

ASSET PURCHASE AGREEMENT

THIS AGREEMENT (this "Agreement") is entered into as of this **2nd day of June, 2025** ("Effective Date"), by and between the **County of Monterey on behalf of the Monterey Health Department** (the "Purchaser"), **Juan C. Valencia Dental Corp. d/b/a La Paz Dental Care**, a California professional corporation (the "Seller"), and **Juan Valencia, D.D.S.**, an individual and sole shareholder of Seller, and ("Seller Shareholder"). Seller and Seller Shareholder are hereinafter referred to as the "Selling Parties." The Purchaser, Seller and Selling Shareholder may hereinafter be referred to individually as a "Party" and collectively as the "Parties."

RECITALS

WHEREAS, the Seller operates a dental practice located at 559 E Alisal St., Ste. 101, Salinas, California 93905 (the "Practice");

WHEREAS, Seller Shareholder shall, in order to induce Purchaser to enter into this Agreement and purchase the assets specified herein, enter into certain restrictive covenants with Purchaser as further described herein;

WHEREAS, the Seller desires to sell to the Purchaser, and the Purchaser desires to purchase from the Seller, all of the Seller's right, title and interest in and to the hereinafter described Assets of the Seller concerning the Practice;

NOW, THEREFORE, acknowledging the receipt of adequate consideration and intending to be legally bound, the Parties hereby agree as follows:

1. DEFINITIONS.

1.1. The following terms shall have the meanings specified in this **Article 1**. Other terms are defined in the text of this Agreement, and those terms shall have the meanings respectively ascribed to them.

1.1.1. "Assets" means those assets described in **Section 2** of this Agreement and in **Schedule 2.1.1** and **Schedule 2.1.2** attached hereto.

1.1.2. "Closing" means the closing of the transactions contemplated herein, which transactions shall occur on the Closing Date.

1.1.3. "Closing Date" means the date of the consummation of the transactions contemplated in this Agreement pursuant to **Section 4.4** of this Agreement.

1.1.4. "Lease Agreement" shall mean the office space lease for the Premises.

1.1.5. "Premises" means those certain premises located at 559 E Alisal St., Ste. 101, Salinas, California 93905.

1.1.6. "Professional Services Agreement" shall mean the Professional Services Agreement entered into between the Seller and the Purchaser for the provision of professional dental services at the Practice after the Closing Date.

1.1.7. "Purchase Price" means the price set forth in **Section 4.1** of this Agreement.

1.1.8. "Returns" means all returns, declarations, reports, statements, and other documents required to be filed with respect to Taxes, and the term "Return" means any one of the foregoing Returns.

1.1.9. "Satisfactory Due Diligence" means the Purchaser's due diligence review of the Seller, and to the Purchaser's determination, in its sole discretion, that the results of such review are satisfactory and do not reveal adverse information regarding the Assets.

1.1.10. "Taxes" means all federal, state, local, foreign, and other net income, gross income, gross receipts, gains (including capital gains), earnings, sales, use, ad valorem, transfer, conveyance, value added, capital stock, capital duty, franchise, profits, license, lease, service, service use, withholding, payroll, employment, disability, excise, severance, stamp, occupation, premium, property, real estate, transfer, windfall profits, customs, duties, estimated, or other taxes, fees, assessments, or charges of any kind whatsoever, together with any interest and any penalties, additions to tax, or additional amounts with respect thereto (and including any fee, assessment, or other charge in the nature of or in lieu of any such tax), and the term "Tax" means any one of the foregoing Taxes.

2. SALE OF ASSETS AND ASSUMED LIABILITIES.

2.1. Sale of Assets. On the basis of the representations and warranties, and subject to the terms and conditions set forth at length in this Agreement, the Selling Parties hereby agree to sell and the Purchaser hereby agrees to purchase all of the Selling Parties' right, title and interest in and to the following assets of the Selling Parties (collectively, the "Assets"), free and clear of all security interests, liens, claims, charges, financed purchase agreements including leases, or other encumbrances of any kind or nature whatsoever:

2.1.1. Tangible Personal Property. All tangible personal property, including the office equipment, furniture, furnishings, fixtures, computers and servers owned or leased by the Seller located at the Practice as of the Closing Date, including, but not limited to, the office and clinical equipment and the furniture, furnishings and fixtures listed on **Schedule 2.1.1**, attached hereto.

2.1.2. Supplies. All inventory, supplies, disposables, and pharmaceuticals used in the Practice.

2.1.3. Goodwill. All the Seller's goodwill related to the Practice. The goodwill being transferred as part of the Assets under this Agreement shall be limited to the goodwill associated with the assets being sold to Purchaser and does not include any goodwill related to the ongoing

operations of Seller's business under the Professional Services Agreement. Seller acknowledges that Purchaser will have the exclusive right to use the goodwill associated with the Assets.

2.1.4. Lease Agreement. All rights and obligations of the Seller under the Lease Agreement, subject to the consent of the landlord. Seller agrees to use its best efforts to facilitate the transfer of the Lease Agreement to Purchaser, including obtaining any necessary consents or approvals from the landlord for such assignment. This assignment and assumption shall be formalized through a separate Lease Assignment Agreement attached hereto as **Exhibit C** (the "Lease Assignment Agreement").

2.1.5. Certain Rights. All claims, guarantees, warranties, indemnifications and all other rights which the Seller may have against suppliers, laborers, materialmen or subcontractors arising out of or in connection with the installation, construction or maintenance of the Assets.

2.2. Assumed Contracts. On the basis of the representations and warranties, and subject to the terms and conditions set forth at length in this Agreement, the Seller hereby agrees to assign to the Purchaser, and the Purchaser hereby agrees to accept assignment of all of the Seller's rights and obligations pursuant to the contracts, including purchase orders and vendor contracts, leases, and other agreements specifically set forth in **Schedule 2.2** attached hereto (hereinafter collectively referred to as "Assumed Contracts"). The Seller shall use commercially reasonable efforts to obtain consent or providing any required notice to any third-party in order to validly assign any Assumed Contract to Purchaser. Notwithstanding the foregoing, the Seller agrees to pay off any outstanding liabilities related to any account of an Assumed Contract prior to the Closing Date. The Purchaser shall not be deemed to assume or accept the assignment of any obligation or liability that may be incurred by the Seller or the Practice by reason of any tax or other obligation arising prior to the Closing Date, or by reason of any breach of or default under any contract, lease or agreement, or by reason of any act or omission which could, with the passage of time, create a breach of or default under any such contract, lease or agreement, which occurred prior to the Closing regardless of whether such default is discovered before or after the Closing.

3. EXCLUDED FROM THE SALE.

3.1. The following property, rights and liabilities of the Selling Parties shall be excluded from the sale, and shall not be considered Assets hereunder.

3.1.1. Cash and Cash Equivalents. All cash assets and cash equivalents of the Seller as of the Closing Date, such as checking and savings accounts, petty cash, cash-on-hand, retained earnings, loans receivable from any source whatsoever, cash value of life insurance, pension and profit sharing plans and insurance premium refunds are excluded from this purchase and sale.

3.1.2. Accounts Payable and Receivable. Any and all accounts payable and receivable of the Seller generated by and for services rendered by the Seller or any of its stockholders,

principals, employees, contractors or agents prior to the Closing Date ("Accounts Payable and Receivable").

3.1.3. Software, Websites, and Domain Names. All electronic health record ("EHR") software, websites, and domain names of Seller.

3.1.4. Intangibles. Any trade names, trademarks, service marks, and brand names associated with Practice.

3.1.5. Real Property. All real property owned by the Seller in connection with the Practice.

3.1.6. Excluded Contracts. Any lease, contract, agreement, obligation or other arrangement not specifically assumed by the Purchaser in **Schedule 2.2**, except for the Lease Agreement, which shall be acquired in accordance with **Section 2.1.4**.

3.1.7. Equipment. Any equipment not specifically identified in **Schedule 2.1.1**.

3.1.8. Medical Records. All patient lists, charts, files, books, records, work papers, and other similar assets of or pertaining to the Practice.

3.1.9. Liabilities. Except for the Assumed Contracts and the Lease Agreement, the Purchaser shall not be deemed to have assumed, nor shall the Purchaser assume any liability of the Seller whatsoever. Without limiting the generality of the foregoing, the Purchaser shall not be deemed to have assumed, nor shall the Purchaser assume any liability for the payment of: (i) any liability based upon or arising out of any tortious or wrongful actions of the Seller or the Seller Shareholder's, employees, contractors or agents, including, but not limited to, any worker's compensation or any discrimination claims which relate to acts initiating prior to the Closing Date, no matter when filed; (ii) any taxes of the Seller arising prior to the Closing Date or in connection with the transactions contemplated by this Agreement; (iii) any salary, wage, benefit, bonus, vacation pay, sick leave, insurance, employment tax or similar liability of the Seller to any employee, contractor, agent, officer, director or other person or entity allocable to services performed or services engaged on or prior to the Closing Date, whether discovered before or after the Closing Date; (iv) any claims, including but not limited to malpractice claims, associated with the Seller or with services performed by anyone on behalf of the Seller prior to the Closing Date, whether discovered before or after the Closing Date; (v) any contributions or payments to any pension, employee benefit or profit sharing plan of the Seller arising prior to the Closing Date; (vi) any accounts payable or invoices for goods or services incurred or used by the Seller prior to the Closing Date (which invoices shall be the sole responsibility of the Seller); (vii) any recoupment or refund requested by any federal, state or local government agency, or any other third party payor, arising out of claims submitted for payment for services rendered prior to the Closing Date; (viii) any claims from any state, federal or local government agency or authority regarding any tax-related matter, discrimination matter, or other matter concerning a violation of any statute, regulation or ordinance occurring prior to the Closing Date, whether discovered

before or after the Closing Date; (ix) all liabilities to which the Purchaser or the Assets become subject arising solely out of the Seller's failure to comply with bulk sales laws or any similar laws; and (x) any other liabilities, accounts payable or debts of the Seller incurred by the Seller prior to the Closing Date, not assumed by the Purchaser hereunder, whether discovered before or after the Closing Date (collectively, the "Excluded Liabilities").

3.2. Risk of Loss. The risk of loss or damage to any of the Assets shall remain with the Seller until the Closing and the Seller shall maintain the Seller's insurance policies covering the Assets through the Closing.

4. PURCHASE PRICE.

4.1. Purchase Price. The Purchase Price for the sale of the Assets shall be Five Hundred Thousand Dollars (\$500,000.00). The Purchase Price shall be paid to the Seller by the Purchaser in full at the Closing (the "Closing Payment").

4.2. Allocation of Purchase Price. Within sixty (60) days following the Closing, the Purchaser and the Seller shall complete a final closing statement where the Purchase Price will be allocated for all federal and state tax purposes (including, but not limited to, income, excise, sales, use, personal property and transfer taxes, and otherwise) among the Assets in accordance with **Schedule 4.2**, which is in accordance with Section 1060 of the Internal Revenue Code of 1986, as amended. Each Party further agrees to file separately Form 8594 with its federal income tax return consistent with such allocation for the tax year in which the Closing occurs and that no Party will take a position on any tax returns or filings with any governmental authority charged with the collection of taxes or having jurisdiction over the transaction contemplated hereunder or in any proceeding, that is in any manner inconsistent with the terms of the allocation as set forth in this **Section 4.2**.

4.3. Form of Payment. All sums payable under this Agreement shall be paid when due in legal tender of the United States of America in immediately available funds by certified or cashier's check or wire transfer.

4.4. Closing Date. The consummation of the transactions contemplated by this Agreement ("Closing Date") shall take place on the satisfaction or waiver of all other conditions precedent to Closing, or such other earlier or later time and date mutually agreed to by the Parties. Unless otherwise agreed in writing by the Parties at Closing, the Closing shall be effective for accounting purposes as of 12:01 a.m. on the Closing Date.

5. ACKNOWLEDGEMENTS, REPRESENTATIONS AND WARRANTIES.

5.1. By the Seller. The Seller represents, warrants, and covenants to the Purchaser that the statements set forth below in this **Section 5.1** are correct and complete as of the Effective Date and will remain correct and complete through the Closing Date. Unless otherwise indicated in the specific representation or warranty contained herein, each representation and warranty of the

Seller shall survive the Closing Date and remain in full, unaltered force and effect for the applicable statute of limitations, except where specifically provided herein.

5.1.1. Enforceability. This Agreement and all other agreements and writings required to be signed by the Seller constitutes a legal, valid and binding obligation of the Seller, enforceable against the Seller in accordance with its terms.

5.1.2. Good Standing. The Seller is a corporation duly incorporated, validly existing, and in good standing under the laws of the State of California, and has all requisite power and authority to own, lease and operate its properties and to carry on its business as now being conducted. Neither the ownership of its properties nor the operation of its business requires it to be qualified in any jurisdiction other than its state of organization. Such ownership is in compliance with all applicable laws, regulations and rules. The Seller has full power and authority to enter into and perform its obligations under this Agreement and to carry out the transactions contemplated hereby.

5.1.3. Authority; No Conflict.

5.1.3.1. The Seller has the lawful authority to conduct the business of the Practice as it is presently being conducted. The Seller has full right, power, and authority to enter into this Agreement and to perform its obligations hereunder. This Agreement has been duly executed and delivered by the Seller and is the valid and binding obligation of the Seller, and is enforceable in accordance with its terms, except as enforcement may be limited by equitable principles limiting the right to obtain specific performance or other equitable remedies, or by applicable bankruptcy or insolvency laws and related decisions affecting creditors' rights generally.

5.1.3.2. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby do not, and will not, violate or conflict with any organizational document of the Seller, and do not and will not violate or conflict with, or result in a breach of, or default under, any agreement, covenant, promise, indenture, or other instrument, or any order or decree of any court or other governmental body, to which the Seller is a party or by which the Seller, or any of the Seller's assets or properties, are bound. The Seller does not have knowledge of any circumstance that could affect the validity, legality, or enforceability of this Agreement.

5.1.4. Compliance with Law. There are no pending or threatened legal, administrative, arbitral, or other actions, notices, or proceedings, nor any pending or threatened governmental investigations by any federal, state, or local government or any subdivision thereof. There are no judgments against the Seller or the Assets, and there are no orders, rules, consent decrees, or injunctions of any court, governmental department, commission, agency, or instrumentality by which the Seller is bound or to which the Seller is subject. The Seller is not in default, or alleged to be in default, under any agreement, License or Permit, or other obligation relating to the operation of the Practice, and no other party to any such agreement, License or Permit, or other

obligation is in default thereunder, and there exists no condition or event which, after notice or lapse of time or both, would constitute a default by any party to any such agreement, License or Permit, or other obligation.

5.1.5. Litigation. Except as provided in **Schedule 5.1.5**, there is no investigation or review by any governmental entity with respect to the Seller, the Practice, or the Assets currently pending nor, to the Seller's actual knowledge, has any governmental entity threatened, nor has any governmental entity indicated to the Seller an intention to conduct the same, and, there is no action, suit, or administrative, condemnation, arbitral, or other proceeding, whether at law or in equity, to which the Seller is a party, currently pending before any federal, state, or municipal court or other governmental department, commission, board, bureau, agency, or instrumentality, or, to the Seller's actual knowledge, threatened against or affecting the Seller, the Practice, or the Assets. The Seller is not, nor has it ever been, a party to any injunction, order, or decree restricting the method of the conduct of the Practice or the marketing of any of its services.

