within thirty (30) days after receipt of Tenant's certification that Tenant shall have the Premises thoroughly inspected by an environmental consultant acceptable to Landlord for purposes of determining whether the Premises is free from all Hazardous Materials. Landlord's failure to request an environmental inspection report shall in no way alter, abridge or limit Tenant's indemnity obligation hereunder. Tenant shall deliver to Landlord a copy of the environmental consultant's report forty-five (45) days prior to the expiration of the Lease. In the event the report discloses the existence of any Hazardous Materials, requires any clean up or any other form of response (collectively "**Clean up**"), Tenant shall perform such immediately and deliver the Premises with the conditions specified in the report "cleaned up", to the full satisfaction of Landlord. In the event the conditions specified in the report require Clean up which cannot be completed prior to the expiration of the Lease Term, Tenant shall be obligated to pay Landlord the greater of (i) the fair market rental value of the Premises, or (ii) the rent hereunder, as adjusted, for each day delivery of the Premises in the required condition to Landlord is delayed beyond the expiration of the Lease Term in addition to the Clean up costs.

8.10 Exclusivity. The allocations of responsibility between, obligations and liabilities undertaken by, and indemnifications given by Landlord and Tenant under this Section 8, shall be the exclusive provisions under this Lease, applicable to the subject matter treated in this Section 8, and any other conflicting or inconsistent provisions contained in this Lease shall not apply with respect to the subject matter.

8.11 Environmental Certificate. Attached hereto as Exhibit F is the Supplemental Finding of Suitability to Lease for the Building (SFOSL) ("**Environmental Certificate**") issued by The United States Air Force concerning the status of Hazardous Materials set forth in the Site Specific Supplemental Environmental Baseline Survey ("**SSEBS**") for the Premises by the United States Air Force (collectively, "**Remediated Environmental Condition**") in accordance with the terms, conditions and provisions set forth therein. Landlord makes no representation or warranty regarding any matters set forth in the Environmental Certificate. Tenant, for itself and Tenant representatives, hereby waives, releases and forever discharges Landlord, its agents, affiliates, successors and assigns from any and all rights, claims and demands at law or in equity, whether known or unknown at the Lease Date or thereafter, which Tenant has or may have in the future, arising out of or relating directly or indirectly out of the Remediated Environmental Condition, the Hazardous Materials previously located at the Property, Environmental Certificate, the SSEBS, the physical, environmental or economic condition or suitability of the Premises and/or Property. Concerning the matters set forth in Section 8.11 and Section 8.12, Tenant hereby

specifically waives the provisions of Section 1542 of the California Civil Code, which provides: "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

Landlord

Tenant

8.12 Environmental Disclosure. As described in the McClellan Use Documentation, Hazardous Materials, in violation of Hazardous Materials Laws, have been used at McClellan, which materials are in various states of remediation by the United States of America. Additional disclosures regarding the presence of Hazardous Materials at McClellan are set forth on Exhibit G attached hereto. Such disclosures are not intended to be inclusive of all Hazardous Materials which were present at McClellan and each party hereto acknowledges that additional Hazardous Materials not set forth in such exhibit may have been or remain present at McClellan; provided, however, such disclosure shall not affect, in any manner, the obligation of the Air Force under the McClellan Use Documents or in accordance with applicable Law. Tenant's execution of this Lease is deemed Tenant's acknowledgment to such disclosures as required by Hazardous Materials Laws.

8.13 Compliance with Environmental Laws. Tenant shall at all times and in all respects comply with all Hazardous Materials Laws. All reporting obligations concerning Tenant's business operations imposed by Hazardous Materials Laws are strictly the responsibility of Tenant. Tenant and Landlord have been informed that certain California judicial decisions have held that, notwithstanding the specific language of a lease, courts may impose the responsibility for complying with legal requirements and for performing improvements, maintenance and repairs on a landlord or tenant based on the court's assessment of the parties' intent in light of certain equitable factors. Tenant and Landlord have each been advised by their respective legal counsel about the provisions of this Lease allocating responsibility for compliance with laws and for performing improvements, maintenance and repairs between Tenant and Landlord. Tenant and Landlord expressly agree that the allocation of responsibility for compliance with laws and for performing improvements, maintenance and repairs set forth in this Lease represents Tenant's and Landlord's intent with respect to this issue.

8.14 Environmental Audit; Right of Entry. Upon Landlord's reasonable request, and in any event, on or before each anniversary of the Commencement Date, Tenant shall provide Landlord with a Compliance Audit. A "**Compliance Audit**" means a written report of a site assessment and environmental audit, in scope, form and substance satisfactory to Landlord, prepared by a qualified environmental consultant approved in advance by Landlord, which shall assess, in detail: (a) whether the Tenant's operations comply with all applicable Hazardous Materials Laws and generally accepted good environmental management practices; (b) whether there is any evidence or indication that there has been or is reasonably likely to be, a release of Hazardous Materials attributable to the Tenant's operations; and, (c) Tenant's compliance with this Section 8, which includes, but is not limited to, compliance with the Hazardous Materials Handling Plan. Landlord shall have the right to inspect the Premises for Hazardous Materials and compliance with the provisions of this Section 8 at all reasonable times upon reasonable advance oral or written notice to Tenant (except in the event of an emergency).

8.15 Air Force Entry. Tenant acknowledges that, pursuant to the provisions of and in accordance with the McClellan Use Documentation, the Secretary of the Air Force, acting on behalf of the United States of America ("**Air Force**"), its agents, employees, contractors and subcontractors, may require ingress, egress and access to the Premises, or portion thereof, to implement the Federal Facilities Agreement, entered into by U.S. EPA, Region IX, the State of California, and the Air Force, effective July 1989 ("**FFA**"), the McClellan Air Force Base Installation Restoration Program ("**IRP**") or other hazardous waste remediation activities, whether imposed by law or regulatory agencies, and to perform various tasks, repairs, maintenance and obligations required by the McClellan Use Documentation during the Term. Tenant acknowledges that some or all of these actions may interfere with Tenant's quiet use and enjoyment of the Premises, and that such entrance may disrupt, interfere, and/or adversely effect Tenant's Building operations, including the Permitted Use, for the duration of such entrance. Such entrance shall not constitute an actual or construction eviction and will not cause any form of liability, offset, abatement and/or claim against Landlord and/or the Air Force. To provide prior notice to Tenant for the required entrance by the Air Force, prior to the Commencement Date, Tenant shall complete the information set forth in Exhibit E-1, which information the Air Force may rely upon in providing such notice. If such information requires revision during the Term, Tenant shall notify, in writing, Landlord in accordance with Section 27 of this Lease.

