



BOARD OF DIRECTORS

Katherine Burnworth, President | Laura Goodsell, Vice-President | James Garcia, Treasurer | Enola Berker, Secretary | Rodolfo Valdez, Director | Felipe Irigoyen, Director | Arturo Proctor, Director

AGENDA

**REGULAR MEETING OF THE BOARD OF DIRECTORS
THURSDAY, MAY 14, 2026, 6:00 P.M.**

**EI Centro Regional Medical Center | MOB Conference Room 1&2
1271 Ross Avenue, EI Centro, CA. 92243**

[Join Microsoft Teams](#)

Meeting ID: 262 198 972 321 540

Passcode: zn6gY2At

~ CLOSED SESSION ~ 6:00 p.m.

a. CONFERENCE WITH REAL PROPERTY NEGOTIATORS

Property: EI Centro Regional Medical Center, 1415 Ross Avenue EI Centro, CA 92243 and related healthcare facilities

Agency negotiators: IVHD Ad Hoc (Katherine Burnworth, James Garcia, Laura Goodsell), Legal Counsel (Adriana Ochoa), IVHD CEO Christopher Bjornberg

Negotiating parties: Pablo Velez, ECRMC, City of EI Centro

Under negotiation: Closing conditions related to Asset Transfer Agreement

b. PUBLIC EMPLOYMENT (Gov. Code 54957)

Title: Chief Executive Officer

1. Call to Order – 6:30

2. Roll Call

3. Pledge of Allegiance

4. Approval of Request for Remote Appearance by Board Member(s), if Applicable

5. Consider Approval of Agenda

In the case of an emergency, items may be added to the agenda by a majority vote of the Board of Directors. An emergency is defined as a work stoppage, a crippling disaster, or other activity that severely imperils public health, safety, or both. Items on the agenda may be taken out of sequential order as their priority is determined by the Board of Directors. The Board may take action on any item appearing on the agenda.

6. Public Comments

At this time the Board will hear comments on any agenda item. If any person wishes to be heard, they shall stand; address the president, identify themselves, and state the subject for comment. Time limit for each speaker is 3 minutes individually per item to address the Board. Individuals who wish to speak on multiple items will be allowed four (4) minutes in total. A total of 15 minutes shall be allocated for each item for all members of the public. The board may find it necessary to limit the total time allowable for all public comments on items not appearing on the agenda at anyone one meeting to one hour.

7. Board Comments

Reports on meetings and events attended by Directors; Authorization for Director(s) attendance at upcoming meetings and/or events; Board of Directors comments.

- a. Brief reports by Directors on meetings and events attended
- b. Schedule of upcoming Board meetings and/or events
- c. Report by Merger Strategic Planning Ad-Hoc Committee
- d. Finance Committee Update

8. Consent Calendar

Any member of the Board may request that items for the Consent Calendar be removed for discussion. Items so removed shall be acted upon separately immediately following approval of items remaining on the Consent Calendar.

- a. Approve minutes for meetings of April 23, 2026

9. Items for Discussion and/or Board Action:

- a. MEDICAL STAFF REPORT – Recommendations from the Medical Executive Committee for Medical Staff Membership and/or Clinical Privileges, policies/ procedures/forms, or other related Recommendation
- b. Action Items: Policy and Procedure: Self-Pay Discount/Cash Prices
- c. Action Items: Policy and Procedure: Fire Plan
- d. Staff Recommends Action to Authorize: Authorize the execution of the Office Lease Agreement between El Centro Regional Medical Center (“ECRMC”) and Imperial Valley Healthcare District (“IVHD”).
Presented by: Carly Loper, CFO
Contract Value: estimated cost of \$262,407.50 (plus costs for janitorial, electrical & IT costs)
Contract Term: Three Year term (June 1, 2026 – June 1, 2029)
Budgeted: No
Budgeted Classification: Leases
- e. Presentation and Approval of Benefits Package with Alera Group

10. Management Reports

- a. Finance: Carly C. Loper, MAcc – Chief Financial Officer
- b. Hospital Operations: Carol Bojorquez, MSN, RN – Chief Nursing Officer

- c. Clinics Operation: Carly Zamora MSN, RN – Chief of Clinic Operations
- d. Executive: Christopher R. Bjornberg – Chief Executive Officer
- e. Legal: Adriana Ochoa – General Counsel

11. Items for Future Agenda

This item is placed on the agenda to enable the Board to identify and schedule future items for discussion at upcoming meetings and/or identify press release opportunities.