5.1.6. No Filing; No Conflict. Except as provided in **Schedule 5.1.6**, no filing, action, consent, or approval of any person, entity or governmental body is required by the Seller for the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby. The Seller shall use its best efforts to obtain expeditiously all consents, approvals, and authorizations of third parties necessary for the performance of this Agreement and the transactions contemplated herein, including any consent required related to the Assumed Contracts. The execution and delivery of this Agreement by the Seller and the consummation of the transactions contemplated hereby by the Seller will not result in a breach of the terms or conditions of, or constitute a default under, or violate: (i) any provision of any law, regulation, or ordinance, (ii) any agreement, lease, mortgage, or other instrument or undertaking, oral or written, to which the Seller is a party or by which it may be bound or affected or (iii) any judgment, order, writ, injunction, or decree of any court, administrative agency, or governmental body.

5.1.7. Inaccuracies. The Seller shall refrain from taking any action that would render any representation or warranty of the Seller hereunder inaccurate as of the Closing Date.

5.1.8. Insurance. The Seller has maintained, and will maintain until the Closing Date, in full force and effect all policies of insurance required of the Seller and the Practice, including professional malpractice insurance (claims made) covering all dentists and other professional employees of the Practice, as well as property and general liability insurance. All such policies are with reputable insurance carriers, are in character and amount at least equivalent to those carried by persons engaged in similar businesses and subject to similar perils or hazards, and are in full force and effect in accordance with their terms.

5.1.9. Accounts Payable. The Seller shall satisfy and pay as they become due in the ordinary course any and all debts, loans and trade accounts payable owed by the Seller, and the Seller shall make any and all overdue payments prior to the Closing Date.

5.1.10. Payment of Accrued Wages and Benefits. The Seller shall pay all wages, salaries, deferred compensation, benefits and/or the monetary equivalent of benefits, including but not limited to severance pay and sick leave pay earned or otherwise owing to the Seller's employees (or to which they are entitled by law, rule or regulation or under the Seller's employment policies and procedures) that are or become payable prior to the Closing Date. The Seller shall remain responsible for the payment of all workers' compensation, unemployment compensation, disability claims, severance pay, health and welfare benefits, profit sharing, incentive, bonuses, paid time off, deferred compensation, and life insurance which relate to periods of employment with the Seller, as well as payments under any of the Seller's employee plans relating to the service of employees prior to the Closing Date, whether or not an employee plan has been terminated prior to the Closing Date and whether or not such benefit liability extends beyond the Closing.

5.1.11. Bankruptcy. No action or proceeding in bankruptcy or insolvency has been commenced or, to the best of the Seller's knowledge, threatened against the Seller.

5.1.12. Consultant's, Broker's, and Finder's Fees. No consultant, agent, broker, employee, officer, stockholder, or other person acting on behalf of or under the authority of the Seller or the Practice is or will be entitled to any consulting, commission, broker's, or finder's fee from any of the Parties hereto in connection with this Agreement or any of the transactions contemplated hereby.

5.1.13. Accuracy of Books and Records. The Seller shall maintain and keep the books and records of the Practice, which shall accurately set forth the business activities of the Seller with respect to the Practice, identify the Seller's past and current patient base, and contain true and accurate client records of professional services and treatments provided to each of the Seller's patients. Seller shall retain such books and records for the period required by applicable law.

5.1.14. Transition. The Seller will use its best efforts and fully cooperate with the Purchaser in all aspects of the transfer of the Assets to the Purchaser.

5.1.15. Access to Information. The Seller shall give to the Purchaser and to appropriate representatives and advisors of the Purchaser, access, during normal business hours, to such properties, books, records, contracts and other documents pertaining to the Seller, the Practice and the Assets, as may be reasonably requested and appropriate in order to perform a due diligence review and to perform under this Agreement. Officers and employees of the Seller shall be available on a regular basis to confer with appropriate representatives of the Purchaser to report material operational matters and the general status of ongoing operations. The Seller shall cooperate in keeping the Purchaser fully informed and shall promptly provide notice to the Purchaser or its representatives of any unexpected emergency or other unanticipated adverse change in the normal course of business or prospects of the Seller.

5.1.16. No Merger or Sale. The Seller shall not, without the prior written consent of the Purchaser: (i) sell, offer, or transfer any ownership of the Seller; (ii) acquire, purchase, or take assignment of the stock or membership interest of any other third party; (iii) merge or consolidate with, or acquire substantially all of the assets of, a third party or sell or otherwise convey substantially all of the Assets to a third party; or (iv) solicit from any third party any inquiries, proposals, or offers relating to any affiliation, merger or consolidation with any corporation, business, or person. In addition, the Seller shall promptly notify the Purchaser in writing of all relevant details relating to inquiries or offers, which the Seller may receive relating to any of the matters referred to in this section.

5.1.17. Licensure of the Seller and the Practice. Schedule 5.1.17 lists all material federal, state, and local licenses, permits and authorizations required in connection with the ownership and use of the Assets and the conduct of the Practice (collectively the "Licenses and Permits"). None of such Licenses and Permits shall have lapsed or been revoked or terminated, and the Seller and the Practice has at all times been operated and conducted in accordance and consistent with all material terms and conditions thereof and with all federal, state and local laws, rules and regulations. All dentists providing services at the Practice have a valid and unrestricted license to practice dentistry in the State of California, and are in good standing with the Dental Board of California. The Seller is not in default, or alleged to be in default, under any agreement, License or Permit, or other obligation relating to the operation of the Practice, and no other party to any such agreement, License or Permit, or other obligation is in default thereunder, and there exists no condition or event which, after notice or lapse of time or both, would constitute a default by any party to any such agreement, License or Permit, or other obligation.

5.1.18. Title. The Seller has good, marketable and insurable title to the Assets, free and clear of all mortgages, liens, pledges, charges, security interests, encumbrances or claims of any kind. Each of the tangible assets included as part of the Assets is in operating condition and good repair, ordinary wear and tear excepted.

5.1.19. Medical Waste. The Seller is and always has been operating the Practice in material compliance with all laws, rules, and regulations regarding the treatment, disposal, and handling of medical waste, including, but not limited to, compliance with any and all labeling, packaging, or manifesting requirements.

5.1.20. Leases. By the Closing Date, the Seller will not be a party to any lease for realty, equipment, or other personalty related to the practice of dentistry other than those leases which the Purchaser is assuming pursuant to this Agreement.

5.1.21. Taxes. The Seller represents and warrants that the Seller has paid, or will pay when due or finally settled, all Taxes relating to the Seller, the Practice, or the Assets which are due or become due and payable for any period prior to the Closing Date. The Seller has properly filed on a timely basis, or will file when due, all Returns relating to the Seller, the Practice, or the Assets for all periods up to the Closing Date, and such Returns are, or will be for those not yet due, materially true, complete, and correct. There are no liens for Taxes (other than for current

Taxes not yet due and payable) on the Assets. The Seller is not a person other than a United States person within the meaning of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

5.1.22. No Additional Representations or Warranties. As it relates to the transactions contemplated by this Agreement, the Seller has not made any representations or warranties to the Purchaser or any other individual or entity, except for those contained in this Agreement, and as relates to representations or warranties made to the Purchaser, the Purchaser hereby acknowledges and agrees that such is true.

5.2. By the Purchaser. The Purchaser represents and warrants to the Seller that the statements set forth below in this Section 5.2 are correct and complete as of the Effective Date and will remain correct and complete through the Closing Date. Unless otherwise indicated in the specific representation or warranty contained herein, each representation and warranty of the Purchaser shall survive the Closing Date and remain in full, unaltered force and effect for the applicable statute of limitations, except where specifically provided herein.

5.2.1. Enforceability. This Agreement and all other agreements and writings required to be signed by the Purchaser constitutes a legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms.

5.2.2. Authority; No Conflict. The Purchaser has the full right, power, and authority to enter into this Agreement and all transactions contemplated hereby and to perform fully its obligations hereunder. This Agreement has been duly executed and delivered by the Purchaser and is the valid and binding obligation of the Purchaser and is enforceable against the Purchaser in accordance with its terms, except as enforcement may be limited by equitable principles limiting the right to obtain specific performance or other equitable remedies, or by applicable bankruptcy or insolvency laws and related decisions affecting creditors' rights generally. The execution and delivery of this Agreement by the Purchaser and the consummation of the transactions contemplated hereby by the Purchaser will not result in a breach of the terms or conditions of, or constitute a default under, or violate: (i) any provision of any law, regulation, or ordinance, (ii) any agreement, lease, mortgage, or other instrument or undertaking, oral or written, to which the Purchaser is a party or by which it may be bound or affected; or (iii) any judgment, order, writ, injunction, or decree of any court, administrative agency, or governmental body.

5.2.3. Consultant's, Broker's, and Finder's Fees. No consultant, agent, broker, employee, officer, stockholder, or other person acting on behalf of or under the authority of the Purchaser is or will be entitled to any consulting, commission, broker's, or finder's fee from any of the Parties hereto in connection with this Agreement or any of the transactions contemplated hereby.

5.2.4. Inspection and Due Diligence. Purchaser acknowledges that it has had the opportunity to conduct its due diligence review of the Seller, including the inspection of the Assets, premises, and financial statements of the Practice. The Purchaser's obligation to close the

transaction is contingent upon the completion of Satisfactory Due Diligence. Except as expressly set forth in this Agreement, Purchaser further acknowledges and agrees that the Assets are being sold on an "as-is, where-is" basis, with no representations or warranties, express or implied, of merchantability, fitness for a particular purpose, or otherwise, other than those expressly set forth in this Agreement.

5.2.5. No Additional Representations or Warranties. The Purchaser has not made any representations or warranties to the Seller or any other person, except for those expressly contained in this Agreement, and the Seller hereby agrees that such is true.

6. CONDUCT OF THE PARTIES PRIOR TO CLOSING.

6.1. Affirmative Covenants. Subject to the terms and conditions stated herein, the Parties hereto will use reasonable efforts to satisfy all conditions to the Closing set forth in this Agreement on or before the Closing and will cooperate to ensure the prompt and expedient consummation of all transactions contemplated hereby.

6.2. No Solicitation. From the Effective Date until the Closing or the termination of this Agreement, each Party hereto, and any individual or entity acting on behalf of any Party hereto, will not, directly or indirectly, solicit, encourage, or initiate any discussion with, or negotiate or otherwise deal with, or provide any information to, any individual or entity other than the Parties hereto, and any representatives of the Parties hereto, concerning any sale of assets, or similar transaction, involving the Practice, or any interest therein.

6.3. No Changes. The Seller covenants and agrees that, from the Effective Date until the Closing or the termination of this Agreement, the Seller shall operate the Practice in its customary and ordinary course and in all material respects in accordance with applicable provisions of federal, state and local laws. Without the prior written consent of the Purchaser, the Seller shall not: (i) make or commit to make any change in the business or operations of the Practice; (ii) other than as expressly provided for in this Agreement, enter into any contract or commitment, waive any rights or enter into any transaction affecting the Practice or the Assets; (iii) take any action or omit to take any action that materially and adversely affects the Practice's profitability or that materially and adversely affects the value of the Assets; or (iv) transfer, assign, sell, mortgage, pledge or otherwise encumber any of the Assets.

6.4. Consents and Approvals. The Parties will use commercially reasonable efforts, cooperate with each other and provide all necessary information to obtain the earliest practicable date all consents, authorizations, orders and approvals (including the approval from the Health Resources Services Administration ("HRSA")) from, and provide all notices to, all government agencies and other persons that are or become required to consummate the transaction. The Parties will not willfully take any action that will have the effect of delaying, impairing, or impeding the receipt of any required consents, authorizations, waivers or approvals. Notwithstanding anything to the contrary, the Parties agree to pursue all consents, authorizations, orders and approvals required to consummate the transaction using

commercially reasonable efforts including by agreeing to make any amendments to this Agreement or the other transaction documents that are reasonably requested as a condition to such consent, authorization, order or approval. Without limiting the foregoing, promptly after the Effective Date, the Purchaser will file or cause to be filed with HRSA any notifications and reports required to obtain the HRSA approval; respond on a timely basis to any requests for additional information by HRSA; keep the Seller promptly apprised of any communications with, and inquiries or requests for information from, HRSA. The Seller will furnish the Purchaser with such necessary information and reasonable assistance as the Purchaser and its representatives may reasonably request in connection with their preparation of necessary filings, registrations or submissions of information to HRSA. The Purchaser will take such action as required to resolve without delay any objections any such agency may have to the transaction.

7. CLOSING DELIVERIES.

7.1. Mutual Conditions. The obligations of each Party under this Agreement shall be subject to the satisfaction on the Closing Date of the following conditions (unless waived in writing by all Parties):

7.1.1. Covenants and Obligations. The Parties shall have performed in all material respects each of their agreements, covenants, and obligations contained in this Agreement that are required to be performed on or prior to the Closing Date and shall have complied with all material requirements, rules, and regulations of all regulatory authorities having jurisdiction over the transaction. There shall have been no material breach by the Purchaser in the performance of any of the Purchaser's obligations hereunder; each of the representations and warranties of the Purchaser contained in or referenced in this Agreement shall be true and correct in all material respects on the Effective Date through and on the Closing Date; and there shall have been delivered to the Seller a certificate to that effect, dated as of the Closing Date and executed by the Purchaser.

7.1.2. Representations and Warranties. The representations and warranties of each of the Parties set forth in this Agreement shall be true as of the Effective Date and as of the Closing Date as if made on the Closing Date.

7.1.3. Deliverables. Each of the closing documents required by **Article 7** hereof shall have been duly executed and delivered in accordance with the terms of this **Article 7**.

7.1.4. Litigation. No temporary restraining order, preliminary or permanent injunction or other order issued by any court or other government agency of competent jurisdiction preventing, making illegal, or imposing material limitations or conditions on the completion of the transactions described herein shall be threatened or in effect. No legal proceedings shall have been instituted or threatened or claim or demand made against Seller or Purchaser seeking to restrain or prohibit or to obtain substantial damages with respect to the consummation of the transactions contemplated hereby.

7.1.5. Consents. The Parties shall have obtained any and all necessary corporate, governmental and third-party approvals, including approval from HRSA.

7.2. Purchaser's Closing Deliveries to Seller. On or prior to the Closing Date, Purchaser shall deliver to Seller:

7.2.1. Assignment and Assumption Agreement. The Assignment and Assumption Agreement (the "Assignment and Assumption Agreement") duly executed by Purchaser in the form of Exhibit B.

7.2.2. Lease Assignment Agreement. The Lease Assignment Agreement (the "Lease Assignment Agreement") duly executed by Purchaser in the form of Exhibit C.

7.2.3. Closing Payment. The Closing Payment in accordance with **Section 4.1**.

7.2.4. Professional Services Agreement. Professional Services Agreement between the Purchaser and the Seller, duly executed by the Purchaser.

7.2.5. Other Documents. Such other documents or instruments as Seller or Seller's counsel shall reasonably request and are reasonably necessary to consummate the transaction.