8.16 Preexisting Hazardous Materials Baseline. The parties acknowledge that the Environmental Certificate, the SSEBS and certain documents within the McClellan Use Documentation establish the presence (which may be subject to various levels of remediation by the United States Air Force) of various Hazardous Materials which have been and/or are currently located at McClellan, which information is hereinafter referred to as the “**Environmental Baseline.**” IN NO EVENT SHALL TENANT BE RESPONSIBLE, IN ANY MANNER, FOR THE CLEANUP OF ANY HAZARDOUS MATERIALS DESCRIBED IN THE ENVIRONMENTAL BASELINE, EXCEPT TO THE EXTENT TENANT HAS CAUSED A TENANT’S CONTAMINATION AND/OR ALTERATIONS OF THE PREMISES.

8.17 Sewer Compliance Certificate. On or before December 31 of each calendar year, Tenant shall deliver to Landlord a written certification that it has placed only “sewageable water” in the industrial waste water drain lines that service the Premises. For the purpose of this Section, “sewageable water” is defined as waste water in compliance with all applicable waste water pretreatment and discharge permit standards and requirements imposed by applicable federal, state and county laws, statutes, ordinances and regulations.

8.18 Asbestos Notification. Attached to this Lease as Exhibit H is a disclosure concerning the possible presence of asbestos containing materials within the Premises applicable to all buildings within McClellan constructed prior to 1980. Landlord and Tenant shall sign such Exhibit concurrent with the execution of this Lease.

8.19 Survival and Duration of Obligations. All representations, warranties, obligations and indemnities made or given under this Section 8 shall survive the expiration or earlier termination of this Lease.

9. Utilities/Services

9.1 In addition to rent, Tenant shall pay all costs and charges, including all initial utility deposits and fees, for water, electricity, sewage, janitorial, trash removal, gas, telephone, pest control, alarm service, and any other services furnished to the Premises and the improvements on the Premises during the entire Term of this Lease (“**Utilities/Services**”). Except as may be provided in the Work Letter Agreement, or as otherwise determined by Landlord, Landlord shall cause the electrical service to be separately metered or billed to the Premises. If any Utilities/Services are not (i) separately metered or (ii) billed to Tenant for the Premises but rather are billed to Landlord, Tenant shall pay to Landlord its pro rata share of the cost of the Utilities/Services, as reasonably determined by Landlord, and such payment shall be due within fifteen (15) days of Tenant's receipt of invoice from Landlord. Landlord may elect to place any Utilities/Services in Tenant's name, in which case Tenant shall execute all necessary documentation to complete such transaction. Landlord shall not be liable for any reason for any loss or damage resulting from an interruption of any of the Utilities/Services. Except as provided in Section 9.2, Landlord may designate the provider of Utilities/Services and in such event Tenant shall use such designated provider; provided that Tenant shall have no claim, of any type, for any failure of such provider to provide such service, and Tenant's remedy, if any, shall be limited to such provider. Tenant's payment obligation for Utilities/Services are separate and distinct from its payment obligations under Article 5 of this Lease.

9.2 Tenant acknowledges that it has been advised that Landlord has entered into agreements with the Sacramento Suburban Water District, Pacific Gas and Electric and the Sacramento Municipal Utility District whereby those entities have the exclusive right to provide, respectively, water, gas and electrical service to McClellan for a period of ten (10) years. These agreements are included as part of the McClellan Use Documentation. Tenant agrees that it will obtain water, gas and electrical service during the Term of the Lease consistent with the requirements of these agreements.

10. Repairs By Landlord. Landlord shall maintain only the roof, foundations and structural soundness of the exterior walls of the Buildings (exclusive of all glass and exclusive of all exterior doors) in good repair, except repairs rendered necessary by the negligence or intentional acts of Tenant, its employees, invitees or representatives which shall be repaired by Tenant. Landlord shall maintain the grounds within the Common Area surrounding the Premises, including paving, the mowing of grass, care of shrubs and general landscaping as part of the Common Expenses set forth herein. Tenant shall promptly report in writing to Landlord any defective condition known to Tenant to be defective which Landlord is required to repair and failure to so report such conditions shall make Tenant responsible to Landlord for any liability incurred by Landlord by reason of such conditions. Landlord shall be required to commence such repairs within a reasonable period of time from receipt of Tenant's notice.

11. Repairs By Tenant Tenant accepts the Premises in its present "As-Is," "Where Is" condition (except for the Tenant Improvements which are the responsibility of Landlord, if any), and specifically acknowledges that the Premises is suited for the uses intended by Tenant. Landlord shall not be liable for any latent or patent defects in the Premises, excepting Tenant Improvements constructed by Landlord, if any, pursuant to the Work Letter Agreement. Tenant acknowledges that Landlord has made no representation or warranty concerning the condition and state of repair of the Premises to the extent not constructed by Landlord. Tenant shall at its own cost and expense keep and maintain the Premises in good order and repair, promptly making all necessary repairs and replacements, including, but not limited to, all equipment and facilities and components thereof within the Premises, fixtures, walls (interior), finish work, ceilings, floors, lighting fixtures, bulbs and ballasts, utility connections and facilities within the Premises, windows, glass, doors, and plate glass, downspouts, gutters, air conditioning and heating systems, truck doors, dock levelers, bumpers, seals and enclosures, plumbing, electrical, termite and pest extermination, and damage to common areas caused by Tenant, excluding only those repairs expressly required to be made by Landlord hereunder. Any and all construction, maintenance and/or repairs to be done by Tenant, its agents, employees, contractors and/or subcontractors pursuant to this Section which would be deemed an Alteration (as hereinafter defined), as reasonably determined by Landlord, shall comply with the requirements of Section 13 of this Lease. Tenant, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices. Tenant shall maintain, and shall provide Landlord with proof thereof, an annual service maintenance contract (which shall be upon a form acceptable to Landlord and with a service provider designated by Landlord (which may be an affiliate thereof)) and any and all required permits for the HVAC system, fire sprinkler system (if applicable), and any other such building systems and life-safety systems, in a form and with a contractor reasonably satisfactory to Landlord. Tenant'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. Tenant shall be permitted to implement its own reasonable security measures in the Premises, subject to prior approval by Landlord. Any security implemented by Tenant shall not interfere with the Building's security. Notwithstanding anything to the contrary herein, Tenant acknowledges and agrees that it shall be solely responsible for providing adequate security for its premises, trucks and containers, and its use of the Property and Premises thereof. Landlord shall have no responsibility to prevent, and shall not be liable to tenant, its agents, employees, contractors, visitors or invitees, for losses due to theft, burglary or other criminal activity, or for damages or injuries to persons or property resulting from Tenant's storage of trucks and containers on the Premises, from persons gaining access to the Premises or any part of the Property, and Tenant hereby releases Landlord and its agents and employees from all liabilities for such losses, damages or injury, regardless of the cause thereof.