12. Adjournment

- a. The next regular meeting of the Board will be held on May 28, 2026, at 6:00 p.m. at 601 Heber, Calexico, Ca. 92231

POSTING STATEMENT

A copy of the agenda was posted May 9, 2026, at El Centro Regional Medical Center 1271 Ross Ave, El Centro Ca. 92243 at 9:30 p.m. and other locations throughout the IVHD pursuant to CA Government code 54957.5. Disclosable public records and writings related to an agenda item distributed to all or a majority of the Board, including such records and written distributed less than 72 hours prior to this meeting are available for public inspection at the District Administrative Office where the IVHD meeting will take place. The agenda package and material related to an agenda item submitted after the packets distribution to the Board is available for public review in the lobby of the office where the Board meeting will take place.

In compliance with the Americans with Disabilities Act, if any individuals request special accommodations to attend and/or participate in District Board meetings please contact the District at (760)970- 6046. Notification of 48 hours prior to the meeting will enable the District to make reasonable accommodation to ensure accessibility to this meeting [28 CFR 35.102-35.104 ADA title II].



**MEETING MINUTES
APRIL 23, 2026
REGULAR BOARD MEETING**

THE IMPERIAL VALLEY HEALTHCARE DISTRICT MET IN REGULAR SESSION ON THE 23rd OF APRIL AT 207 W. LEGION ROAD CITY OF BRAWLEY, CA. ON THE DATE, HOUR AND PLACE DULY ESTABLISHED OR THE HOLDING OF SAID MEETING.

CLOSED SESSION – 6:06 p.m.

- a. **CONFERENCE WITH REAL PROPERTY NEGOTIATORS (Gov. Code § 54956.8)**
Property: El Centro Regional Medical Center, 1415 Ross Avenue El Centro, CA 92243 and related healthcare facilities
Agency negotiators: IVHD Ad Hoc (Katherine Burnworth, James Garcia, Laura Goodsell), Legal Counsel (Adriana Ochoa, Victor Roehm), IVHD CEO Christopher Bjornberg
Negotiating parties: Pablo Velez, ECRM, City of El Centro
Under negotiation: Closing conditions related to Asset Transfer Agreement

- b. **HEARINGS (Gov. Code § 32155)**
Subject Matter: Quality Assurance Matters

BOARD RECONVENED INTO OPEN SESSION AT 8:08 p.m.

- a. **No reportable action taken in closed session.**

1. TO CALL ORDER:

The regular meeting was called to order in open session at 8:08 p.m. by Director Burnworth.

2. ROLL CALL-DETERMINATION OF QUORUM:

President	Kathie Burnworth
Vice-President	Laura Goodsell
Treasurer	James Garcia
Secretary	Enola Berker
Trustee	Rodolfo Valdez
Trustee	Felipe Irigoyen
Trustee	Arturo Proctor

GUESTS:

Adriana Ochoa – Legal/Snell & Wilmer

ABSENT:

Christopher R. Bjornberg - Chief Executive Officer

3. PLEDGE OF ALLEGIANCE WAS LED BY DIRECTOR BURNWORTH.

4. APPROVAL OF REQUEST FOR REMOTE APPEARANCE BY BOARD MEMBER(S)

None



5. CONSIDER APPROVAL OF AGENDA:

Motion was made by Director Goodsell and second by Director Proctor to approve the agenda for April 23, 2026. Motion passed by the following vote wit:

AYES: Burnworth, Goodsell, Garcia, Berker, Valdez, Irigoyen, Proctor

NOES: None

6. PUBLIC COMMENT TIME:

None

7. BOARD COMMENTS:

- a. Brief reports by Directors on meetings and events attended.

Director Burnworth attended the MEC meeting on Tuesday and those minutes will be for board meeting.

- b. Schedule of upcoming Board meetings and events.

None

- c. Report by Merger Strategic Planning Ad-Hoc Committee

Legal Adriana reported that the Strategic Planning Ad-Hoc Committee continues to meet with the bondholders to discuss bondholder consent as the condition left to closing.

- d. Finance Committee Update.

Director Garcia reported that the Finance Committee met earlier today and approved to recommend the board to approve the financials for March 2026 and a new calendar with only updated Finance Committee dates.