7.3. Seller's Closing Deliveries to Purchaser. On or prior to the Closing Date, the Seller shall deliver to the Purchaser:

7.3.1. Secretary's Certificate: A certificate of the Secretary or Assistant Secretary of Seller certifying: (i) that the execution, delivery, and performance of this Agreement and the consummation of the transaction contemplated hereby have been duly authorized by appropriate resolutions of the board of directors and shareholders (if applicable) and that such resolutions are in full force and effect; and (ii) the names and signatures of the officers of Seller authorized to sign this Agreement, and other documents to be delivered hereunder.

7.3.2. Officer's Certificate. A certificate executed by an officer of the Seller as to the accuracy of the Seller's representations and warranties as of the Effective Date and as of the Closing Date, as to its compliance with and performance of its covenants and obligations to be performed or complied with at or before the Closing Date in accordance with **this Article 7**.

7.3.3. Good Standing. A certificate dated as of a date not earlier than the tenth (10th) calendar day prior to the Closing Date as to the good standing of the Seller, executed by the appropriate officials of the jurisdiction of the Seller's formation and each jurisdiction in which the Seller is licensed or qualified (or required to be licensed or qualified) to do business as a foreign company or corporation.

7.3.4. Bill of Sale. The Bill of Sale duly executed by Seller in the form of Exhibit A.

7.3.5. Assignment and Assumption Agreement. The Assignment and Assumption Agreement duly executed by Seller in the form of Exhibit B, together with required consents to the transfer of the Assumed Contracts listed in Schedule 2.2.

7.3.6. Lease Assignment Agreement. The Lease Assignment Agreement duly executed by Seller in the form of Exhibit C.

7.3.7. Professional Services Agreement. Professional Services Agreement between the Purchaser and the Seller, duly executed by the Seller.

7.3.8. Schedules. Completed Schedules to this Agreement from Seller (in a form satisfactory to the Purchaser, such approval to be in the Purchaser's sole discretion).

7.3.9. Other Documents. Such other documents or instruments as Purchaser or the Purchaser's counsel shall reasonably request and are reasonably necessary to consummate the transaction.

7.4. Seller's Agreements. On the Closing Date, Seller agrees as follows:

7.4.1. Debt. On or immediately following the Closing Date, the Seller shall pay all debt, lines of credit, and other liabilities of the Seller and Seller Shareholder, owing to financial institutions.

8. INDEMNIFICATION.

8.1. By the Seller. The Seller hereby agrees to indemnify, defend, and hold harmless the Purchaser, and its respective shareholders, members, managers, officers, directors, representatives, agents, employees, successors and assigns from and against any and all claims, losses, demands, recoupments, fines, interest, causes of action, judgments, lawsuits, proceedings, liabilities, damages, debts, costs and expenses, including reasonable attorneys' fees and court costs (collectively, "Losses") of every kind and nature, whether or not such Losses are known or asserted on, before or after the Closing Date, to the extent that such Losses arise from or relate to:

8.1.1. any inaccuracy in any representation or the breach of any representation or warranty made by the Seller herein or in any certificate or other document delivered to the Purchaser pursuant to the provisions of this Agreement;

8.1.2. any failure of the Seller to duly perform or observe any term, provision, covenant, agreement, or condition or perform any material act required herein;

8.1.3. any claim, threatened claim, liability or obligation arising with respect to conduct of the Seller or the ownership and operation of the Assets or the Practice prior to the Closing Date;

8.1.4. the Excluded Liabilities;

8.1.5. any income or other tax assessed against the Seller or the Practice, arising out of or related to: (i) the Practice for the period prior to the Closing Date; (ii) any transaction or activity with regard to the activities of the Seller that occurred prior to the Closing Date; or (iii) any income derived by the Seller prior to the Closing Date relating to services rendered by the Seller and the Practice prior to the Closing Date;

8.1.6. all wages, salaries, bonuses, commissions, rebates, expenses, benefits, and other compensation or fees, including applicable taxes, of any nature accrued and/or payable to any of the employees, members, managers, contractors, agents or representatives of the Seller that relate to periods prior to the Closing Date;

8.1.7. any claim of any employee of the Seller arising out of or relating to any employee stock option, bonus, retirement, profit sharing, pension, or other similar plan of the Seller, or the operation or termination of any such plan;

8.1.8. any demand, recoupment or offset of accounts receivable or collections by the Centers for Medicare and Medicaid Services ("CMS"), any CMS contractor or agent, or any third party payor (e.g., commercial health insurer) related to services rendered by the Seller and/or the Practice prior to the Closing Date; and/or

8.1.9. any claim by any third party with respect to any liability, obligation, contract, other commitment or state of facts which constitutes a breach of any representation or warranty by the Seller contained herein or in any certificate or other document delivered by or on behalf of the Seller to the Purchaser pursuant to the provisions of this Agreement.

In addition, Seller shall indemnify, defend, and hold harmless Purchaser from and against any costs and expenses (including attorney fees) which Purchaser may suffer or sustain in connection with, and in seeking to enforce, the indemnification obligations of Seller hereunder. Notwithstanding anything to the contrary, the Seller's indemnification and hold harmless obligations shall not apply to claims, liabilities, or demands due to acts or omissions of the Purchaser.

8.2. By the Purchaser. Subject to the limitations set forth in this **Article 8**, the Purchaser agrees to indemnify, defend and hold harmless the Seller and its respective shareholders, members, managers, officers, directors, representatives, agents, employees, successors and assigns from and against any and all Losses of every kind and nature, whether or not such Losses are known or asserted on, before or after the Closing Date, to the extent that such Losses arise from or relate to:

8.2.1. any inaccuracy in any representation or the breach of any representation or warranty made by the Purchaser herein or in any certificate or other document delivered to the Seller pursuant to the provisions of this Agreement;

8.2.2. any claim, threatened claim, liability or obligation arising with respect to the operation of the Practice by the Purchaser from and after the Closing Date;

8.2.3. any failure of the Purchaser to duly perform or observe any term, provision, covenant, agreement, or condition or perform any material act required herein; or

8.2.4. any claim by any third party with respect to any liability, obligation, contract, other commitment or state of facts which constitutes a breach of any representation or warranty by the Purchaser contained herein or in any certificate or other document delivered by or on behalf of the Purchaser to the Seller pursuant to the provisions of this Agreement.

The Purchaser shall indemnify, defend, and hold harmless the Seller from and against any costs and expenses (including attorney fees) which the Seller may suffer or sustain in connection with, and in seeking to enforce, the indemnification obligations of the Purchaser hereunder. Notwithstanding anything to the contrary, the Purchaser's indemnification and hold harmless obligations shall not apply to claims, liabilities, or demands due to acts or omissions of the Seller.

8.3. Third Party Claims.

8.3.1. In case of the assertion in writing of any claim initiated or asserted by any person, firm, governmental authority or corporation or the imposition of any penalty or assessment for which indemnity may be sought under this Agreement other than the Purchaser, the Seller or any affiliate thereof (a "Third Party Claim") or the commencement of any litigation asserting a Third Party Claim which may give rise to any indemnification obligation of the Seller or the Purchaser, as applicable (herein, the "Indemnitor") to the other party (the "Indemnified Party") under the provisions of this section, the Indemnified Party shall give notice thereof as provided hereunder as promptly as practicable after the Indemnified Party's receipt of such written assertion or the commencement of such litigation, such notice to be given by the Indemnified Party not later than would materially prejudice Indemnitor if it chose to defend such litigation as hereinafter provided.

8.3.2. If Indemnitor demonstrates to the Indemnified Party that Indemnitor will be able to pay the full amount of potential liability in connection with any Third Party Claim, Indemnitor may at its sole cost and expense, upon written notice given to the Indemnified Party within fifteen (15) days after its receipt of the Indemnified Party's notice under this **Article 8**, assume the defense, with counsel reasonably satisfactory to the Indemnified Party, of any such Third Party Claim or litigation, provided that Indemnitor admits in writing to the Indemnified Party its obligation to indemnify the Indemnified Party against liability for such claims.

8.3.3. If Indemnitor assumes the defense of any such claim or litigation, the obligations of Indemnitor hereunder as to such claim or litigation shall be limited to taking all steps necessary in the defense or settlement thereof and to holding the Indemnified Party harmless from and against any and all Losses caused by or arising out of any settlement approved by Indemnitor or

any judgment in connection with such claim or litigation, and the Indemnified Party shall make available to Indemnitor such books and records in the Indemnified Party's possession as Indemnitor may reasonably require in connection with such defense. Indemnitor shall not consent to the settlement or entry of any judgment arising from any such claim or litigation without the prior written consent of the Indemnified Party.

8.3.4. The Indemnified Party shall be entitled to be consulted about (but not control) the defense of and receive copies of all pleadings and other material papers in connection with, any such claim or litigation. If Indemnitor does not assume the defense of any such claim or litigation, the Indemnified Party may defend the same in such manner as it may deem appropriate, including but not limited to settling such claim or litigation after receiving the written consent of Indemnitor which shall not be unreasonably withheld, and Indemnitor will promptly reimburse the Indemnified Party. Anything contained in this **Article 8** to the contrary notwithstanding, (i) Indemnitor shall not be entitled to assume the defense of any such claim or litigation if the Third Party Claim seeks an order, injunction or other equitable relief against the Indemnified Party which, if successful, might materially interfere with, or adversely affect, the operation of the Assets by Purchaser; and (ii) the Indemnified Party may defend any Third Party Claim to which the Indemnified Party may have a defense or counterclaim which Indemnitor is not entitled to assert to the extent necessary to assert and maintain such defense or counterclaim.

8.3.5. The expenses of all proceedings, contests, lawsuits, or investigations with respect to all claims or actions covered by the indemnity provisions of this Agreement shall be paid by the Indemnitor. If an Indemnified Party defends itself against a claim or action for which the Indemnitor is liable, other than in connection with the Indemnifying Party's defense of such claim or action, the Indemnitor shall promptly reimburse the Indemnifying Party for the amount of all reasonable expenses, whether legal or otherwise, incurred by the Indemnifying Party in connection with the defense and/or settlement of such claim or action. If no settlement of such claim or action is made, the Indemnitor shall promptly reimburse the Indemnifying Party as indicated above and satisfy any judgment entered against the Indemnifying Party. The indemnification and hold harmless obligations stated in this Agreement shall not limit the liability of any insurer.

8.4. Effect of Investigation. The representations, warranties and covenants of the Indemnitors, and the Indemnified Party's right to indemnification with respect thereto, shall not be affected or deemed waived by reason of any investigation made by or on behalf of the Indemnified Party or by reason of the fact that the Indemnified Party knew or should have known that any such representation or warranty is, was or might be inaccurate.

8.5. Cumulative Rights. The forgoing rights with respect to indemnification are cumulative and without prejudice to any other remedies that the Purchaser may have against the Seller under applicable law or otherwise.

8.6. Survival. The representations and warranties made by the Seller and the Purchaser contained in this Agreement, or in any document delivered pursuant hereto, and the Parties'

indemnity rights set forth in this **Article 8** shall survive the Closing and shall remain in full force and effect thereafter for the full period of any applicable statute of limitations (including any appeals). All obligations, covenants, undertakings, and indemnities contained in this Agreement and in any Schedule or other instrument delivered pursuant to this Agreement shall survive the Closing according to their respective terms.

9. MEDICAL RECORDS.

9.1. The Seller shall retain all rights, responsibilities, and obligations associated with the medical records related to patients of the Practice (the "Medical Records"), including but not limited to, their maintenance, protection, and compliance with all applicable laws and regulations governing the confidentiality of such records. Purchaser shall have no right, title, or interest in or to the Medical Records, and shall not be responsible for their management or protection after the Closing Date.

9.2. The Seller will, in accordance with all applicable laws and ethical requirements, draft and co-sign a letter to inform all patients of the Practice about the sale of the Practice to the Purchaser, at such time as is mutually agreeable to the Purchaser and the Seller. All expenses of copying and mailing such letters shall be paid by the Purchaser. The Purchaser shall approve said letter.

9.3. Survival. The provisions of this **Article 9** shall expressly survive the Closing.

10. COVENANTS.

10.1. Confidentiality.

10.1.1. The Parties and the Seller Shareholder shall treat all nonpublic information provided or obtained in connection with this Agreement and the transactions contemplated hereby as confidential, and shall not disclose or use any such confidential information at any time or in any manner, other than in connection with the evaluation of the transactions contemplated by this Agreement. These confidentiality provisions shall continue in full force and effect until the Closing Date. If this Agreement is, for any reason, terminated prior to the Closing Date, the above provisions relating to confidentiality shall continue in full force and effect.

10.1.2. After the Closing Date, the Parties shall hold, and shall use their commercially reasonable efforts to cause their respective officers, directors, managers, employees and agents to hold, in strict confidence from any other person: all documents and information concerning any other Party furnished to it by such other Party, or the other Party's officers, directors, managers, employees, agents or representatives, in connection with this Agreement or the transactions contemplated hereby, unless: (i) such Party is compelled to disclose such documents or information by judicial or administrative process (or by other requirement of applicable laws, rules or regulations); or (ii) such documents or information can be shown to have been: (a) previously known by the Party receiving such documents or information; (b) in the public domain (either prior to or after the furnishing of such documents or information hereby) through no fault of such receiving Party; or (c) later acquired by the receiving Party from another source if, to the

knowledge of the receiving Party after reasonable inquiry, such source is not under an obligation to another Party to keep such documents and information confidential.

11. TERMINATION.

11.1 Termination of Agreement. Subject to **Section 11.2**, this Agreement may be terminated and the transactions contemplated hereby, including, the purchase and sale of the Assets, may be abandoned at any time prior to the Closing:

11.1.1. By mutual written agreement of the Seller and the Purchaser;

11.1.2. By the Purchaser, if prior to the Closing, Seller has not completed all Schedules and Exhibits to this Agreement to the complete satisfaction of Purchaser (in Purchaser's sole discretion).

11.1.3. By the Purchaser, if Purchaser is unable to secure financing for the Purchase Price on commercially reasonable terms after using good faith efforts to obtain such financing.

11.2 Effect of Termination. In the event of the termination of this Agreement by Purchaser or Seller, or both, in accordance with **Section 11.1** hereof: (i) written notice thereof shall forthwith be given to the other Party(ies); (ii) no Party shall be liable to any other Party, except for the obligations imposed by **Article 10** hereof; and (iii) each Party shall be solely responsible for its costs incurred.

12. MISCELLANEOUS

12.1 Assignment. Neither the Purchaser nor the Seller shall have the right to assign its rights and obligations as set forth herein without the prior written notice and consent of the other Party.

12.2 Amendments. No amendment, modification, or waiver of any provision of this Agreement shall be binding unless in writing and signed by the Party against whom the operation of such amendment, modification, or waiver is sought to be enforced.

12.3 Notices.¹ All documents, notices, requests, demands and other communications that are required or permitted to be delivered or given under this Agreement shall be in writing and shall be deemed to have been duly delivered or given when: (i) delivered to the appropriate address by hand or by nationally recognized overnight courier service; or (ii) received or rejected by the addressee, if sent by certified mail, return receipt requested, postage prepaid in each case to the following addresses or facsimile number and marked to the attention of the person (by name or title) designated below:

If to Purchaser:

¹ NTD: Please confirm address for Seller and whether County Counsel should be copied on any notices.

County of Monterey Health Department
Clinic Services Bureau
1615 Bunker Hill, Ste. 140
Salinas, CA 93906
Attention: Prashant Shinde, Bureau Chief

If to Seller:

Juan Valencia, D.D.S.
631 Gabilan Drive
Soledad, CA 93960
Attention: Juan Valencia, D.D.S.

or to such other persons or addresses as Purchaser or Seller shall specify by giving the other Party written notice of the new person or address in the manner set forth above.