12. Ad Valorem Taxes. Tenant shall pay, or cause to be paid, before delinquency, any and all taxes levied or assessed and which become payable during the Term hereof upon all Tenant's leasehold improvements, equipment, furniture, fixtures, and personal property located in the Premises. In the event any or all of the Tenant's leasehold improvements, equipment, furniture, fixtures, and personal property shall be assessed and taxed with the Building, Tenant shall pay to Landlord its share of such taxes within ten (10) days after delivery to Tenant by Landlord of a statement in writing setting forth the amount of such taxes applicable to Tenant's property with supporting documentation.

13. Alteration Of Premises. Tenant shall not make or suffer to be made any alterations, additions, or improvements (collectively, "Alterations") to or of the Premises, or any part thereof, without first obtaining the written consent of Landlord, which Landlord may withhold in its sole and absolute discretion. All Alterations shall comply with Law, the McClellan Use Documents, the requirements of Landlord, and not result in any cost to Landlord. Any Alterations requiring roof penetration shall be constructed by or supervised by Landlord's roofer. Any Alterations to or of said Premises, excepting movable furniture and trade fixtures, shall on the expiration of the Term become a part of the realty and belong to Landlord, and shall be surrendered with the Premises. However, Landlord may provide written notice to Tenant prior to the construction of such Alteration whether Tenant will be required to remove such Alteration and restore the Premises to a specified condition upon the expiration of the Term. Upon Landlord's written approval of the requested Alterations, Tenant shall secure all necessary permits, if applicable. Before commencement of any such Alterations, Tenant shall submit detailed specifications, floor plans and necessary permits (if applicable) to Landlord for review. In no event shall any Alterations affect the structure of the Building or its facade. As a condition to its written consent, Landlord may request adequate assurance that all contractors who will perform such work have in force workman's compensation and such other employee and public liability insurance as Landlord deems necessary, and where the Alterations are material, Landlord may require Tenant or its contractors to post adequate completion and performance bonds. In the event Landlord consents, in

writing, to the making of any Alterations to the Premises by Tenant, the same shall be made by Tenant at Tenant's sole cost and expense, completed to the satisfaction of Landlord, and the contractor or person selected by Tenant to make the same must first be approved in writing by Landlord. If Tenant makes any Alterations to the Premises as provided in this Section, the Alterations shall not be commenced until ten (10) business days after Landlord has received written notice from Tenant stating the date the installation of the Alterations is to commence so that Landlord can post and record an appropriate notice of nonresponsibility. Tenant shall reimburse Landlord for any expenses incurred by Landlord in connection with the Alterations made by Tenant, including any reasonable fees charged by Landlord's contractors or consultants to review plans and specifications prepared by Tenant, and the cost of updating the existing as-built plans of the Building to reflect the Alterations. Tenant shall indemnify, defend and hold the Landlord, the Building and the Premises free and harmless from any liability, loss, damage, cost, attorneys' fees and other expenses incurred on account of such construction, or claims by any person performing work or furnishing materials or supplies for Tenant or any persons claiming under Tenant.

14. Insurance

14.1 Landlord's Insurance. Landlord shall maintain in full force and effect throughout the Term of this Lease general comprehensive liability insurance for the Buildings and common areas and general fire and extended coverage insurance on special form or such other broader coverage as may from time to time be customary on the Buildings and the common areas and other areas of land within which the Buildings are located in such amounts determined by Landlord. Copies of all such certificates thereof are available for inspection by Tenant. Such insurance may be provided by a blanket insurance policy covering the Premises.

14.2 Tenant's Insurance. Tenant agrees to take out and keep in force during the Term, without expense to Landlord, the policies of insurance as set forth below.

(a) Commercial general liability insurance, in the name of Tenant, insuring against any liability for injury to or death of persons resulting from any occurrence in or about the Buildings and for damage to property in such amounts as may from time to time be customary with respect to similar properties in the same area, but in any event not less than \$2,000,000.00, per occurrence. The amounts of such insurance required hereunder shall be adjusted from time to time as requested by Landlord based upon Landlord's determination as to the amounts of such insurance generally required at such time for comparable premises and buildings in the general geographical area of the Premises. In addition, such policy of insurance shall include the ordinary and usual coverage for any additional liability as coverage for any potential liability arising out of or because of any construction, work of repair or alterations done on or about the Premises by or under the control or direction of Tenant;

(b) Personal property insurance covering the personal property and trade fixtures of Tenant in an amount equal to the replacement value of the personal property and trade fixtures, as such replacement value may vary from time to time.

(c) Workers compensation insurance as required by law and employer liability insurance with limits of not less than \$1,000,000.00;

(d) Comprehensive automobile liability insurance with limits of not less than \$1,000,000.00 combined bodily injury and property damage per occurrence; and

(e) Environmental Impairment Liability insurance with limits of not less than \$1,000,000.00 or such other larger limits as may be reasonably required by Landlord, taking into consideration the extent and nature of Tenant's activities.

(f) Aircraft Liability. General Aircraft Operations liability, in the amount of not less than ten million and No/100ths Dollars (\$ 10,000,000) per occurrence.

14.3 Certificates of Insurance. Landlord acknowledges that Tenant is a self-insured public agency. Notwithstanding any other provision of this Lease, Tenant shall have the right to satisfy any or all of the

insurance requirements of Section 14.2 of this Lease through use of the City of Sacramento's self-insurance program. In the event Tenant exercises its right to satisfy the insurance requirements of Subsections 14.2 of this Lease through use of the City's self-insurance program, Tenant shall provide Landlord with a letter of self-insurance from the City stating its self-insurance program adequately protects against liabilities and claims the types of which the insurance required by Section 14.2 of this Lease are intended to protect against. It is expressly acknowledged by the Parties that the City's self-insurance programs shall be used to satisfy the insurance requirements set forth in Subsections (a) (c) (d) and (e) of Section 14.2. as well as deductibles or retentions pertaining to Subsections (b) and (f).

Any insurance policies carried by Tenant to meet insurance requirements hereunder shall be issued by responsible insurance companies which are rated by Best Insurance Reports as A:VII or better and licensed or authorized to do business in the State of California. Each policy shall name McClellan Business Park, LLC, and any other party for whom the Landlord can demonstrate an insurable interest, as an additional insured, as their respective interests may appear. A copy of each certificate of the insurer evidencing the existence and amount of each insurance policy required hereunder shall be delivered to Landlord before the date Tenant is given possession of the Premises, and thereafter, within thirty (30) days after any demand by Landlord therefore. Landlord may, at any time and from time to time, inspect and/or copy any insurance policies required to be maintained by Tenant hereunder. No such policy shall be cancelable, materially changed or reduced in coverage except after thirty (30) days' written notice to Landlord and Landlord's lender. Tenant shall furnish Landlord with renewals or "binders" of any such policy at least ten (10) days prior to the expiration thereof.