8. CONSENT CALENDAR:

Motion was made by Director Berker and second by Director Irigoyen to approve the consent calendar items. Motion passed by the following vote wit:

- a. Minutes for April 9, 2026
b. Approval and file PMH Expenses/Financial Report March 2026

AYES: Burnworth, Goodsell, Garcia, Berker, Valdez, Irigoyen, Proctor

NOES: None

9. ACTION ITEMS:

- a. Action Item: Approval of Reimbursement Agreement for Professional Services by and between Imperial Valley Healthcare District and Imperial County Local Agency Formation Commission
Presented by: Adriana Ochoa



Legal Adriana Ochoa went over the agreement.

Motion was made by Director Garcia and second by Director Irigoyen to approve the Reimbursement Agreement for Professional Services by and between Imperial Valley Healthcare District and Imperial County Local Agency Formation Commission subject to revisions approved by legal counsel. Motion passed by the following wit:

AYES: Burnworth, Goodsell, Garcia, Berker, Valdez, Irigoyen. Proctor
NOES: None

- b. Update and Discussion: Strategic Planning
Presented by: Pablo Velez, ECRMC CEO

Pablo Velez, ECRMC, CEO gave an update on the Strategic Planning and presented a power point.

No action taken on this item

10. MANAGEMENT REPORTS:

- a. Finance: Carly C. Loper, MAcc – Chief Financial Officer

Carly went over the financial report for March 2026.

- b. Hospital Operations: Carol Bojorquez, MSN, RN – Chief Nursing Officer

Carol went over the CNO report.

- c. Clinics Operation: Carly Zamora MSN, RN – Chief of Clinic Operations

Carly went over the Clinic Operations report.

- d. Executive: Christopher R. Bjornberg – Chief Executive Officer

None

- e. Legal: Adriana Ochoa – General Counsel

Adriana reported that on the FPPC form 700 if the board filed with the county the board should have at some point in the last 4 months or maybe recently gotten an email from the FPPC saying you need to file directly with them. This is a new thing that began at the beginning of the year. Certain officials have to file directly with FPPC and from here on out you do not have to file with the county anymore. The board will only have to file with FPPC. If any board member has not received the link, please file with the county that way you have recorded that you have already filed on time to avoid any fees. If you have received the link to file with FPPC please file even if you have already filed with the county because you will still need to file with the FPPC.



11. ITEMS FOR FUTURE AGENDA:

None

12. ADJOURNMENT:

With no future business to discuss, Motion was made unanimously to adjourn meeting at 9:15 p.m.



DATE: April 22, 2026

TO: Imperial Valley Healthcare District Board of Directors

FROM: Ramaiah Indudhara, M.D; Chief of Staff, Pioneers Memorial Hospital
Ameen Alshareef, M.D, Chairman, Vice Chief of Staff, Pioneers Memorial Hospital

SUBJ: PMH Medical Staff Recommendations for Approval

ITEMS FOR CONSIDERATION: Recommendations from the Medical Executive Committee for Medical Staff Membership and/or Clinical Privileges, policies/procedures/forms or other related recommendations.

SUMMARY AND BACKGROUND: The Medical Executive Committee, upon the recommendations of the Credentials Committee and the respective clinical services and/or chiefs and based on the completed credential files, policies and procedures, recommends that medical staff membership and/or clinical privileges be granted as outlined below:

1. Recommendation for **Initial Appointment** to the **Provisional Staff effective May 15, 2026**, for the following:

- Hill, Hank, MD General Surgery
- Malik, Faiqa, MD Internal Medicine
- Ramirez Haro, Christian, MD Family Medicine
- Vaught, Eric, MD Emergency Medicine
- Ogungbe, Olufemi, CRNA Nurse Anesthetist

2. Recommend **Reappointment** effective **June 1, 2026** for the following:

- Davis, John, DO Family Medicine
- Eisinger, Philip, DO Teleradiology
- Gaillot, Britain, MD Teleradiology
- Hur, Jane, MD Teleradiology
- Johenk, Paul, DO Anesthesiology
- Meka, Murali, MD Teleradiology
- Tan, Yong, MD Family Medicine
- Wolcott, Patrick, MD Sleep Medicine
- Wood, David, MD Teleradiology

3. Recommend acceptance of Resignation effective April 30 2026 for the following:

- Krutzik, Ramona MD Endocrinology

4. Recommend Release from Proctoring and Advancement effective May 15, 2026, for the following:

- Stillson, John, MD Family Medicine (Advancement)
- Temesgen, Mulugeta, CRNA Nurse Anesthetist