12.4 Governing Law. This Agreement shall be governed by the internal laws of the State of California without giving effect to the principles of conflicts of laws.

12.5 Binding Effect. This Agreement shall inure to the benefit of the respective heirs, legal representatives and permitted assigns of each Party, and shall be binding upon the heirs, legal representatives, successors and assigns of each Party.

12.6 Titles and Captions. All articles, sections and section titles and captions contained in this Agreement are for convenience only and are not deemed a part of the context hereof.

12.7 Pronouns and Plurals. All pronouns and any variations thereof are deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the persons may require.

12.8 Jurisdiction and Venue. Any dispute, controversy or claim arising out of, connected with, or relating in any way to this Agreement, its formation, negotiation, performance, nonperformance, interpretation, termination or the relationship between the Parties established by this Agreement shall be subject solely to the jurisdiction of the state courts of California and shall be venued in Monterey County.

12.9 Entire Agreement. This Agreement, including any exhibits and schedules hereto, and the other documents and certificates delivered pursuant to the terms hereof or referred to herein, set forth the entire agreement and understanding of the Parties hereto in respect of the subject matter contained herein, and supersede all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any Party hereto.

12.10 Expenses. Each Party shall bear all expenses incurred by it in connection with this Agreement and in the consummation and preparation for the transactions contemplated in this Agreement.

12.11 Dispute Resolution.

12.1.1. Mediation. Any claim, controversy or dispute that arises between the Parties hereto arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope or applicability of this Agreement to arbitrate, shall be determined by binding arbitration in Salinas, California as set forth in **Section 12.1.2** below. Prior to instituting any arbitration proceedings or other legal action, the Parties shall use their best efforts and due diligence to reach an agreement for the resolution of such claim, controversy or dispute through discussion between appropriate representatives of the Parties. In the event that the Parties are unable to resolve any such claim, controversy or dispute within thirty (30) days, such claim, controversy or dispute shall be submitted to a disinterested third party mediator chosen by the Parties for nonbinding mediation. The Parties covenant that they will participate in mediation in good faith, and that they will share equally in its costs. All offers, promises, conduct and statements, whether oral or written, made in the course of the mediation by any of the Parties, their agents, employees, experts and attorneys, and by the mediator, are confidential, privileged and inadmissible for any purpose, including impeachment, in any arbitration or other proceeding involving the Parties, provided that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation. The provisions of this **Section 12.1.1** shall not be interpreted to restrict either Party's right to pursue equitable relief from a court of competent jurisdiction at any time or to terminate this Agreement in accordance with the terms of this Agreement.

12.1.2. Binding Arbitration. If the claim, controversy or dispute is not resolved through mediation, then it shall be submitted to Judicial Arbitration and Mediation Services ("**JAMS**"), or its successors, for final and binding arbitration before one arbitrator. The arbitration shall be administered by JAMS pursuant to its Comprehensive Arbitration Rules and Procedures. Judgment on the award may be entered in any court having jurisdiction. The Parties, however, are not precluded from seeking provisional remedies in aid of arbitration from a court of appropriate jurisdiction. The provisions of Section 1283.05 of the California Code of Civil Procedure relating to discovery in arbitration are incorporated into and made a part of this Agreement. The Parties agree to share equally in JAMS' costs of arbitration. However, in any arbitration, the arbitrator may, in the Award, allocate all or part of JAMS' costs of the arbitration, including the fees of the arbitrator, to the prevailing Party, upon motion therefore brought to the arbitrator subsequent to issuance of an award. Additionally, the prevailing Party shall be entitled to an award of attorneys' fees and costs as provided in **Section 12.1.3** below. Either Party may initiate arbitration with respect to the matters submitted to mediation by filing a written demand for arbitration at any time following the initial mediation session or forty-five (45) days after the date of filing the written request for mediation, whichever first occurs. The mediation may continue after commencement of arbitration if the Parties so desire. Unless otherwise agreed by the parties, any mediator shall be disqualified from serving as arbitrator in the case. The provisions of this **Section 12.1.2** may be enforced by any Court of competent jurisdiction, and the Party seeking enforcement shall be entitled to an award of all costs, fees and expenses, including attorneys' fees, to be paid by the Party against whom enforcement is ordered.

12.1.3. Attorneys' Fees. In the event that suit is brought, whether by arbitration or otherwise, regarding the provisions of this Agreement for the enforcement hereof, the prevailing Party shall be awarded its costs of suit and reasonable attorneys' fees as part of judgment rendered therein.

12.2. Further Assurances. The Parties agree that they will cooperate with each other in any manner that may be required to fully effectuate the complete terms and intent of this Agreement. Such cooperation shall include the execution of any instrument and the doing of any act necessary to effectuate the complete terms and intent of the Agreement.

12.3. Representation of Counsel. THE SELLER AND THE PURCHASER ACKNOWLEDGE THAT THEY HAVE BEEN ENCOURAGED AND HAVE HAD THE OPPORTUNITY TO SEEK THE ADVICE OF INDEPENDENT COUNSEL IN CONNECTION WITH THE PREPARATION AND REVIEW OF THIS AGREEMENT AND THE RELATED DOCUMENTS, INSTRUMENTS AND AGREEMENTS IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT.

12.4. Waiver of Compliance. Any failure of the Purchaser, on the one hand, or the Seller, on the other hand, to comply with any obligation, covenant, agreement or condition herein may be expressly waived in writing by the Purchaser or the Seller, as applicable, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure. No delay in the exercise of any right shall be deemed a waiver thereof, nor shall the waiver of a right or remedy in a particular instance constitute a waiver of such right or remedy generally.

12.5. Third Parties. Except as specifically set forth or referred to herein, nothing herein expressed or implied is intended or shall be construed to confer upon or give to any person or corporation other than the Parties hereto and their successors or assigns, any rights or remedies under or by reason of this Agreement.

12.6. Illegality. No provision of this Agreement is intended, nor shall it be construed, to violate any law or regulation. To the extent that any provision of this Agreement may be construed or deemed to be improper, illegal or unenforceable, said provision of this Agreement shall be void ab initio and eliminated from the Agreement. In the event that any provision of this Agreement becomes improper, illegal or unenforceable due to a change in law or rule, the Parties will make reasonable efforts to renegotiate the applicable provision.

12.7. Execution in Counterparts and Facsimile Signatures. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against any Party whose signature appears thereon, and all of which shall together constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all the Parties reflected herein as the signatories. Facsimile signatures shall have the same authority and effect as original signatures.

12.8. No Strict Construction. The Parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any Party hereto by virtue of the authorship of any of the provisions of this Agreement.

12.9. Confidentiality. No Party shall disclose the contents of this Agreement to any third-party, except as may be reasonably required to obtain the services of a professional advisor or may be required by law. The Parties shall notify their professional advisors of the non-disclosure requirements of this Agreement. This Section 12.9 shall survive the Closing or termination of this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have executed this Agreement effective on the date first written above.

SELLER:

Juan C. Valencia Dental Corp. d/b/a
La Paz Dental Care

By: _____
Juan Valencia, D.D.S., Chief Executive Officer

PURCHASER:

The County of Monterey on behalf of the
Monterey Health Department

By: _____
Prashant Shinde
Bureau Chief - Clinic Services
Monterey County Health Department

SELLER SHAREHOLDER:

Juan Valencia, D.D.S.

By: _____
Juan Valencia, D.D.S.

By: _____
Elsa Mendoza Jimenez
Director of Health Services
Monterey County Health Department

Approved as to form (County Counsel

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By: Stacy Saetta
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Stacy Saetta
County Counsel

DocuSigned by:

Patricia Ruiz

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Patricia Ruiz

Auditor Controller Analyst I

IN WITNESS WHEREOF, the Parties have executed this Agreement effective on the date first written above.

SELLER:

Juan C. Valencia Dental Corp. d/b/a
La Paz Dental Care

By: _____
Juan Valencia, D.D.S., Chief Executive Officer

PURCHASER:

The County of Monterey on behalf of the
Monterey Health Department

By: _____
Prashant Shinde
Bureau Chief – Clinic Services
Monterey County Health Department

SELLER SHAREHOLDER:

Juan Valencia, D.D.S.

By: _____
Juan Valencia, D.D.S.

By: _____
Elsa Mendoza Jimenez
Director of Health Services
Monterey County Health Department

Approved as to form (County Counsel
Stacy Saetta

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By: Stacy Saetta
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Stacy Saetta
County Counsel

Patricia Ruiz
Auditor Controller Analyst I

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Patricia Ruiz
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Exhibit A

Bill of Sale

This Bill of Sale ("Bill of Sale") is executed and delivered by Juan C. Valencia Dental Corp. d/b/a La Paz Dental, a California corporation ("Seller"), to County of Monterey on behalf of the Monterey Health Department ("Purchaser"), as follows:

1. **Introduction.** Unless otherwise defined herein, all initially capitalized terms used herein shall have the meanings ascribed to them in the Asset Purchase Agreement dated as of June 2, 2025, by and among Seller and Purchaser (the "Asset Purchase Agreement"). Pursuant to the Asset Purchase Agreement, Seller agreed to sell, and Purchaser agreed to purchase, certain of the personal property and assets of the Seller for the purchase price of Five Hundred Thousand Dollars (\$500,000.00). On the date hereof, the parties have completed the sale and purchase transactions in accordance with the terms of the Asset Purchase Agreement.

2. **The Transfer of Purchased Assets.** For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller hereby conveys, grants, bargains, sells, transfers, sets over, assigns, alienates, remises, releases, delivers and confirms and by this Bill of Sale does convey, grant, bargain, sell, transfer, set over, assign, alienate, remise, release, deliver and confirm unto Purchaser, its successors and assigns, forever, all of the Assets (as defined in **Section 2** of the Asset Purchase Agreement) which include, without limitation, certain equipment, furniture, and supplies of the Practice operated by Seller located at 559 E Alisal St., Ste. 101, Salinas, CA 93905.

3. **Title to Purchased Assets.** Seller represents and warrants that it has, and has vested in Purchaser, good and valid and marketable title to the Assets, free and clear of any claim, encumbrance, security interest, pledge, lien, lease, charge, equity, covenant, or restriction of every nature and kind whatsoever.

4. **Further Actions.** Seller covenants and agrees that it will, whenever and as often as reasonably requested to do so by Purchaser, its successors and assigns, execute, acknowledge and deliver such other instruments of conveyance and transfer and take such other action as may be required more effectively to convey, transfer to, and vest in Purchaser, its successors and assigns, and to put Purchaser, its successors and assigns, in possession of any property conveyed, transferred and delivered hereunder.

[Signatures appear on following page.]

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Bill of Sale as of this ____ day of _____, 2025.

SELLER:

**Juan C. Valencia Dental Corp. d/b/a
La Paz Dental Care**

By: _____
Juan Valencia, D.D.S.
Chief Executive Officer

Exhibit B

Assignment and Assumption Agreement

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT, dated _____, 2025 (the "Assignment and Assumption Agreement") is executed and delivered by the County of Monterey on behalf of the Monterey Health Department ("Purchaser"), in favor of "Seller" (as defined below) and shall be deemed to be effective as of the date hereof. All capitalized terms used herein but not otherwise defined shall have the respective meanings ascribed to such terms in the Asset Purchase Agreement dated as of June 2, 2025 (the "Agreement") by and among Purchaser and Juan C. Valencia Dental Corp. d/b/a La Paz Dental, a California corporation ("Seller"). Purchaser and Seller are at times referred to herein as the "Parties" and each individually as a "Party."

RECITALS

WHEREAS, pursuant to the Agreement, Seller has agreed to sell, assign, transfer, convey and deliver to Purchaser the Assets, and Purchaser has agreed to purchase, acquire and accept from Seller such Assets upon the terms and subject to the conditions set forth in the Agreement; and

WHEREAS, the Agreement requires Purchaser to assume certain liabilities and obligations of Seller (the "Assumed Liabilities").

NOW, THEREFORE, for good and valuable consideration as stated in the Agreement, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Purchaser hereby assumes and agrees to pay, perform and discharge all of the Assumed Liabilities, as, when, in the manner required and in accordance with the terms and conditions governing such Assumed Liabilities.
2. Purchaser does not assume or agree to pay, perform or discharge, and Seller shall remain unconditionally liable for, any liability of Seller not expressly assumed in the Agreement as an Assumed Liability.
3. Purchaser and Seller, by their execution of this Assignment and Assumption Agreement, each acknowledge and agree that neither the representations and warranties nor the rights and remedies of the Parties under the Agreement shall be deemed to be enlarged, modified or altered in any way by such execution and acceptance of this Assignment and Assumption Agreement, and that the terms and conditions of the Agreement shall govern the assumption of the Assumed Liabilities including, without limitation, the rights of indemnification and limitations thereon as set forth in of the Agreement.
4. At any time and from time to time after the Closing, at Seller's request, Purchaser shall execute and deliver such other instruments, assignments, assurances, and other documents, and take such other actions, as Seller may reasonably request in connection with the carrying out of the intent and purposes of this Assignment and Assumption Agreement.

5. This Assignment and Assumption Agreement shall be construed and enforced in accordance with the laws of the State of California, without giving effect to the principles of conflicts of law thereof.

6. This Assignment and Assumption Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. This Assignment and Assumption Agreement may be executed by facsimile or electronic mail signatures which shall be considered originals.

7. The provisions of this Assignment and Assumption Agreement shall be binding upon Purchaser and its successors and assigns, and shall inure to the benefit of Seller and its respective successors and assigns.

[Signatures appear on following page.]

IN WITNESS WHEREOF, the Parties have executed this Agreement effective on the date first written above.

SELLER:

**Juan C. Valencia Dental Corp. d/b/a
La Paz Dental Care**

By: _____
Juan Valencia, D.D.S.,
Chief Executive Officer

PURCHASER:

**The County of Monterey on behalf of the
Monterey Health Department**

By: _____
Prashant Shinde
Bureau Chief – Clinic Services
Monterey County Health Department

By: _____
Elsa Mendoza Jimenez
Director of Health Services
Monterey County Health Department

**Approved as to form (County Counsel
Stacy Sietta**

By: _____
Stacy Sietta
County Counsel

Exhibit C

Assignment of Lease Agreement

THIS ASSIGNMENT OF LEASE AGREEMENT, dated _____, 2025 (the "Assignment") is executed and delivered by the County of Monterey on behalf of the Monterey Health Department ("Purchaser"), in favor of "Seller" (as defined below) and shall be deemed to be effective as of the date hereof. All capitalized terms used herein but not otherwise defined shall have the respective meanings ascribed to such terms in the Asset Purchase Agreement dated as of June 2, 2025 (the "Agreement") by and among Purchaser and Juan C. Valencia Dental Corp. d/b/a La Paz Dental, a California corporation ("Seller"). Purchaser and Seller are at times referred to herein as the "Parties" and each individually as a "Party."