15. Exculpation And Indemnity

15.1 Definitions. For purposes of this Section 15, "**Tenant Parties**" shall mean, singularly and collectively, Tenant and Tenant's officers, directors, shareholders, partners, members, trustees, agents, employees, and independent contractors as well as all persons and entities claiming through any of the foregoing persons or entities, and (ii) "**Landlord Parties**" shall mean singularly and collectively, Landlord and Landlord's officers, directors, shareholders, partners, members, trustees, agents, employees, and independent contractors as well as to all persons and entities claiming through any of the foregoing persons or entities

15.2 Landlord's Indemnity. Landlord shall indemnify, defend (by an attorney of Tenant's choice, reasonably acceptable to Landlord), reimburse, protect and hold harmless Tenant and all Tenant Parties from and against all third party claims, liability and/or damages arising from or related to the negligent acts or omissions of Landlord or Landlord Parties at the Property, to the extent that such liability or damage is covered by Landlord's insurance set forth in Section 14.1 of this Lease. It is specifically understood and agreed that Landlord shall not be liable or responsible for the acts or omissions of any of the other tenants of the Property or of any visitors or invitees of persons other than Landlord. The provisions of this Section 15.3 shall not apply to any of the provisions of Section 8 of the Lease.

15.3 Tenant's Indemnity. Tenant shall indemnify, defend, reimburse, protect and hold harmless Landlord and all Landlord Parties from and against all third party claims, liability and/or damages arising from or related to the acts or omissions of Tenant or any Tenant Parties relating to their use, possession, or occupancy of the Property or, Tenant's obligations under this Lease, or to any work done, permitted or contracted for by any of them on or about the Premises. The provisions of this Section 15.4 shall not apply to any of the provisions of Section 8 of the Lease.

15.4 Survival and Duration of Obligations. All representations, warranties, obligations and indemnities made or given under this Section 15 shall survive the expiration or earlier termination of this Lease.

16. Construction Liens Tenant shall not suffer or permit any construction liens, mechanic's liens or materialman's liens to be filed against Landlord's interest in the real property of which the Premises form a part nor against the Tenant's leasehold interest in the Premises. Landlord shall have the right at all reasonable times to post and keep posted on the Premises, any notices which it deems necessary for protection from such liens. Tenant shall have the right to contest by proper proceedings any such construction liens, mechanic's liens or material man's liens, provided that Tenant shall prosecute such contest diligently and in good faith and such contest shall not expose Landlord to any civil or criminal penalty or liability. Upon Landlord's demand, Tenant shall furnish Landlord a

surety bond or other adequate security satisfactory to Landlord sufficient both to indemnify Landlord against liability and hold the Property free from adverse effect in the event the contest is not successful. If such liens are so filed and Tenant does not properly contest such liens, Landlord, at its election, and upon not less than ten (10) days prior written notice to Tenant, may pay and satisfy same and, in such event the sums so paid by Landlord, with interest thereon at the rate of eighteen percent (18.00%) per annum from the date of payment, and all actual and other expenses, including reasonable attorney's fees, so paid by Landlord, shall be deemed to be Rent due and payable by the Tenant at once without notice or demand.

17. Quiet Enjoyment Subject to the provisions of this Lease, Landlord covenants and agrees that Tenant, upon making all of Tenant's payments of Rent as and when due under the Lease, and upon performing, observing and keeping the covenants, agreements and conditions of this Lease on its part to be kept, shall peaceably and quietly hold, occupy and enjoy the Premises during the Term of this Lease as extended by the options described herein, if any, subject to the Terms and provisions of this Lease.

18. Landlord's Right Of Entry Landlord or its agents shall have the right to enter the Premises at reasonable times upon reasonable notice in order to examine it or to show it to prospective tenants or buyers and to place "For Rent" or "For Sale" signs on or about the Premises. Upon receipt of reasonable advance notice from Landlord, Tenant may arrange to have a designated representative accompany Landlord in entering the Premises. Landlord's right of reentry shall not be deemed to impose upon Landlord any obligation, responsibility, or liability for the care, supervision or repair of the Premises other than as herein provided; except that Landlord shall use reasonable care to prevent loss or damage to Tenant's property resulting from Landlord's entry. Landlord shall have the right at any time, without effecting an actual or constructive eviction and without incurring any liability to the Tenant therefor, to change the arrangement or location of entrances or passageways, doors and doorways, corridors, elevators, stairs, toilets or other public parts of the Buildings and to change the name, number or designation by which the Buildings are commonly known, provided that such action does not result in any unreasonable interference with Tenant's access to or use of the Premises. Notwithstanding the foregoing, Landlord shall have the right to enter the Premises without first giving notice to the Tenant in the event of an emergency where the nature of the emergency will not reasonably permit the giving of notice.

19. Destruction of Buildings

19.1 Partial Destruction In the event of a partial destruction of the building containing the Premises during the Term of this Lease from any cause, Landlord shall forthwith repair the same, provided such repair can reasonably be made within ninety (90) days from the happening of such destruction under applicable laws and regulations. During such period, Tenant shall be entitled to a proportionate reduction of Rent to the extent such repairs unreasonably interfere with the business carried on by Tenant in the Premises. If Tenant fails to remove its goods, wares or equipment within a reasonable time and as a result the repair or restoration is delayed, or if such damage or destruction is caused primarily by the negligence or willful act of Tenant, or its employees, invitees or agents, there shall be no reduction in Rent during such delay. In the event that such repair cannot reasonably be made within ninety (90) days from the happening of such destruction under applicable laws and regulations, Landlord shall have the right to terminate this Lease by notifying Tenant in writing within sixty (60) days from the happening of such destruction in which event this Lease shall be deemed terminated. In addition to the above, in the event that such building is partially destroyed and (i) the cost of repairing such building exceeds thirty-three and one-third percent (33-1/3%) of the replacement cost thereof, or (ii) the damage caused by the partial destruction of such building cannot reasonably be repaired within a period of ninety (90) days from the happening of such damage, Landlord may elect to terminate this Lease, whether or not such building is insured, by written notice to Tenant given within sixty (60) days from the happening of such destruction.

19.2 Total Destruction A total destruction of the building containing the Premises shall terminate this Lease. A total destruction of such building means the cost of repairing such building exceeds seventy-five percent (75.00%) of the replacement cost of such building.

20. Eminent Domain

20.1 Definitions For purposes of this Lease, the word "condemned" is co-extensive with the phrase "right of eminent domain", that is, the right of the government to take property for public use, and shall

include the intention to condemn expressed in writing as well as the filing of any action or proceeding for condemnation.