RECITALS

WHEREAS, Seller is currently a lessee under that certain lease agreement dated September 1, 2008 ("Lease Agreement"), attached hereto as Attachment A, entered into by Seller and 559 E. Alisal St., LLC, a California Limited Liability Company, as landlord ("Landlord"), for the premises located at 559 E Alisal St., Ste. 101, Salinas, California 93905 (the "Premises"); and

WHEREAS, Seller desires to assign to Purchaser, and Purchaser desires to assume from Seller, all of Seller's rights and obligations under the Lease Agreement.

NOW, THEREFORE, for good and valuable consideration as stated in the Agreement, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Seller hereby assigns and transfers to Purchaser all of Seller's right, title, and interest in and to the Lease Agreement for the remainder of the term specified therein, including all renewals and extensions thereof.
2. Purchaser accepts the assignment made hereby, acknowledges receipt of the Lease Agreement and assumes and agrees to perform, all duties and obligations from and after the date hereof required to be performed by Seller under the Lease Agreement to the same extent as if Purchaser had been an original party thereto, except duties and obligations which accrue after the date hereof due to acts or omissions prior to the date hereof.
3. Seller hereby represents and warrants to Purchaser that: (a) the attached Lease Agreement is true, correct, and complete copy of the Lease Agreement together with all amendments and supplements thereto; (b) the Lease Agreement has not been modified, amended, terminated, or canceled except as provided in the attached Attachment A; (c) the Lease Agreement and subsequent amendments and assignment and assumptions listed in the Recitals and attached in Attachment A are the only agreements between Seller and Landlord with respect to or otherwise affecting the property; (d) to the best of Seller's knowledge no uncured default exists in the performance of any of its nor the Landlord's obligations thereunder; and (e) to the best of Seller's knowledge no threatened or pending claims exist with respect to or arising out of the Lease Agreement.

4. The Parties agree that this Assignment shall not diminish the obligations of the Seller with respect to performance owed prior to the Closing Date. Landlord remains entitled to payment by Seller for use of the Premises pursuant to the Lease Agreement prior to the Closing Date, and the Seller shall remit any such payment to Landlord to the extent owed, subject to the terms of the Lease Agreement. Purchaser shall not be responsible for payments owed by Seller for obligations under the Lease Agreement arising prior to the Closing Date.

5. This Assignment shall be binding upon Seller and its successors and assigns, and shall inure to the benefit of Purchaser and its respective successors and assigns.

6. Except as expressly provided in this Assignment, no person other than the Parties hereto shall have any right, benefit or obligation under this Assignment as a third-party beneficiary or otherwise.

7. This Assignment shall be construed and enforced in accordance with the laws of the State of California, without giving effect to the principles of conflicts of law thereof.

8. This Assignment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. This Assignment may be executed by facsimile or electronic mail signatures which shall be considered originals.

[Signatures appear on following page.]

IN WITNESS WHEREOF, the Parties have executed this Agreement effective on the date first written above.

SELLER:

**Juan C. Valencia Dental Corp. d/b/a
La Paz Dental Care**

By: _____
Juan Valencia, D.D.S.
Chief Executive Officer

PURCHASER:

**The County of Monterey on behalf of the
Monterey Health Department**

By: _____
Prashant Shinde
Bureau Chief - Clinic Services
Monterey County Health Department

By: _____
Elsa Mendoza Jimenez
Director of Health Services
Monterey County Health Department

**Approved as to form (County Counsel
Stacy Saetta**

By: _____
Stacy Saetta
County Counsel

Attachment A

Lease Agreement

(Attached)

JUAN CARLOS VALENCIA, DDS
La Paz Dental Care
LEASE

CONFIDENTIAL

THIS LEASE is made this 1st day of September, 2008, by and between 559 E Alisal St. LLC, a California Limited Liability Company ("Owner"), and Juan Carlos Valencia, DDS, dba La Paz Dental Care (Tenant), without regard to number or gender.

In consideration of the mutual covenants and agreements contained herein, the parties to this Lease agree as follows:

1. EXHIBITS.

The following Exhibits are attached hereto and made a part of this lease as though fully set forth in the body of this lease:

EXHIBIT "A" - Description of the leased premises.

2. PREMISES.

The Owner hereby leases to the Tenant for the term, at the rental rate, and upon the covenants and conditions hereinafter set forth the commercial space referred to herein as the "premises" or "leased premises," and described in Exhibit "A" attached hereto and made a part hereof, otherwise known as 559 E. Alisal St. Suites 101 & 102. Tenant agrees to accept the premises as suitable for Tenant's business purposes and uses provided herein. There is reserved to the Owner the use of the exterior walls (other than store fronts), the roof and area beneath the premises, together with the right to install, maintain, use, and replace ducts, wires, conduits, and pipes leading through the premises in locations which will not materially interfere with Tenant's use of the premises. The premises leased to Tenant shall be measured from the outside of the exterior walls to the centerline of walls separating space to be leased to other tenants. Said premises include a pro-rata share of common restroom facilities and corridors which serve the leased premises.

3. TERM.

The term of this lease shall be for a period of 10 years commencing September 1, 2008 and ending at midnight on August 31st, 2018, unless earlier terminated as herein provided. Tenant may terminate this lease by providing written notice to Owner at least sixty days prior to August 31st, 2018. If Tenant fails to provide such notice, the lease will be deemed to remain in effect for at lease

possession of the premises to Tenant at the commencement of the term of this lease, this lease shall not be void or voidable except as hereinafter set forth; nor shall Owner be liable to Tenant for any loss or damage resulting therefrom; nor shall the expiration date of the lease be in any way extended; but, in such event there shall be a proportionate reduction for rent covering the period between the designated commencement of the term of this lease and the actual time when Owner delivers possession of the premises to Tenant. Any portion of a month during which the leased premises are leased and occurring at the beginning of the leased term shall be deemed a "partial lease month." Lessee shall have one, one (1) year option to renew under the same terms and conditions, save the option to renew.

4. RENTAL.

A. Monthly Rental.

Tenant shall pay to Owner, during the term of this lease as the following schedule dictates:

Effective September 1st 2008:

Monthly Base Rent (Three Thousand One Hundred Fifty Eight Dollars and Thirty Six Cents

	\$3,158.36
Plus NNN	<u>708.02</u>
Total	\$3,866.38

Effective September 1st 2009:

Monthly Base Rent (Three Thousand Eight Hundred Ninety Five Dollars and Zero Cents

	\$3,895.00
Plus NNN	<u>773.85</u>
Total	\$4,668.85

Effective September 1st 2010:

Monthly Base Rent (Four Thousand Eighty Four Dollars and Sixty Nine Cents

	\$4,084.69
Plus NNN	<u>797.07</u>
Total	\$4,881.76

Effective September 1st 2011:

Monthly Base Rent (Four Thousand Two Hundred Seven Dollars and Twenty Three Cents

	\$4,207.23
Plus NNN	<u>820.98</u>
Total	\$5,028.21

Effective September 1st 2012:

Monthly Base Rent (Four Thousand Two Hundred Ninety One Dollars and Thirty Seven Cents

	\$4,291.37
Plus NNN	<u>845.61</u>
Total	\$5,136.98

Effective September 1st 2013:

Monthly Base Rent (Four Thousand Three Hundred Seventy Seven Dollars and Twenty Cents

	\$4,377.20
Plus NNN	<u>870.97</u>
Total	\$5,248.17

Effective September 1st 2014:

Monthly Base Rent (Four Thousand Four Hundred Sixty Four Dollars and Seventy Four Cents

	\$4,464.74
Plus NNN	<u>897.10</u>
Total	\$5,361.85

Effective September 1st 2015:

Monthly Base Rent (Four Thousand Five Hundred Fifty Four Dollars and Four Cents

	\$4,554.04
Plus NNN	<u>924.02</u>
Total	\$5,478.06

Monthly Base Rent (Four Thousand Six Hundred Forty Five Dollars and Twelve Cents

	\$4,645.12
Plus NNN	<u>951.74</u>
Total	\$5,596.86

Effective September 1st 2017:

Monthly Base Rent (Four Thousand Seven Hundred Thirty Eight Dollars and Two Cents

	\$4,738.02
Plus NNN	<u>980.29</u>
Total	\$5,718.31

Such payments to be pro-rated if applicable for a partial lease month to the commencement and termination of the term of this lease; which sum shall be paid in advance on the first day of each calendar month.

All rental to be paid by Tenant to Owner shall be in lawful money of the United States of America and shall be paid without notice, demand, deduction, or offset at the address designated in paragraph 32. Any rent payment not received within ten (10) days of its due date shall be subject to a five percent (5%) late charge payable forthwith and the Owner shall thereafter not be obligated to accept any payments from Tenant unless made by cashier's check or certified funds.

B. Lease Net.

It is the intention of Landlord and Tenant that the rent herein specified shall be net to Landlord, and that all costs, expenses and obligations of every kind relating to the premises or the use, operation, management or occupancy thereof, whether or not now customary or within the contemplation of the parties hereto, which may arise or become due during the term of this Lease, shall be paid by Tenant. **Lease Net expenses are specified NNN (see Section 4A above).**

C. Cost of Living Adjustment.

Not Applicable.

D. Security Deposit.

deposited with owner the sum of Three Thousand One Hundred Fifty Eight Dollars and Thirty Six Cents (\$3,158.36) receipt of which is hereby acknowledged by Owner; said deposit being given to secure the faithful performance by Tenant of all of the terms, covenants, and conditions of this lease by Tenant to be kept and performed during the term hereof. Tenant agrees that if Tenant shall fail to pay the rent due in any month during the term of the lease, the Owner shall have the option (but shall not be required) to apply all or a portion of the deposit to any rent due and unpaid. If Tenant violates any of the other terms, covenants, and conditions of this Lease, said deposit shall be applied to any damages suffered by Owner as a result of tenant's default to the extent of the amount of the damages suffered.

Nothing contained in this paragraph shall in any way diminish or be construed as waiving any of Owner's other remedies as provided in paragraph 23 hereof or by law or in equity. Should the entire security deposit or any portion thereof be appropriated and due and payable to Owner or by Tenant hereunder, then Tenant shall, on the written demand of Owner, forthwith remit to Owner a sufficient amount in cash to restore said security deposit to its original amount; and Tenant's failure to do so within ten (10) days after receipt of such demand, shall constitute a breach of this Lease. Should Tenant comply with all of the terms, covenants, and conditions of this lease and promptly pay all of the rental herein provided for as it falls due and all other sums payable by Tenant to Owner hereunder, said security deposit shall be returned in full to Tenant without interest at the end of the term of this lease.

5. USE.

Tenant shall use the premises only for the purpose of conducting thereon the following activities: Professional Dental Services and Related adult activities; and for no other purpose or purposes without the prior written consent of Owner. Tenant further covenants and agrees that it will not use or suffer or permit any person or persons to use the premises or any part thereof for conducting therein a second-hand store, distress or fire sale, bankruptcy sale, going-out-of-business sale, auction sale; or for any use or purpose in violation of the laws of the United States of America, the State of California, or the ordinances, regulations, or requirements of the City of Salinas, or the County of Monterey, or other lawful authority. Tenant agrees during the term to keep the premises and every part thereof in a clean and wholesome condition. Tenant shall not commit or suffer to be committed any waste upon the premises. Tenant shall not use or permit the use of a loud speaker or similar instrument, or create a nuisance.

Tenant may not display merchandise, sell merchandise, allow

permanent doorways of the premises except as may be permitted by Owner pursuant to established criteria which may from time to time be modified or changed in the sole discretion of Owner.

6. SIGN POLICY.

Any and all signs placed by Tenant in or about the premises which may be permitted by this lease shall be maintained by Tenant in conformity with the requirements of the City of Salinas and this lease. Tenant shall not place or permit to be placed any sign upon the exterior or in the windows of the premises without Owner's prior written consent nor shall Tenant change the color or exterior appearance of the premises without Owner's or prior written consent. Owner will provide to Tenant approved sign criteria, and Tenant shall thereafter at its sole cost and expense prepare a sign construction drawing which shall be submitted to the Owner for Owner's written approval and which shall conform to Owner's approved sign criteria.

Tenant agrees to install the sign in accordance with the approved sign construction drawings within thirty days after the commencement of the term of this lease. It shall be the responsibility of Tenant to obtain any permits required by any appropriate governing agency.

7. SECURITY SYSTEM.

Tenant shall be responsible for extending the existing security system to the tenant's space and pay directly for the additional monthly monitoring costs involved. Tenant may, at its option, choose to not provide a security system for the lease space involved.

8. PERSONAL PROPERTY TAXES.

During the term thereof, Tenant shall pay prior to delinquency all taxes assessed against and levied upon fixtures, furnishings, equipment and all other personal property of Tenant contained in the premises; and when possible Tenant shall cause said fixtures, furnishings, equipment and other personal property to be assessed and billed separately from the real property of Owner. In the event any or all of the Tenant's fixtures, furnishings, equipment and other personal property shall be assessed and taxed with the Owner's real property, the Tenant shall pay to Owner its share of such taxes within ten (10) days after delivery to Tenant by Owner of a statement in writing setting forth the amount of such taxes applicable to Tenant's property.

9. COMMON AREA.

A. "Common Area" shall mean all landscaped areas, area ways, parking spaces, roads, walks, streets, corridors, malls, restrooms not within any leased premises, stairs, ramps, elevators, escalators, shelters, and customer lounge areas not within leased premises.

B. Owner reserves the right to change the entrances, exits, traffic lanes and the boundaries and locations of parking area or areas. This Lease shall be subordinate to any agreement existing as of the date of this Lease or subsequently placed upon the real property of which the premises are a part, which agreement provides for reciprocal easements and restrictions pertaining to the common and parking areas; and in the event of conflict between the provisions of such agreement and this lease, the provisions of said agreement shall prevail.

C. Owner shall cause said Common Area or areas to be constructed, graded, blacktopped, lighted and appropriately marked and landscaped and shall cause the same to be maintained in a neat, clean and orderly condition and repair during the entire term hereof.

D. It is understood and agreed that the phrase "expenses in connection with said Common Area" as used herein shall be construed to include but not be limited to all sums expended by Owner in connection with said Common Areas for all general maintenance and repairs including resurfacing, painting, restriping, cleaning, sweeping and janitorial services; planting and landscaping; lighting and other utilities; directional signs and other markers and bumpers; actual costs incurred by Owner for personnel, and/or management fees paid to contractors hired, to implement such services and to police the Common Area; costs incurred by Owner in operating, policing, and maintaining parking structures, expenses related to trash removal, required fees or charges levied pursuant to any government requirements; public liability and property damage insurance on the Common Area, which shall be carried and maintained by Owner and under which Tenant shall be named as an additional insured, with limits as determined by Owner. Fire Insurance premiums shall not be considered as part of the Common Area expenses.

E. As additional rental, Tenant shall pay its pro rata share of the expenses in connection with said Common Area which shall be paid in monthly installments on the first day of each calendar month of the lease term (prorated for any partial lease month), in advance, in an amount estimated by Landlord at .31 cents per square foot. Within ninety (90) days after the end of each fiscal year, Landlord shall make available to Tenant a statement of actual costs and expenses paid or incurred by Landlord during such period for the Common Area charges, together with a statement for all sums collected and paid on behalf of Tenant pursuant to the provisions of this Lease for which a service charge is imposed. Within one hundred twenty (120) days after the end of each fiscal year, Landlord shall rebate to Tenant

F. Tenant, for the use and benefit of Tenant, its agents, employees, customers, licensees and subtenants, shall have the non-exclusive right, in common with Owner and other present and future owners, tenants and their agents, employees, customers, licensees and sub-tenants, to use said Common Area and parking areas during the entire term of this Lease or any extension thereof; and shall have the right of ingress and egress and the use of the roadway and sidewalk; subject to reasonable rules and regulations imposed (and from time to time modified and changed as may be determined by Owner). Said rights of Owner shall include by way of illustration and not limitation the right to restrict the right of tenants and employees of tenants to park on the premises by the issuance of parking permits, limiting the number of parking spaces available to the employees (8 parking spaces) of each tenant and assigning specific areas and spaces for employee parking.

10. INSURANCE.

A. Owner shall maintain fire and extended coverage and other insurance as provided herein throughout the term of this lease in an amount equal to at least ninety percent (90%) of the replacement value of the building which includes the premises, together with such other insurance as may be required by Owner's lender or by any governmental agency. Tenant hereby waives any right of recovery from Owner or its officers and employees; and Owner hereby waives any right of recovery from Tenant, its officers or employees, for any loss or damage (including consequential loss) resulting from any of the perils insured against in the standard form fire insurance policy with extended coverage endorsement. Tenant agrees to pay to Landlord its prorata share of the cost of said insurance determined on the basis of the percentage of square footage leased in relation to the total square footage in the building.

B. During the term of this lease, Tenant shall procure and maintain in full force and effect, at its sole cost and expense for the mutual benefit of Owner and Tenant public liability insurance against claims for personal injury, death, or property damage occurring in or about the premises and on any sidewalk directly adjacent to the premises.

C. The limits of liability of such insurance shall not be less than Two Million Dollars (\$2,000,000.00) for personal injury, death, or property damage arising out of anyone accident or occurrence in, upon, adjacent to, or connected with the leased premises or any part thereof. All such policies of insurance shall be issued in the name of the Owner, and Tenant as "additional insured" and for the mutual

and joint benefit and the protection of the parties; and such policies of insurance or copies thereof shall be delivered to the Owner.

11. UTILITIES.

Tenant shall pay before delinquency all charges for water, gas, heat, electricity, telephone service and all other services of utilities used in, upon, or about the premises occupied by Tenant or any of its sub-tenants, licensees, or concessionaires during the term of this lease. If any utility is not separately metered, Tenant agrees to reimburse Owner for its share of the cost of said service as provided in paragraph 7 above.

12. USES PROHIBITED.

Tenant shall not use or permit said premises or any part thereof to be used for any purpose or purposes other than the purposes for which said premises are hereby leased; and no use shall be made or permitted to be made of said premises, nor acts done, which will increase the existing rate of insurance upon the building in which said premises may be located (once said rate is established), or cause a cancellation of any insurance policy covering said building or any part thereof; nor shall Tenant sell or permit to be kept, used, or sold in or about said premises any article which may be prohibited by standard form of fire insurance policies. Tenant shall, at Tenant's sole cost, comply with any and all governmental laws, statutes, ordinances, rules, regulations, and requirements pertaining to said premises of any insurance organization or company necessary for the maintenance of reasonable fire and public liability insurance covering said building and appurtenances.

13. ALTERATIONS AND FIXTURES.

A. Tenant shall not make or suffer to be made any alterations of or changes to the premises or any part thereof without the prior written consent of Owner; and any additions to or alterations of said premises except movable furniture and trade fixtures shall become at once a part of the realty and belong to Owner unless paid for by Tenant and specifically exempt from this term. Any such alterations shall be in conformance with the requirements of all municipal, state, and federal authorities.

B. Tenant shall give Owner at least fifteen (15) days' written notice before commencing any work of alteration, improvement, or change in order to allow Owner to post and record notices of no responsibility. All damage or injury done to the premises by Tenant

damage to the premises and building, if any, as well as all damage to tenants or occupants thereof caused by Tenant's misuse or neglect of the premises or the appurtenances thereto.

C. Subject to the provisions of paragraph 13 hereof and provided the written consent of Owner is first had and obtained, which consent Owner agrees shall not be unreasonably withheld, Tenant may install and maintain its trade fixtures on the premises, provided that such fixtures, by reason of the manner in which they are affixed, do not become an integral part of the building or premises. Trade fixture does not include property which results in a permanent accession to the building or premises nor does it include property which becomes so permanently absorbed into the building or premises that it cannot be removed without damaging the building or premises. Tenant, if not in default hereunder, may at any time or from time to time during the term hereof or upon the expiration or termination of this Lease, alter or remove any such trade fixtures so installed by Tenant, provided Tenant has itemized said trade fixtures in writing and obtained the approval of Owner. If not so removed by Tenant on or before the expiration or termination of this Lease, all trade fixtures shall become a part of the premises and title thereto shall pass to Owner; provided, however, that upon request of Owner to do so, Tenant shall thereupon immediately remove such trade fixtures. Any damage to the premises caused by any such installation, alteration, or removal of such trade fixtures shall be promptly repaired at the expense of Tenant.

It is understood that playground equipment paid for and belonging to Tenant, if any, must remain the property of Tenant and in this case, the lease agreement specifically permits removal of any such equipment at the termination of the lease agreement.

14. MAINTENANCE AND REPAIR.

A. Tenant shall, subject to Owner's obligations hereinafter provided at all times during the term hereof and at Tenant's sole cost and expense, keep, maintain, and repair the leased premises in good and sanitary order, condition, repair, and replacement (except as hereinafter provided), including without limitation the maintenance and repair of any interior surfaces of the exterior walls, all partitions, doors, door jams, door checks, all plumbing and sewage facilities within the leased premises that flow up to the main sewage line and all other work performed by or on behalf of Tenant pursuant to paragraph 14 hereof. Notwithstanding the foregoing, Owner shall keep, maintain, and repair any such plumbing, mechanical, or electrical systems within the leased premises (including by way of example and not by way of limitation) any air conditioning, the heating system, and sprinkler systems shared in

Upon the completion of the premises for delivery by Owner to Tenant, Owner shall notify Tenant in writing that said premises are ready for delivery. Tenant shall forthwith inspect and examine the premises. If Tenant does not believe the premises are ready for occupancy, Tenant shall deliver written notice of same to Owner within ten days after receipt of Owner's notice set forth in this subparagraph. If Tenant does not deliver said written notice to Owner within said ten days, Tenant shall be deemed to have accepted the premises as ready for occupancy; and Tenant shall thereby waive any claim or right on account of the condition or repair of such premises which would have reasonably been disclosed by a thorough physical examination of the premises unless such condition is communicated by Tenant to Owner in writing or provided for in Exhibit "C" attached hereto. **Tenant agrees to surrender the premises to Owner at the end of occupancy in as good a condition as when received; ordinary use and wear and tear thereof excepted.**

Tenant shall maintain the premises and surrounding areas in accordance with the highest standards of health and safety and free of rodents, vermin, bugs and other pests. Tenant, at its own expense, shall install and maintain fire extinguishers and other protection devices as may be required from time to time by any agency having jurisdiction thereof and/or by the insurance underwriters insuring the building in which the leased premises are located. Tenant shall also at its sole cost and expense be responsible for any alterations or improvements to the premises necessitated as a result of the requirement of any municipal, state or federal authority.

B. Owner shall maintain in good repair the exterior walls, roof, and sidewalks. Tenant agrees that it will not nor will it authorize any person to go onto the roof of the building of which the premises are a part without the prior written consent of Owner. Said consent will be given only upon Owner's satisfaction that any repairs necessitated as a result of Tenant's action will be made by Tenant at Tenant's expense and will be made in such a manner so as not to invalidate any guarantee relating to said roof. Owner shall not be required to make any repairs to the exterior walls, roof and, sidewalks unless and until Tenant has notified Owner in writing of the need for such repairs and Owner shall have had a reasonable period of time thereafter, as provided in paragraph 23 to commence said repairs.

C. Owner shall provide maintenance for all heating and air conditioning equipment and shall provide pest control service by contracts with companies and according to a maintenance schedule.

15. COMPLIANCE WITH LAWS.

Tenant shall, at its sole cost and expense, faithfully observe all laws, statutes, ordinances, rules, regulations and requirements of all municipal, state and federal authorities now in force or which may hereafter be in force pertaining to said premises. The judgment of any court of competent Jurisdiction or the admission of Tenant in any action or proceeding against Tenant (whether Owner be a party thereto or not) that Tenant has violated any such law, statute, ordinance, rule, regulation or requirement shall be conclusive of that fact as between the Owner and Tenant.

Tenant shall not commit or suffer to be committed any waste upon the premises or any nuisance.

16. EXEMPTION OF OWNER FROM LIABILITY; INDEMNIFICATION; LIABILITY SURANCE.

Owner shall not be liable in damages or otherwise for any failure to furnish or any interruption of service of any water, gas, electricity, telephone, hot air, or cold air caused by fire, accident, riot, strike, labor disputes, acts of God, the making of any repairs or improvements, or causes beyond the control of Owner. Tenant recognizes that additions, replacements, and repairs to the building will be made; and Tenant agrees that any construction work, alterations, or repairs undertaken by Owner or anyone else in the building after the commencement of the term of this Lease shall not entitle Tenant to any rebate rent or subject Owner to liability for any loss of occupation or of quiet enjoyment of the premises or Common Area and parking area.

Tenant, at Tenant's cost and expense, shall defend, indemnify and save Owner harmless from and against all loss, expense, liability, damages and claims arising from any act, omission, or negligence of Tenant, or its contractors, licensees, agents, servants, or employees, arising from any accident, injury, or damage whatsoever caused to any person or property occurring in, on, or about the premises as a result of tenants negligence.

17. FREE FROM LIENS.

Tenant shall keep the premises and the property in which the premises are situated free from any liens arising out of or in connection with any work or labor done, services performed, materials or appliances used or furnished for or in connection with any operations of Tenant, repairs and alterations, work of construction, or obligations incurred by Tenant, including but not limited to workmen's compensation or withholding taxes; and at all times promptly and fully pay and discharge any and all claims upon which any such lien may or could be based and to indemnify and hold Owner harmless against all costs, expenses, liabilities, claims, or damages

including but not limited to attorneys' fees and costs of suit.

18. ABANDONMENT.

Tenant shall not vacate or abandon the premises at any time during the term of this lease; and if Tenant shall abandon, vacate, or surrender the premises or be dispossessed by process of law or otherwise, any personal property belonging to Tenant and left on the premises shall be deemed to be abandoned, at the option of Owner, except such property as may be mortgaged to Owner.

19. ENTRY AND INSPECTION.

Tenant shall permit Owner and its agents to enter into and upon the premises at all reasonable times for the purpose of inspecting the same; or for the purpose of maintaining the building in which said premises are situated; or for the purpose of making repairs, alterations or additions to any other portion of said building, including the erection and maintenance of such scaffolding, canopy, fences and props as may be required; or for the purpose of posting notices of non-liability for alterations, additions, or repairs; or for the purpose of placing upon the property in which the premises are located any usual or ordinary signs. Owner shall be permitted to do any of the above without any rebate of rent and without any liability to Tenant for any loss of occupation or quiet enjoyment of the premises thereby occasioned. Tenant shall permit Owner or at any time within thirty (30) days prior to the expiration of this lease, to place upon said premises any usual or ordinary "For Lease" signs and during such thirty (30) day period Owner or its agents may, during normal business hours, enter upon said premises and exhibit same to prospective tenants.

20. DAMAGE AND DESTRUCTION OF PREMISES.

In the event of (a) partial destruction of said premises or the building containing same during said term which requires repairs to either said premises or said building or (b) said premises or said building being declared unsafe or unfit for occupancy by any authorized public authority for any reason other than Tenant's act, use, or occupation; which declaration requires repairs to either said premises or said building, Owner shall forthwith make said repairs provided Tenant gives to Owner thirty (30) days' written notice of the necessity therefor. No such partial destruction (including any destruction necessary in order to make repairs required by any declaration made by any public authority) shall in any way annul or void this lease except that Tenant shall be entitled to a proportionate reduction of rent while such repairs are being made; such proportionate reduction to be based upon the extent to which the making of such repairs shall interfere with the business carried on by Tenant in said premises. However, if during the last four years of

the option to renew the term of this lease, the building is damaged as a result of fire or any other insured casualty to an extent in excess of twenty-five percent (25%) of its then replacement cost, (excluding foundation(s)), Owner may within thirty (30) days following the date such damage occurs terminate this lease by written notice to Tenant. If Owner, however, elects to make said repairs, and provided Owner uses due diligence in making said repairs, this lease shall continue in full force and effect and the Guaranteed Minimum Monthly Rental shall be proportionately reduced as herein above provided. If Owner elects to terminate this lease, all rentals shall be prorated between Owner and Tenant as of the date of such destruction. The foregoing to the contrary notwithstanding, if the building is damaged or destroyed at any time during the term hereof to an extent of more than twenty-five percent (25%) of its then replacement cost (excluding foundation(s)) as a result of a casualty not insured against, Owner may within thirty (30) days following the date of such destruction terminate this Lease upon written notice to Tenant. If Owner does not elect to so terminate because of said uninsured casualty, Owner shall promptly rebuild and repair said premises and Tenant's rental obligation shall be proportionately reduced as herein above provided.

21. ASSIGNMENT AND SUBLETTING.

A. Except as expressly permitted herein, Tenant shall not assign this Lease or any interest therein; and shall not sublet the premises or any part thereof or any right or privilege appurtenant thereto or permit any other person (the agents and servants of Tenant excepted) to occupy or use the premises or any portion thereof without first obtaining the written consent of Owner, which consent shall not be unreasonably withheld. Consent by Owner to one assignment, subletting, occupation or use by another person shall not be deemed to be a consent to any subsequent assignment, subletting, occupation or use by another person. Consent to an assignment shall not release the original named Tenant from liability for the continued performance of the terms and provisions on the part of Tenant to be kept and performed unless Owner specifically releases the original named Tenant from said liability. Any assignment or subletting without the prior written consent of Owner shall be void, and shall, at the option of Owner terminate this lease. Neither this Lease nor any interest therein shall be assignable as to the interest of Tenant by operation of law without the prior written consent of Owner.

B. Nothing contained herein shall authorize Tenant to enter into any franchise, concession, license, permit, sub tenancy, departmental operating arrangement or like except pursuant to the provisions hereof. The acceptance of rental by Owner or from any other person shall not be deemed to be a waiver by Owner of any provision hereof. In the event of default by any assignee of Tenant or any successor of

Tenant in the performance of any of the terms hereof, Owner may proceed directly against Tenant without the necessity of exhausting remedies against such assignee or successor. Owner may consent to subsequent assignments or subletting of this lease or amendments or modifications to this lease with assignees of Tenant without notifying Tenant or any successor of Tenant and without obtaining Tenant's consent thereto and such action shall not relieve Tenant of liability under this lease. In the event Tenant shall assign or sublet the premises or request the consent of Owner to any assignment or subletting or other act which Tenant proposes to do, Tenant shall pay or cause to be paid to Owner a transfer fee of Five Hundred Dollars (\$500.00).

C. Without limiting the generality of the foregoing, it shall not be unreasonable for Owner to condition their consent upon their determination that the assignee or sub lessee (a) is as financially and morally responsible as Tenant and (b) has demonstrated an ability to operate a similar professional business and (c) proposes a use of the premises which is desirable and will be compatible with the uses of other tenants. If Owner withholding of consent is found to be unreasonable, Tenant's sole remedy shall be to have the proposed assignment, subletting or other transfer declared as valid as if Owner's consent had been given.