20.2 Exercise of Condemnation. If any action or proceeding is commenced for the condemnation of the Premises or any portion thereof, or if Landlord is advised in writing by any government (federal, state or local) agency or department or bureau thereof, or any entity or body having the right or power of condemnation, of its intention to condemn all or any portion of the Premises at the time thereof, or if the Premises or any part or portion thereof be condemned through such action, then and in any of such events Landlord may, without any obligation or liability to Tenant, and without affecting the validity and existence of this Lease other than as hereafter expressly provided, agree to sell and/or convey to the condemnor, without first requiring that any action or proceeding be instituted, or if such action or proceeding shall have been instituted, without requiring any trial or hearing thereof, and Landlord is expressly empowered to stipulate to judgment therein, the part and portion of the Premises sought by the condemnor, free from this Lease and the rights of Tenant hereunder. Tenant shall have no claim against Landlord nor be entitled to any part or portion of the amount that may be paid or awarded as a result of the sale, for the reasons as aforesaid, or condemnation of the Premises or any part or portion thereof, except that Tenant shall be entitled to recover from the condemnor and Landlord shall have no claim therefor or thereto for Tenant's relocation costs, loss of goodwill, for Tenant's trade fixtures, any removable structures and improvements erected and made by Tenant to or upon the Premises which Tenant is or may be entitled to remove at the expiration of this Lease and Tenant's leasehold estate hereunder.

20.3 Effect on Lease. If the entire Premises is condemned, this Lease shall terminate as of the earlier of such taking or loss of possession. If only a part of the Premises is condemned and taken and the remaining portion thereof is in Tenant's reasonable discretion not suitable for purposes for which Tenant has leased the Premises, either Landlord or Tenant shall have the option to terminate this Lease effective as of the earlier of such taking or loss of possession. If by such condemnation and taking only a part of the Premises is taken, and the remaining part thereof is in Tenant's reasonable discretion suitable for the purposes for which Tenant has leased the Premises, this Lease shall continue, but the rental shall be reduced in an amount proportionate to the percentage that the floor area of that portion of the Premises physically taken by eminent domain bears to the floor area of the entire Premises.

21. Bankruptcy. If a general assignment is made by Tenant for the benefit of creditors, or any action is taken by Tenant under any insolvency or bankruptcy act, or if a receiver is appointed to take possession of all or substantially all of the assets of Tenant (and Tenant fails to terminate such receivership within sixty (60) days after such appointment), or if any action is taken by a creditor of Tenant under any insolvency or bankruptcy act, and such action is not dismissed or vacated within thirty (30) days after the date of such filing, then this Lease shall terminate at the option of Landlord upon the occurrence of any such contingency and shall expire as fully and completely as if the day of the occurrence of such contingency was the date specified in this Lease for the expiration thereof. In such event, Tenant shall then quit and surrender the Premises to Landlord.

22. Tenant's Default. The occurrence of any one or more of the following events shall constitute a default and breach of this Lease by Tenant:

(a) The abandonment or vacation of the Premises by Tenant (failure to occupy and operate the Premises for thirty (30) consecutive days shall be deemed an abandonment).

(b) The failure by Tenant to make any payment of Rent or any other payment required to be made by Tenant hereunder as and when due where such failure shall continue for a period of five (5) days after the due date.

(c) Tenant's failure to observe or perform any of the covenants, conditions, or provisions of this Lease to be observed or performed by Tenant, other than as described in subparagraph (b) above, where such failure shall continue for a period of thirty (30) days after written notice thereof by Landlord to Tenant; provided, however, that if the nature of Tenant's default is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be deemed to be in default if Tenant commences such cure within said thirty (30)-day period and thereafter diligently prosecutes such cure to completion.

(d) The making by Tenant of any general assignment or general arrangement for the benefit of creditors, or the appointment of a trustee or a receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within thirty (30) days, or the attachment, execution, or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged in thirty (30) days.

(e) The filing of any voluntary petition in bankruptcy by Tenant, or the filing of any involuntary petition by Tenant's creditors, which involuntary petition remains undischarged for a period of thirty (30) days. In the event that under applicable law the trustee in bankruptcy or Tenant has the right to affirm this Lease and perform the obligations of Tenant hereunder, such trustee or Tenant shall, in such time period as may be permitted by the bankruptcy court having jurisdiction, cure all defaults of Tenant hereunder outstanding as of the date of the affirmance of this Lease, and provide to Landlord such adequate assurances as may be necessary to ensure Landlord of the continued performance of Tenant's obligation under this Lease.

23 Remedies in Event of Default by Tenant. In the event of Tenant's default, Landlord may:

(a) Terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. In such event, Landlord shall be entitled to recover from Tenant:

(i) the worth at the time of the award of any unpaid Rent which had been earned at the time of such termination; plus

(ii) the worth at the time of the 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 which Tenant proves could have been reasonably avoided; plus

(iii) the worth at the time of the 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 which Tenant proves could be reasonably avoided; plus

(iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom (including, without limitation, the cost of recovering possession of the Premises, expenses of reletting including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and real estate commissions actually paid and that portion of the leasing commission paid by Landlord and applicable to the unexpired portion of this Lease); plus

(v) such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable California law.

As used in Subsections (1) and (2) above, the "**worth at the time of the award**" shall be computed by allowing interest at the lesser of ten percent (10%) per annum, or the maximum rate permitted by law per annum. As used in Subsection (3) above, the "**worth at the time of award**" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

(b) Continue this Lease in full force and effect, and the Lease will continue in effect, as long as Landlord does not terminate Tenant's right to possession, and Landlord shall have the right to collect Rent when due. During the period Tenant is in default, Landlord may enter the Premises and relet them, or any part of them, to third parties for Tenant's account. Tenant shall be liable immediately to Landlord for all costs Landlord reasonably incurs in reletting the Premises, including, without limitation, brokers' commissions, expenses of remodeling the Premises required by the reletting, and like costs. Reletting can be for a period shorter or longer than the remaining Term of this Lease. Tenant shall pay to Landlord the Rent due under this Lease on the dates the

Rent is due, less the Rent Landlord receives from any reletting. In no event shall Tenant be entitled to any excess Rent received by Landlord. No act by Landlord allowed by this paragraph shall terminate this Lease unless Landlord notifies Tenant in writing that Landlord elects to terminate this Lease. After Tenant's default and for as long as Landlord does not terminate Tenant's right to possession of the Premises, if Tenant obtains Landlord's consent, Tenant shall have the right to assign or sublet its interest in this Lease, but Tenant shall not be released from liability.

(c) Cause a receiver to be appointed to collect Rent. Neither the filing of a petition for the appointment of a receiver nor the appointment itself shall constitute an election by Landlord to terminate the Lease.

(d) Cure the default at Tenant's cost. If Landlord at any time, by reason of Tenant's default, reasonably pays any sum or does any act that requires the payment of any sum, the sum paid by Landlord shall be due immediately from Tenant to Landlord at the time the sum is paid, and if paid at a later date shall bear interest at the lesser of ten percent (10.00%) per annum, or the maximum rate an individual is permitted by law to charge from the date the sum is paid by Landlord until Landlord is reimbursed by Tenant. The sum, together with interest on it, shall be additional Rent.

The foregoing remedies are not exclusive; they are cumulative, in addition to any remedies now or later allowed by law, to any equitable remedies Landlord may have, and to any remedies Landlord may have under bankruptcy laws or laws affecting creditors' rights generally. The waiver by Landlord of any breach of any Term, covenant or condition of this Lease shall not be deemed a waiver of such Term, covenant or condition or of any subsequent breach of the same or any other Term, covenant or condition. Acceptance of Rent by Landlord subsequent to any breach hereof shall not be deemed a waiver of any proceeding breach other than a failure to pay the particular Rent so accepted, regardless of Landlord's knowledge of any breach at the time of such acceptance of Rent. Landlord shall not be deemed to have waived any Term, covenant or condition unless Landlord gives Tenant written notice of such waiver.

24. Surrender Of Premises. On or before the expiration of the Lease Term, Tenant shall vacate the Premises in broom clean condition and otherwise in the same condition as existed on the Commencement Date, ordinary wear and tear and fire and casualty loss excepted, except that any improvements made within and on the Premises by Tenant shall remain, in the same condition and repair as when constructed or installed, reasonable wear and tear and fire and casualty loss excepted, unless Landlord required removal as provided in Section 13. In addition, Tenant shall remove from the Premises all Tenant's personal property and trade fixtures in order that Landlord can repossess the Premises on the day this Lease or any extension hereof expires or is sooner terminated. Any removal of the Tenant's improvements, Tenant's property and/or trade fixtures by Tenant shall be accomplished in a manner which will minimize any damage or injury to the Premises, and any such damage or injury shall be repaired by Tenant at its sole cost and expense within thirty (30) days after Tenant vacates.

25. Holding Over. Should Tenant hold over and remain in possession of the Premises after the expiration of this Lease, without the written consent of Landlord, such possession shall be as a month-to-month tenant. Unless Landlord agrees otherwise in writing, Base Rent during the hold-over period shall be payable in an amount equal to one hundred fifty percent (150.00%) of the Base Rent paid for the last month of the Term hereof until Tenant vacates the Premises and the Security Deposit shall increase to an amount equal to the increased monthly Base Rent. All other terms and conditions of this Lease shall continue in full force and effect during such hold-over tenancy, which hold-over tenancy shall be terminable by either party delivering at least one (1) month's written notice, before the end of any monthly period. Such hold-over tenancy shall terminate effective as of the last day of the month following the month in which the termination notice is given.

26. Surrender Of Lease. The voluntary or other surrender of this Lease by Tenant, or mutual cancellation thereof, shall not work a merger and may, at the option of Landlord, terminate all or any existing subleases or subtenancies or may operate as an assignment of any or all such subleases or subtenancies to Landlord.

27. Notice. All notices, demands or requests required or permitted under this Lease shall be in writing and delivered personally, by facsimile, or mailed postage prepaid by registered or certified mail, return receipt requested, or sent by Federal Express, addressed as set forth below. Any party may designate a different address by notice similarly given. Any notice, demand or request so given, delivered or made by United States mail shall be deemed

to have been given or delivered or made on the third business day following the day on which the same is deposited in the United States mail as registered or certified mail, return receipt requested, addressed as above provided, with postage thereon fully prepaid. Any such notice, demand or document delivered by facsimile shall be deemed to be given, delivered or made on the day sent as confirmed by sender's written facsimile confirmation. Any such notice, demand or document not given, delivered or made by registered or certified mail as aforesaid, shall be deemed to be given, delivered or made on receipt of the same by the party to whom the same is to be given, delivered or made, addressed as follows:

TO LANDLORD: McClellan Business Park LLC
3140 Peacekeeper Way
McClellan, California 95652
Telephone: (916) 965-7100
Facsimile: (916) 568-2764
Attention: Senior Vice President of Operations and
Senior Vice President and General Counsel

TO TENANT: **Sacramento Police Department**
5770 Freeport Blvd., Ste. 100
Sacramento, CA 95822
Attention: Air Operations Lieutenant
Telephone: (916) 433-0714
Facsimile: (916) 433-0707

28. Assignment And Subletting

28.1 No Assignment. Tenant shall not directly or indirectly, voluntarily or by operation of law, sell, assign, encumber, pledge or otherwise transfer or hypothecate all or any part of the Premises or Tenant's leasehold estate hereunder (collectively, "**Assignment**"), or permit the Premises to be occupied by anyone other than Tenant or sublet the Premises (collectively, "**Sublease**") or any portion thereof without Landlord's prior written consent in each instance, which consent may be withheld in its sole discretion.

28.2 No Relief of Obligations. No consent by Landlord to any Assignment or Sublease by Tenant shall relieve Tenant of any obligation to be performed by Tenant under this Lease, whether arising before or after the Assignment or Sublease. The consent by Landlord to any Assignment or Sublease shall not relieve Tenant of the obligation to obtain Landlord's express written consent to any other Assignment or Sublease. Any Assignment or Sublease that is not in compliance with this Section 28 shall be void and, at the option of Landlord, shall constitute a material default by Tenant under this Lease. The acceptance of Rent by Landlord from a proposed assignee or subtenant shall not constitute the consent by Landlord to such Assignment or Sublease.

29. Judgment Costs

29.1 Landlord. Should Landlord, without fault on Landlord's part, be made a party to any litigation instituted by or against Tenant, or by or against any person holding the Premises by license of Tenant, or for foreclosure of any lien for labor or material furnished to or for Tenant, or any such person, or otherwise arising out of or resulting from any act or transaction of Tenant, or of any such person, Tenant covenants to pay to Landlord, the amount of any judgment rendered against Landlord or the Premises or any part thereof, and all costs and expenses, including reasonable attorney's fees incurred by Landlord in connection with such litigation.

29.2 Tenant. Should Tenant, without fault on Tenant's part, be made a party to any litigation instituted by or against Landlord, or by or against any person holding the Premises by license of Landlord, or for foreclosure of any lien for labor or material furnished to or for Landlord, or any such person, or otherwise arising out of or resulting from any act or transaction of Landlord, or of any such person, Landlord covenants to pay to Tenant, the amount of any judgment rendered against Tenant or the Premises or any part thereof, and all costs and expenses, including reasonable attorney's fees incurred by Tenant in connection with such litigation.

30. Brokers. Tenant warrants that it has had no dealings with any real estate broker or agent in connection with the Premises and this Lease, and that it knows of no real estate broker or agent who is or might be entitled to a commission in connection with this Lease other than N/A ("N/A"). Landlord shall only pay the real estate brokerage commission due to N/A and any real estate broker or agent entitled to a commission in connection with this Lease if claimed through the actions of Landlord. Tenant shall pay any other commission or finder's fee due if claimed through the actions of Tenant.