D. Notwithstanding anything contained herein to the contrary, if at any time or from time to time during the term of this lease, Tenant wishes to enter into any assignment of lease or into a lease of all or a part of the premises (the area subject to assignment or lease, as the case may be, being referred to herein as "the subject area"), Tenant shall give written and irrevocable notice to Owner identifying the intended assignee or lessee by name and address, setting forth a description of the business that such assignee or lessee proposes to carry on within the subject area, delineating the subject area and specifying the terms of the intended assignment or lease of the subject area.

E. Owner shall have the right to assign or otherwise delegate its authority, duties, rights, and obligations pursuant to a Management Agreement providing for the management of the building.

22. DEFAULT.

If Tenant fails to make any payment required by the provisions of this lease, when due, without prior notice or demand or grace period; or fails within ten (10) days after written notice thereof to correct any breach or default of the other covenants, terms or conditions of this lease; or if Tenant breaches this Lease and abandons the property before the end of the term, Owner shall have the right at any time thereafter to elect to terminate said lease and Tenant's right to possession hereunder. Upon such termination, Owner

shall have the right to recover against Tenant:

(a) The worth at the time of award of the unpaid rent which had been earned at the time of termination;

(b) The worth at the time of award of the amount by which the unpaid rent would have been earned after termination until the time of award exceeds the amount of such rental loss that the Tenant proves could have been reasonably avoided;

(c) The worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Tenant proves could be reasonably avoided; and

(d) Any other amount necessary to compensate the Owner for all the detriment proximately caused by Tenant's failure to perform its obligations under the lease or which in the ordinary course of things would be likely to result there from.

The "worth at the time of award" of the amounts referred to in subparagraphs (a) and (b) above shall be computed by allowing interest at the maximum rate an individual is permitted by law to charge. The worth at the time of award of the amount referred to in subparagraph (c) 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%).

Such efforts as Owner may make to mitigate the damages caused by Tenant's breach of this lease shall not constitute a waiver of Owner's right to recover damages against Tenant hereunder, nor shall anything herein contained affect Owner's right to indemnification against Tenant for any liability arising prior to the termination of this lease for personal injuries or property damage; and Tenant hereby agrees to indemnify and hold Owner harmless from any such injuries and damages, including all attorneys' fees and costs incurred by Owner in defending any action brought against Owner for any recovery thereof and in enforcing the terms and provisions of this indemnification against Tenant.

Notwithstanding any of the foregoing, Owner can continue this lease in full force and effect and the lease will continue in effect as long as Owner does not terminate Tenant's right to possession; and Owner shall have the right to collect rent when due. During the period Tenant is in default, Owner can enter the premises and relet them or any part of them to third parties for Tenant's account. Tenant shall be liable immediately to Owner for all costs Owner 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 Owner the rent due under this lease on the dates the rent is due, less the rent Owner receives from any reletting. No act by Owner allowed by this paragraph shall terminate this lease unless Owner notifies Tenant that it elects to terminate this lease. After Tenant's default and for as long as Owner does not terminate Tenant's right to possession of the premises and if Tenant obtains Owner's consent, Tenant shall have the right to assign or in this lease; but Tenant shall not be released from liability. Owner's consent to a proposed assignment or subletting shall not be unreasonably withheld.

No re-entry or taking possession of the premises by Owner shall be construed as an election on its part to terminate this lease unless a written notice of such intention is given to Tenant or unless the termination thereof is decreed by a court of competent jurisdiction. Notwithstanding any such reletting without termination, Owner may at any time hereafter elect to terminate this lease for such previous breach. Should Owner at any time terminate this lease for any breach, in addition to any other remedies it may have, it may recover from Tenant all damages it may incur by reason of such breach, including the cost of recovering the premises and reasonable attorneys' fees, all of which amounts shall be immediately due and payable from Tenant to Owner. The failure or refusal of Owner to relet the premises shall not affect Tenant's liability. The terms "entry" and "re-entry" are not limited to their technical meanings. If Tenant shall default hereunder prior to the date fixed as the commencement of any renewal or extension of this lease, Owner may cancel and terminate such renewal or extension agreement by written notice. In the event of re-entry by Owner, Owner may remove all persons and property from the premises and such property may be stored in a public warehouse or elsewhere at the cost of, and for the account of, Tenant without notice or resort to legal process and without Owner being deemed guilty of trespass, or becoming liable for any loss or damage which may be occasioned thereby. In the event Tenant shall not remove its property from the premises after Tenant has vacated the premises, then such property shall be deemed abandoned by Tenant and Owner may dispose of the same without liability to Tenant.

Tenant acknowledges that late payment by Tenant to Owner of rent and other amounts owing hereunder as additional rent will cause Owner to incur costs not contemplated by this lease, the exact amount of such costs being extremely difficult and impracticable to fix. Such costs include, without limitation, processing and accounting charges, and late charges that may be imposed on Owner by the terms of any encumbrance and note secured by any encumbrance covering the premises. Therefore, if any installment of rent or other amounts as additional rent due from Tenant is not received by Owner when due, Tenant shall pay to Owner an additional sum of five percent (5%) of the

charge represents a full and reasonable estimate of the costs that Owner will incur by reason of late payment by Tenant. Acceptance of any late charge shall not constitute a waiver of Tenant's default with respect to the overdue amount nor prevent Owner from exercising any of the other rights and remedies available to Owner.

As security for the performance by Tenant of all of its duties and obligations hereunder, Tenant does hereby assign to Owner the right, power, and authority, during the continuance of this lease, to collect the rents, issues and profits of the premises derived from an approved subletting; reserving unto Tenant the right, prior to any breach or default by it hereunder, to collect and retain said rents, issues and profits as they become due and payable. Upon any such breach or default, Owner shall have the right at any time thereafter, without notice except as provided for above, either in person, by agent or by a receiver to be appointed by a court, to enter and take possession of said premises and collect such rents, issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorneys' fees, upon any indebtedness secured hereby, and in such order as Owner may determine.

The parties hereto agree that acts of maintenance or preservation of efforts to release the premises, or the appointment of a receiver upon the initiative of the Owner to protect its interests under this lease shall not constitute a termination of Tenant's right of possession for the purposes of this paragraph unless accompanied by a written notice from Owner to Tenant of an election to so terminate.

Owner shall not be in default unless Owner fail to perform obligations required of Owner within a reasonable time but in no event later than thirty (30) days after written notice by Tenant to Owner specifying wherein Owner has failed to perform such obligations; provided, however, that if the nature of Owner's obligation is such that more than thirty (30) days are required for performance, Owner shall not be in default if Owner commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion.

23. INSOLVENCY OF TENANT.

Tenant agrees that in the event all or substantially all of its assets be placed in the hands of a receiver or trustee and in the event such receivership or trusteeship continue for a period of ten (10) days; or should Tenant make an assignment for the benefit of creditors or be adjudicated a bankrupt; or should tenant institute any proceedings under any state or federal bankrupt act wherein tenant seeks to be adjudicated as bankrupt seeks to be discharged of

Tenant under such bankruptcy laws and such Tenant consents thereto or acquiesces therein by pleading or default; then this lease or any interest in and to the premises shall not become an asset in any of such proceedings and in any of such events; and in addition to any and all rights or remedies of Owner hereunder or as provided by law, it shall be lawful for Owner at their option to declare the term hereof ended and to re-enter the premises and take possession thereof and remove all persons therefrom and Tenant shall have no further claim therein or hereunder. It is understood and agreed that this is a lease of real property as is described in section 365 (b) (3) of the Federal Bankruptcy Code.

24. SURRENDER OF LEASE.

The voluntary or other surrender of this lease by Tenant or a mutual cancellation thereof shall not work a merger, and shall, at the option of Owner, terminate all or any succeeding leases or sub-tenancies; or may, at the option of Owner, operate as an assignment to him of any or all of such leases or sub-tenancies.

25. SALE OF PREMISES BY OWNER.

In the event of any sale of the premises by Owner, Owner shall be and are hereby entirely freed and relieved of all liability under any and all of its covenants and obligations contained in or derived from this lease arising out of any act, occurrence or omission occurring after the consummation of such sale; and the purchaser at such sale or any subsequent sale of the premises shall be deemed without any further agreement between the parties or their successors in interest or between the parties and any such purchaser, to have assumed and agreed to carry out any and all of the covenants and obligations of the Owner under this lease.

26. ATTORNEYS' FEES.

If Owner is involuntarily made a party defendant to any litigation concerning this lease or the premises by reason of any act or omission of Tenant, then Tenant shall hold harmless Owner from all liabilities by reason thereof including reasonable attorneys' fees and all costs incurred by Owner in such litigation.

If either Owner, or Tenant shall commence any legal proceedings against the other with respect to any of the terms and conditions of this lease, the non-prevailing party therein shall pay to the other all expenses of said litigation including a reasonable attorneys' fee as may be fixed by the court having jurisdiction over the matter. The parties hereto agree that the state in which the premises are located is the proper jurisdiction for litigation of any matters relating to this lease; and service mailed to the address of tenants set forth

herein shall be adequate service for such litigation.

27. ADVERTISING.

Tenant's advertised business name shall not be used by Tenant in any confusing, detrimental, or misleading manner.

28. SUBORDINATION, ATTORNMENT.

This lease, at Owner's option, shall be subordinate to the lien of any first deed of trust or first mortgage subsequently placed upon the real property of which the premises are a part and to any and all advances made on the security thereof and to all renewals, modifications, consolidations, replacements and extensions thereof; provided, however, that as to the lien of any such deed of trust or mortgage, Tenant's right to quiet possession of the premises shall not be disturbed if Tenant is not in default and so long as Tenant shall pay the rent and observe and perform all of the provisions of this lease, unless this lease is otherwise terminated pursuant to its terms. If any mortgagee, trustee or ground lessor shall elect to place this lease prior to the lien of its mortgage, deed of trust, or ground lease, and shall give written notice thereof to Tenant, this lease shall be deemed prior to such mortgage, deed of trust, or ground lease, whether this lease is dated prior or subsequent to the date of such mortgage, deed of trust or ground lease or the date of recording thereof.

In the event any proceedings are brought for foreclosure or in the event of the exercise of the power of sale under any mortgage or deed of trust made by the Owner covering the premises, Tenant shall attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as the Owner under this lease.

29. ESTOPPEL CERTIFICATE.

Within ten(10) days after request therefor by Owner or in the event of any sale, assignment, hypothecation or other transfer of the premises by Owner, an estoppel certificate and/or financial statement shall be requested of Tenant. Tenant agrees to deliver such estoppel certificate (in recordable form) and/or financial statement addressed to Owner, purchaser or mortgagee, certifying the information requested including but not limited to the commencement date of this lease, term, termination date, options to extend or renew, rent, percentage rent, security or other deposits, liability for percentage reimbursement for taxes, insurance, parking and common areas; and that there are no known differences, offsets or defaults of Owner or Tenant or noting such differences, offsets or defaults that may exist. Tenant shall sign said certificate under penalty of perjury and Tenant shall be liable for any loss or liability resulting from any incorrect information certified; and

such mortgagee or purchaser shall have the right to rely on such estoppel certificate and financial statement.

30. CONDEMNATION.

If all or any part of the premises shall be taken as a result of the exercise of the power of eminent domain, this Lease shall terminate as to the part so taken as of the date of taking; and in the case of a partial taking, either Owner, or Tenant shall have the right to terminate this lease as to the balance of the premises by written notice to the other within thirty (30) days after such date; provided, however, that a condition to the exercise by Tenant of such right to terminate shall be that the portion of the premises taken shall be of such extent and nature as substantially to handicap, impede or impair Tenant's use of the balance of the premises. In the event of any taking, Owner shall be entitled to any and all compensation, damages, income, rent, awards, or any interest therein whatsoever which may be paid or made in connection therewith, and Tenant shall have no claim against Owner for the value of any unexpired term of this Lease or otherwise. Tenant shall not be entitled to share in any portion of any condemnation award and Tenant hereby expressly waives any right or claim to any part thereof. Tenant shall, however, have the right to claim and recover from the condemning authority (but not from Owner) any amounts necessary to reimburse Tenant for the cost of removing stock and fixtures. Each party waives the provisions of California Code of Civil Procedure section 1265.130 allowing a party to petition the Superior Court to terminate this lease in the event of a partial taking of the premises.

31. GENERAL PROVISIONS.

(a) Nothing contained in this Lease shall be deemed or construed by the parties hereto or by any third person to create the relationship of principal and agent or of partnership or of joint venture or of any association between Owner, and Tenant; and neither the method of computation of rent nor any other provision contained in this lease nor any acts of the parties hereto shall be deemed to create any relationship between Owner, and Tenant other than the relationship of owner, landlord, and tenant.

(b) Each and all of the provisions of this lease shall be binding upon and inure to the benefit of the parties hereto, and except as otherwise specifically provided elsewhere in this Lease, their respective heirs, executors, administrators, successors and assigns, subject at all times, nevertheless, to all agreements and restrictions contained elsewhere in this lease with respect to the assignment, transfer, encumbering or subletting of all or any part of Tenant's interest in this lease.

convenience only and shall not be construed or relied on in resolving questions of interpretation or construction.

(d) In the event the Tenant hereunder shall be a corporation, the parties executing this lease on behalf of the Tenant hereby covenant and warrant that the Tenant is a duly qualified corporation and all steps have been taken prior to the date hereof to qualify Tenant to do business in California; all franchise and corporate taxes have been paid to date; and all future forms, reports, fees and other documents necessary to comply with applicable laws will be filed when due.

(e) The laws of the state of California shall govern the validity, performance, and enforcement of this lease. Should either party institute legal suit or action for enforcement of any obligation contained herein, it is agreed that the venue of such suit or action shall be in Monterey County, California. This lease or any provision thereof shall not be construed either for or against Owner or against Tenant or any presumption created either for or against Owner and Tenant by reason of the operation of California Civil Code section 1654. Both parties agree that this lease shall be interpreted in accordance with the general tenor of the language and the actual intent of the parties in an effort to reach an equitable result.

(f) A waiver of any breach or default shall not be a waiver of any other breach or default. Owner's consent to or approval of any act by Tenant requiring Owner's consent or approval shall not be deemed to waive or render unnecessary Owner's consent to or approval of any subsequent similar act by Tenant.

(g) Time is of the essence with respect to the performance of each of the covenants and agreements contained in this lease.

(h) Tenant hereby expressly waives any and all rights of redemption granted by or under any present or future laws in the event of Tenant being evicted or dispossessed for any cause or in the event of Owner obtaining possession of the premises by reason of the breach by Tenant of any of the covenants and conditions of this Lease or otherwise. The rights given to Owner herein are in addition to any rights that may be given to Owner by any statute or otherwise.

(i) Any provision or provisions of this lease which shall prove to be invalid, void, or illegal shall in no way affect, impair, or invalidate any other provisions hereof; and the remaining provisions hereof shall nevertheless remain in full force and effect.

(j) Both Owner and Tenant waive their right to trial by jury and any dispute between them or concerning the provisions of this lease in parties shall be submitted to a judge sitting without a jury.