31. Subordination Of Lease. This Lease is subject and subordinate to any mortgages which may now or hereafter be placed upon or affect the property or Buildings of which the Premises are a part, and to all renewals, modifications, consolidations, replacements and extensions hereof, provided that the holder(s) of such mortgage(s) shall agree in writing not to disturb the possession of the Premises by Tenant or the rights of Tenant under this Lease so long as Tenant is not in material default (subject to applicable notice and cure rights in favor of Tenant as contained in this Lease) in the performance of its obligations thereunder and, in the event of foreclosure, Tenant agrees to look solely to the mortgagee's interest in the Property for the payment and discharge of any obligations imposed upon the mortgagee or Landlord under this Lease. This clause shall be self-operative, and no further instrument or subordination shall be necessary unless requested by a mortgagee or the insuring title company, in which event Tenant shall sign, within five (5) business days after requested, such instruments and/or documents as the mortgagee and/or insuring title company reasonably request be signed ("SNDA").

32. Relocation. At any time after Tenant's execution of this Lease, Landlord shall have the right, upon providing Tenant ninety (90) days' written notice, ten (10) days if Tenant has not yet taken possession of the Premises, to provide Tenant with reasonably similar space elsewhere within McClellan which would accommodate Tenant's Permitted Use ("Proposed Relocation Space") and to move Tenant to such space. In the event Landlord moves Tenant to such new space, then this Lease and each and all of the Terms, covenants and conditions hereof shall remain in full force and effect and thereupon be deemed applicable to such new space except that a revised floor plan shall become part of this Lease and shall reflect the location of the new space. Landlord shall be solely responsible for the payment of all moving and relocation expenses of Tenant as are actually incurred in connection with such relocation. For a period of ten (10) days after Tenant's receipt of the notice concerning the Proposed Relocation Space, Tenant may reject such relocation. In such event, Landlord shall have the right to (i) withdraw its intention to relocate, or (ii) terminate this Lease.

33. Estoppel Certificates And Financial Statements

33.1 Estoppel Certificate. Tenant shall, at any time and from time to time, upon not less than ten (10) days' prior request by Landlord, execute, acknowledge and deliver to Landlord, or to such other persons who may be designated in such request, a statement in writing certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications) and, if so, the dates to which the Rent and any other charges have been paid in advance, and such other items requested by Landlord, including without limitation, the lease commencement date and expiration date, Rent amounts, and that no offsets or counterclaims are present. It is intended that any such statement delivered pursuant to this Section may be relied upon by any prospective purchaser or encumbrancer (including assignee) of the Premises.

33.2 Financial Statements. If Landlord desires to finance, refinance, or sell the Buildings, or the Property, or any part thereof, Tenant shall deliver to Landlord, or to such potential lender or purchaser designated by Landlord, such financial information regarding Tenant, as may reasonably be required to establish Tenants' creditworthiness. All financial information provided by Tenant to Landlord or any lender or potential purchaser shall be held by the recipient in strict confidence and may not be used or disclosed by the recipient except for the purpose of determining Tenants' creditworthiness in connection with Tenants' obligations under this Lease.

34. Short Form Of Lease. Tenant agrees to execute, deliver and acknowledge, at the request of Landlord, a short form of this Lease satisfactory to counsel for Landlord, and Landlord may in its sole discretion record this Lease or such short form in the County where the Premises are located. Tenant shall not record this Lease, or a short form of this Lease, without Landlord's prior written consent.

35. Signs Tenant shall not place any sign upon the Premises without Landlord's prior written consent (all such signage shall comply with Landlord's signage design criteria, as such exists from time to time). In addition, the style, size, materials and attachment method of any such signage shall be subject to Landlord's prior written consent. The installation of any sign on the Premises by or for Tenant shall be subject to the provisions of Section 24. Tenant shall maintain any such signs installed on the Premises. Unless otherwise expressly agreed herein, Landlord reserves the right to install, and all revenues from the installation of, such advertising signs on the Premises, including the roof, as do not unreasonably interfere with the conduct of Tenant's business.

36. [Intentionally Deleted]

37. Force Majeure In discharging its duties under this Lease, Landlord shall be held to a standard of reasonableness and shall not be liable to Tenant for delays caused by Force Majeure Events.

38. Default by Landlord Landlord shall not be deemed to be in default in the performance of any obligation required to be performed by it hereunder unless and until it has failed to perform such obligations within thirty (30) days after written notice by Tenant to Landlord specifying wherein Landlord has failed to perform such obligation; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for its performance, then Landlord shall not be deemed to be in default if it shall commence such performance within such thirty (30)-day period and thereafter diligently prosecute the same to completion.

39. Rules and Regulations Tenant shall faithfully observe and comply with the nondiscriminatory rules and regulations that Landlord shall from time to time promulgate. Landlord reserves the right from time to time to make all nondiscriminatory modifications to said rules. The additions and modifications to those rules shall be binding upon Tenant upon delivery of a copy to them to Tenant (a copy of the present Rules and Regulations is attached hereto as Exhibit J). Landlord shall use its reasonable efforts to enforce compliance with such rules, but shall not be responsible to Tenant for the nonperformance of any of said rules by other tenants or occupants.

40. Limitation on Liability In consideration of the benefits accruing hereunder, Tenant and all successors and assigns covenant and agree that, in the event of any actual or alleged failure, breach or default hereunder by Landlord: (1) Tenant's sole and exclusive recourse shall be against Landlord's interest in the Premises and Tenant shall not have any right to satisfy any judgment which it may have against Landlord from any other assets of Landlord; (2) no member, partner, stockholder, director, officer, employee, beneficiary or trustee (collectively, "**Partner**") of Landlord shall be sued or named as a party in any suit or action (except as may be necessary to secure jurisdiction over Landlord); (3) no service of process shall be made against any Partner of Landlord (except as may be necessary to secure jurisdiction over Landlord); (4) no Partner of Landlord shall be required to answer or otherwise plead to any service of process; (5) no judgment will be taken against any Partner of Landlord; (6) any judgment taken against any Partner of Landlord may be vacated and set aside at any time nunc pro tunc; (7) no writ of execution will ever be levied against the assets of any Partner of Landlord; and (8) these covenants and agreements are enforceable both by Landlord and also by any Partner of Landlord.

41. Sublease Status

41.1 As of the Lease Date, Landlord possesses a leasehold estate in McClellan, pursuant to the EDC Lease Agreement between Landlord's predecessor-in-interest, the County of Sacramento ("**County**"), as Lessee, and the United States Air Force, as Lessor, dated August 13, 1998, as supplemented and/or amended ("**EDC Lease**"), and subject to Operating Agreement, as supplemented and/or amended ("**Operating Agreement**") between County as "**Lessee**," and the United States Air Force, as "**Air Force**". As a result of such tenancy pursuant to the EDC Lease, (i) the provisions of this Lease are junior, subordinate and subject to the Terms and conditions of the EDC Lease, and (ii) this Lease is a "sublease" in accordance with applicable law, statutes and ordinances. During the Term of this Lease, Landlord, using its commercially reasonable efforts, shall not violate the provisions of the EDC Lease. Subject to Section 40.2 of this Lease, the termination of the EDC Lease for any reason shall result in the automatic termination of this Lease, without liability to Tenant or Landlord, as a result of such termination, in which case the parties shall have no further obligations under this Lease. Tenant shall not cause or take any action or inaction or cause or permit any Tenant representatives to take any action or which would constitute a default by Landlord under the EDC Lease, which occurrence would be deemed a default by Tenant under Section 22 of this Lease.

41.2 In accordance with the Economic Development Conveyance Agreement with the United States Air Force ("**EDC Agreement**"), Landlord has the right to acquire fee title to the Property, including the Premises, which acquisition may or may not occur during the Term of this Lease. Notwithstanding any other provision of this Lease to the contrary, in the event the Landlord does acquire fee title to the Property during the Term of this Lease, and as a result thereof, the EDC Lease terminates as such document relates to the Premises, the parties hereto agree that this Lease shall remain in full force and effect as a direct contractual obligation between the Landlord and Tenant, Tenant shall recognize and attorn to the Landlord as its direct "landlord", and the Tenant agrees to enter into any further documentation with the Landlord to evidence the intent of the parties as set forth in this Section; provided, however, such further documentation shall not materially increase Tenant's obligations under this Lease.

41.3 Notwithstanding any other provision of this Lease to the contrary, Tenant acknowledges and agrees that the Landlord's right, title and interest in this Lease is transferable and assignable to any third party selected by the Landlord. In this regard, upon written notice from the Landlord, Tenant agrees to execute any and all reasonable documentation to evidence such assignment as set forth in this Section, and the named Landlord shall be released from any and all future liability under this Lease; provided, however, such further documentation shall not materially increase Tenant's obligations under this Lease.

41.4 Tenant shall cause the Permitted Use of the Premises to be consistent with documentation described in Exhibit K, which includes the EDC Agreement, the EDC Lease, the Environmental Certificate, the SSEBS, the Operating Agreement and the Programmatic Agreement between the United States Air Force, the California State Preservation Officer and the Advisory Council on Historic Preservation Regarding Disposal of McClellan Air Force Base ("**Historic Preservation Agreement**") (collectively, "**McClellan Use Documentation**"). Copies of the McClellan Use Documentation are available at Landlord's corporate offices

42. Infrastructure Cooperation. Tenant acknowledges that certain utility and/or operation systems which service the Premises and/or the expansion space(s) which are available to Tenant under this Lease may service adjacent premises and/or buildings. In this regard, to the extent that the controls, lines, mechanical systems and/or infrastructure for such systems must be utilized on a non-exclusive basis between Tenant and other third party tenants, as determined by Landlord, Tenant agrees to execute all documentation necessary to provide for such non-exclusive utilization, which documentation, among other provisions, would allocate on a reasonable basis, the expense of use, operation, maintenance and repair of such system between such users, provided that such documentation shall not cause material interference with Tenant's Permitted Use. Tenant shall execute such documentation within ten (10) days following its receipt thereof.

43. General Provisions

43.1 Governing Law. This Lease shall be governed by the laws of the State of California and the parties hereto agree that venue shall be in Sacramento County Superior Court or the United States District Court for the Eastern District of California.

43.2 Successors and Assigns. The covenants and conditions herein contained shall, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators and assigns of all of the parties hereto; if Landlord or Tenant is comprised of multiple parties, each of such parties hereto shall be jointly and severally liable hereunder

43.3 Entire Agreement. This Lease, the exhibits herein referred to, and any addendum executed concurrently herewith, are the final, complete and exclusive agreement between the parties and cover in full each and every agreement of every kind or nature, whatsoever, concerning the Premises and all preliminary negotiations and agreements of whatsoever kind or nature, are merged herein. Landlord has made no representations or promises whatsoever with respect to the Premises, except those contained herein, and no other person, firm or corporation has at any time had any authority from Landlord to make any representations or promises on behalf of Landlord, and Tenant expressly agrees that if any such representations or promises have been made by others, Tenant hereby waives all right to rely thereon. No verbal agreement or implied covenant shall be held to vary the provisions hereof, any statute, law or custom to the contrary notwithstanding. Unless otherwise

provided herein, no supplement, modification, or amendment of this Lease shall be binding unless executed in writing by the parties.

43.4 Captions. The captions of paragraphs of this Lease are for convenience only, and do not in any way limit or amplify the Terms and provisions of this Lease.

43.5 Partial Invalidity. If any term, covenant, condition or provision of this Lease is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

43.6 Authority. The person(s) executing this Lease warrants that he or she has the authority to execute this Lease and has obtained or has the requisite corporate or other authority to do the same.

43.7 Counterparts. This Lease may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Each party may execute a facsimile counterpart signature page to be followed by an original counterpart. Each such facsimile counterpart signature page shall constitute a valid and binding obligation of the party signing such facsimile counterpart.

43.8 CC&Rs. Tenant agrees to comply with the provisions of any and all covenants, conditions and restrictions (collectively, "CC&Rs"), which encumber the Premises as of or after the Lease Date, and any amendments, additions or modifications thereto in which Tenant has been provided written notice of by Landlord.

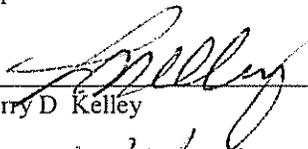
43.9 Execution. Submission of this instrument for examination or signature by Tenant does not constitute a reservation of or an option for lease, and it is not effective as a lease or otherwise until execution and delivery by both Landlord and Tenant.

IN WITNESS WHEREOF, the parties hereto have executed this Lease Agreement in duplicate as of the day and year first above written.

LANDLORD:

McCLELLAN BUSINESS PARK LLC, a Delaware limited liability company

By: LK McCLELLAN, LLC, a California limited liability company
Its: Member

By: 
Larry D. Kelley
Date: 10/24/06

TENANT:

SACRAMENTO POLICE DEPARTMENT, on behalf of the City of Sacramento

By: _____
Title: _____
Date: _____

APPROVED AS TO FORM:

CITY ATTORNEY

EXHIBITS

- Exhibit A-1 - McClellan
- Exhibit A-2 - Premises
- Exhibit A-3 - Building
- Exhibit A-4 - Parking Areas
- Exhibit A-5 - Airfield
- Exhibit B - Work Letter Agreement
- Exhibit C - Declaration of Lease Commencement
- Exhibit D - Airport Requirements
- Exhibit E - Environmental Questionnaire
- Exhibit E-1 - Air Force Notification Request
- Exhibit E-2 - Sewer Use Questionnaire
- Exhibit F - Environmental Certificate
- Exhibit G - Environmental Disclosure
- Exhibit H - Asbestos Notification
- Exhibit I - [Intentionally Deleted]
- Exhibit J - Rules and Regulations
- Exhibit K - McClellan Use Documentation

**EXHIBIT A-1
McCLELLAN**