Whenever in this lease it shall be required or permitted that notice and demand be given or served by either party to this lease to or on the other, such notice or demand shall be given or served and shall not be deemed to have been duly given or served unless in writing and delivered in person or deposited in the mail, first-class, certified, return receipt requested, addressed as follows:

TO OWNER:

559 E. Alisal St. LLC
c/o Ramiro Alcala, President
559 E. Alisal St Ste 108
Salinas, CA 93905

TO TENANT:

Juan Carlos Valencia, DDS
Dba La Paz Dental Care
559 E. Alisal St Ste 101
Salinas CA 93905

33. NON-DISCRIMINATION.

Tenant herein covenants by itself, its heirs, executors, administrators and assigns, and all persons claiming under or through it, and this lease is accepted upon the subject to the following conditions:

"That there shall be no discrimination against or segregation of any person or group of persons on account of race, creed, religion, ethnic group identification, physical or mental disability, medical condition, sex, age, marital status, ancestry or national origin in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the premises herein leased, nor shall the lessee itself, or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sub-tenants, lessees or venders of the premises."

Either party may change such address by written notice by certified mail to the other.

IN WITNESS WHEREOF, the Owner, and the Tenant have duly executed this lease effective the date and year first above written.

TENANT:

Juan Carlos Valencia, DDS
Dba La Paz Dental Care

BY 
Juan Carlos Valencia, DDS

DATE 8-25-08

OWNER:

559 E. Alisal St. LLC, Owner

By 
Ramiro Alcala, President

DATE 8-15-08

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AMENDMENT 1 OF LEASE AGREEMENT

LESSOR: 559 E. ALISAL St. LLC, a California Limited Liability Company

LESSEE: Juan Carlos Valencia, DDS, dba La Paz Dental Care

PREMISES: 559 E. Alisal St. Suites 101 & 102

LEASE: Agreement dated September 1st, 2008

It is agreed that :

The Tenant's name shall be changed from "Juan Carlos Valencia, DDS, dba La paz Dental Care" to "Juan C Valencia Dental Corp. dba La Paz Dental Care".

Section 2 titled "PREMISES"; The phrase "....otherwise known as 559 E. Alisal St. Suites 101 & 102" shall be deleted and replaced instead with the phrase "....otherwise known as 559 E. Alisal St. Suite 101".

Section 3 titled "TERM" ; The phrase "Lessee shall have one, one (1) year option to renew under the same terms and conditions, save the option to renew" shall be deleted and replaced instead with the phrase "Lessee shall have one, five (5) year option to renew under mutually agreed upon terms and conditions by Owner and Tenant save the option to renew".

EFFECTIVE DATE: March 1st, 2013

LESSEE: (Juan C Valencia Dental Corp. dba La Paz Dental Care)

By: Juan C Valencia

Title: President

Date: 3-1-13

LESSOR: (559 E Alisal St. LLC, a California Limited Liability Company)

By: Ramiro Alcala
Ramiro Alcala

Title: President

Date: 3-1-13

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AMENDMENT 2 OF LEASE AGREEMENT

LESSOR: 559 E. ALISAL St. LLC, a California Limited Liability Company

LESSEE: Juan C Valencia Dental Group, dba La Paz Dental Care

PREMISES: 559 E. Alisal St. Suites 101 & 102

LEASE: Agreement dated September 1st, 2008

It is agreed that : The following phrases shall be added to the end of the first paragraph on page 1, at the beginning of the Lease "This Lease shall be personally guaranteed by Juan Carlos Valencia". Should Tenant sell his Dentistry Practice to another doctor prior to the end of this Lease, the Lease will be assumable by the buyer of the Dentistry Practice upon Landlords review and approval of Buyer's application to Lease. If assumed, the Lease will continue under the same terms and conditions entered by Dr Juan Carlos Valencia and 559 E. Alisal Street LLC, and the Buyer would need to sign an Addendum and or Amendment as necessary.

Section 2 titled "PREMISES"; The phrase "The Owner hereby leases to the Tenant for the term, at the rental rate, and upon the covenants and conditions hereinafter set forth the commercial space referred to herein as the "premises" or "leased premises," and described in Exhibit "A" attached hereto and made a part hereof, otherwise known as 559 E. Alisal St. Suites 101 & 102", shall be deleted and replaced instead with the phrase "For the period covering September 1, 2008 to August 30, 2018, The Owner hereby leases to the Tenant for the term, at the rental rate, and upon the covenants and conditions hereinafter set forth the commercial space referred to herein as the "premises" or "leased premises," and described in Exhibit "A" attached hereto and made a part hereof, otherwise known as 559 E. Alisal St. Suites 101 & 102, and for the period covering September 1, 2018 to August 30, 2028, The Owner hereby leases to the Tenant for the term, at the rental rate, and upon the covenants and conditions hereinafter set forth the commercial space referred to herein as the "premises" or "leased premises," and described in Exhibit "A" attached hereto and made a part hereof, otherwise known as 559 E. Alisal St. Suites 101". Tenant shall pay for all expenses associated with closing the wall that separates Suites 101 and 102 and

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returning the wall to its original condition. Tenant shall (if Landlord requires) also be responsible for the removal of all fixtures and partition walls in order to render Unit 102 to its original state before both units (101 and 102) were merged.

Section 3 titled "TERM" ; The phrase "The term of this lease shall be for a period of 10 years commencing September 1, 2008 and ending at midnight on August 31st, 2018", shall be deleted and replaced instead with the phrase "The term of this lease shall be for a period of 20 years commencing September 1, 2008 and ending at midnight on August 31st, 2028."

Section 4 A titled "MONTHLY RENTAL"; the following will be added to reflect rent payments for the period from September 1, 2018 to August 30, 2028":

Tenant shall pay to Owner, during the term of this lease as the following schedule dictates:

Effective September 1st 2018:

Monthly Base Rent (Three Thousand One Hundred Seventy Five Dollars and Zero Cents)	\$3,175.00
Plus NNN	575.00
Total	\$3,750.00

Effective September 1st 2019:

Monthly Base Rent (Three Thousand Two Hundred Fifty Four Dollars and Thirty Seven Cents)	\$3,254.37
Plus NNN	589.37
Total	\$3,843.74

Effective September 1st 2020:

Monthly Base Rent (Three Thousand Three Hundred Thirty Five Dollars and Seventy Two Cents)	\$3,335.72
Plus NNN	604.10
Total	\$3,939.82

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Monthly Base Rent (Three Thousand Four Hundred Nineteen Dollars and Eleven Cents)	\$3,419.11
Plus NNN	619.20
Total	\$4,038.31

Effective September 1st 2022:

Monthly Base Rent (Three Thousand Five Hundred Four Dollars and Fifty Eight Cents)	\$3,504.58
Plus NNN	634.68
Total	\$4,139.26

Effective September 1st 2023:

Monthly Base Rent (Three Thousand Five Hundred Ninety Two Dollars and Nineteen Cents)	\$3,592.19
Plus NNN	650.54
Total	\$4,242.73

Effective September 1st 2024:

Monthly Base Rent (Three Thousand Six Hundred Eighty One Dollars and Ninety Nine Cents)	\$3,681.99
Plus NNN	666.80
Total	\$4,348.79

Effective September 1st 2025:

Monthly Base Rent (Three Thousand Seven Hundred Seventy Four Dollars and Three Cents)	\$3,774.03
Plus NNN	683.47
Total	\$4,457.50

Effective September 1st 2026:

Monthly Base Rent (Three Thousand Eight Hundred Sixty Eight Dollars and Thirty Eight Cents)	\$3,868.38
Plus NNN	700.55
Total	\$4,568.93

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Effective September 1st 2027:

Monthly Base Rent (Three Thousand Nine Hundred Sixty Five Dollars and Eight Cents)	\$3,965.08
Plus NNN	718.06
Total	\$4,683.14

Section 3 (a) Shall be added to the Lease as follows:

Section 3 (a) Titled "OPTION TO EXTEND": At the end of the Lease Term ending on August 31st, 2028, Tenant shall have the option to extend the lease for an additional 5 years. Should Tenant exercise this option, the term will start on September 1st, 2028 and end at midnight on August 31, 2033. Tenant shall notify Owner of his intent to exercise this option no later than 6 months prior to August 31, 2028.

Should Tenant exercise the option above (Section 3 (a)), Tenant shall pay to Owner, during the term of this option to lease as the following schedule dictates:

Effective September 1st 2028:

Monthly Base Rent (Four Thousand Sixty Four Dollars and Twenty One Cents)	\$4,064.21
Plus NNN	736.01
Total	\$4,800.22

Effective September 1st 2029:

Monthly Base Rent (Four Thousand One Hundred Sixty Five Dollars and Eighty One Cents)	\$4,165.81
Plus NNN	754.41
Total	\$4,920.21

Effective September 1st 2030:

Monthly Base Rent (Four Thousand Two Hundred Sixty Nine Dollars and Ninety Five Cents)	\$4,269.95
Plus NNN	773.27
Total	\$5,043.22

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CONFIDENTIAL**Effective September 1st 2031:**

Monthly Base Rent (Four Thousand Three Hundred Seventy Six Dollars and Sixty Nine Cents)	\$4,376.69
Plus NNN	792.60
Total	\$5,169.29

Effective September 1st 2032:

Monthly Base Rent (Four Thousand Four Hundred Eighty Six Dollars and Ten Cents)	\$4,486.10
Plus NNN	812.41
Total	\$5,298.51

Notwithstanding the above (Section 3 titled "TERM", and Section 3 (a) Titled "OPTION TO EXTEND"), starting on September 1, 2018, Tenant has the option to continue occupying both suites 101, and 102 as Tenant currently occupies. If Tenant chooses to continue occupying both suites 101 & 102 as Tenant currently occupies, then the following MONTHLY RENTAL schedule will be applied to reflect rent payments for the period from September 1, 2018 to August 30, 2028, and From September 1, 2028 to August 30, 2033 respectively - should Tenant exercise Section 3 (a) Titled "OPTION TO EXTEND":

Effective September 1st 2018:

Monthly Base Rent (Four Thousand Eight Hundred Fifty Six Dollars and Forty Seven Cents)	\$4,856.47
Plus NNN	1,004.52
Total	\$5,860.99

Effective September 1st 2019:

Monthly Base Rent (Four Thousand Nine Hundred Seventy Seven Dollars and Eighty Eight Cents)	\$4,977.88
Plus NNN	1,029.63
Total	\$6,007.51

Effective September 1st 2020:

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Monthly Base Rent (Five Thousand One Hundred Two Dollars and Thirty Two Cents)	\$5,102.32
Plus NNN	<u>1,055.37</u>
Total	\$6,157.69

Effective September 1st 2021:

Monthly Base Rent (Five Thousand Two Hundred Twenty Nine Dollars and Eighty Seven Cents)	\$5,229.87
Plus NNN	<u>1,081.75</u>
Total	\$6,311.62

Effective September 1st 2022:

Monthly Base Rent (Five Thousand Three Hundred Sixty Dollars and Sixty One Cents)	\$5,360.61
Plus NNN	<u>1,108.79</u>
Total	\$6,469.40

Effective September 1st 2023:

Monthly Base Rent (Five Thousand Four Hundred Ninety Four Dollars and Sixty Two Cents)	\$5,494.62
Plus NNN	<u>1,136.50</u>
Total	\$6,631.12

Effective September 1st 2024:

Monthly Base Rent (Five Thousand Six Hundred Thirty One Dollars and Ninety Eight Cents)	\$5,631.98
Plus NNN	<u>1,164.91</u>
Total	\$6,796.89

Effective September 1st 2025:

Monthly Base Rent (Five Thousand Seven Hundred Seventy Two Dollars and Seventy Seven Cents)	\$5,772.77
Plus NNN	<u>1,194.03</u>
Total	\$6,966.80

CONFIDENTIAL**Effective September 1st 2026:**

Monthly Base Rent (Five Thousand Nine Hundred Seventeen Dollars and Eight Cents)	\$5,917.08
Plus NNN	<u>1,223.88</u>
Total	\$7,140.96

Effective September 1st 2027:

Monthly Base Rent (Six Thousand Sixty Five Dollars and Zero Cents)	\$6,065.00
Plus NNN	<u>1,254.47</u>
Total	\$7,319.47

Effective September 1st 2028:

Monthly Base Rent (Six Thousand Two Hundred Sixteen Dollars and Sixty Two Cents)	\$6,216.62
Plus NNN	<u>1,285.83</u>
Total	\$7,502.45

Effective September 1st 2029:

Monthly Base Rent (Six Thousand Three Hundred Seventy Two Dollars and Three Cents)	\$6,372.03
Plus NNN	<u>1,317.97</u>
Total	\$7,690.00

Effective September 1st 2030:

Monthly Base Rent (Six Thousand Five Hundred Thirty One Dollars and Thirty Three Cents)	\$6,531.33
Plus NNN	<u>1,350.91</u>
Total	\$7,882.24

Effective September 1st 2031:

Monthly Base Rent (Six Thousand Six Hundred Ninety Four Dollars and Sixty One Cents)	\$6,694.61
Plus NNN	<u>1,384.68</u>
Total	\$8,079.29

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Effective September 1st 2032:

Monthly Base Rent (Six Thousand Eight Hundred Sixty One Dollars and Ninety Seven Cents)	\$6,861.97
Plus NNN	1,419.29
Total	\$8,281.26

Section 4 A titled "MONTHLY RENTAL"; the last paragraph that reads "All rental to be paid by Tenant to Owner shall be in lawful money of the United States of America and shall be paid without notice, demand, deduction, or offset at the address designated in paragraph 32. Any rent payment not received within ten (10) days of its due date shall be subject to a five percent (5%) late charge payable forthwith and the Owner shall thereafter not be obligated to accept any payments from Tenant unless made by cashier's check or certified funds.", shall be deleted and replaced instead with the paragraph "All rental to be paid by Tenant to Owner shall be in lawful money of the United States of America and shall be paid without notice, demand, deduction, or offset at the address designated in paragraph 32. Any rent payment not received within five (5) days of its due date shall be subject to a five percent (5%) late charge payable forthwith and the Owner shall thereafter not be obligated to accept any payments from Tenant unless made by cashier's check or certified funds."

EFFECTIVE DATE: October 1st, 2016

LESSEE: (Juan C Valencia Dental Corp. dba La Paz Dental Care)

By: 
 Juan C Valencia

Title: President

Date: 11/1/16



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LESSOR: (559 E Alisal St. LLC, a California Limited Liability Company)

By: Ramiro Alcala
Ramiro Alcala

Title: President

Date: 11/1/16

La Paz Dental Care
559 E. Alisal St. Ste. 101
Salinas CA 93905

CONFIDENTIAL

Dear Tenant:

The property located at 559 E Alisal St., Salinas CA 93905 (aka La Paz Building) has been sold. As of Friday May 11, there will be a new Landlord for this property. Please know that your current Lease Agreement will not be affected and the terms and conditions will stay in effect. As for future correspondence and rent payments, starting with the June 1, 2018 payment, please make your payments payable to the new Landlord:

Khosrow Haghshenas
His mailing address is 200 Lee Rd Watsonville CA 95076
His telephone number is (831) 724-6630.
His email address is pychevron200@att.net.

Yours Truly,



Ramiro Alcala
559 East Alisal Street, LLC

559 E. Alisal St. Ste. 108
Salinas CA 93905
(831) 970-7570
ramiro@garlic.com

San Jose Apartments LLC