5. Recommend acceptance of the following policies/forms:

- Access to Medication When the Pharmacy Is Closed (CLN-02931)
- Arthrogram Xray (CLN-0500)
- Borrow/Loan Process for Emergency Procurement (CLN-02955)
- CT Dose Recording and Event Reporting (CLN-00892)
- *Electronic Signature, Attestation and Authorship* (ADM-00182)
- Formulary Management (CLN-02531)
- Gastric Emptying Scintigraphy (CLN-00804)
- Herbal and Natural Products (CLN-02976)
- High Alert Medications (CLN-02846)
- IV Admixture on Patient Care Units (CLN-03013) Labeling Medication for Procedures (CLN-02980)
- Mammography Infection Control, Cleaning of Patient Care Objects – WI (CLN-00851)
- Medication Storage Area Inspections (CLN-02829)
- MRI Accident and Injury Prevention (CLN-00748)
- MRI Emergency Response 3T (CLN-00746)
- PACU Post Op Anesthesia Orders (OR-00508)
- Pharmacy Competency Assessment (CLN-02867)

- *Pharmacy Employee Theft and Impairment Reporting Requirement* (CLN-02990)
- *Procurement of Medications* (CLN-02947)
- Prohibited Abbreviations (CLN-02865)
- *Radiology Peer Review* (CLN-00894)
- Reconciling Medication Information (CLN-02809)
- *Scope of Pharmacy Services & Staffing Guidelines* (CLN-02951)
- Therapeutic Interchange Proton Pump Inhibitors Interchanged to Protonix (CLN-02959)
- Transporting Pharmaceutical Agents Off Campus (CLN-02991)
- Validity of and Requirements for Outpatient Orders and Requisitions (DPS-00347)

Note: not all of these policies require Board approval. Only those requiring this approval (in italics) will be forwarded to the Governing Body.

6. Respiratory Mask Fit Testing compliance is at 69.5%. Notification has been sent to those who are not in compliance at this time.
7. A committee is being considered to address Addiction/Pain Management for patients with Substance Abuse Disorder.
8. Mr. Velez stated that we continue to work with the Bond Holders towards the merger. Seismic work has been completed with the Imaging Tower and we are in process of requesting an extension to be in compliance following discussions with the architect. Consideration is being given to a GME/Residency program in conjunction with UCSD. Tax measures for AB918 are also being discussed.
9. Financial reports for March show a profit of \$709k, \$7.9M year to date. Our cash on hand is at \$24M.
10. A job description was submitted for consideration for a NICU Nurse Practitioner. This will be discussed at the Pediatrics Committee meeting in April. It was reported that it has been 208 days since documented CLABSI was at PMH and 72 days since a CAUTI was reported. SSI with superficial 50 days, PSI4 Surgical Death in hospital, 274 days, PE or DVT 87 days and 169 days for Sepsis Post Op. For Med/Surg and ICU, 1st quarter, PMH has mortality rate of 2.09%, ECRMC 5.03%. The ALOS for PMH 1st quarter was 4.5 and ECRMC was 5.68 – the benchmark is 4.6 days. Both organizations have met the goals for providing interoperability which is a CMS requirement.
11. Clinical Service and Committee Reports:
 - Hospitalists – No report.
 - Medicine – Dr. Krutzik reports no updates at this time.
 - Pathology – Dr. Kay reported 176 cases for QI, 67 Pathology and 5 Bone Marrow, 3 discrepancies.
 - Emergency Medicine – Committee will meet the second Wednesday of each month. Working on the Privilege form for Mid-Levels.
 - Surgery– Dr. Whyte stated that they are working on Block Time Utilization.
 - Anesthesia - Dr. Larra is working with Dr. Gwon and ECRMC for Anesthesia Services.
 - OB/GYN – Dr. Bean was not available.
 - Pediatrics –No report.
 - Medical Imaging – Dr. Rapp stated that they have several new employees. The MRI staff is opening up hours during the day and weekend to accommodate patients and reduce wait times.
 - Ambulatory Services – Everything is going well, volumes are consistent.
 - Credentials & Bylaws – Approved information above.
 - MSQC – approved policies as listed above.
 - Utilization Management – Reported was that the PMH Average Length of Stay is 4.56 for March. Acute Case Mix Index is 1.503 overall for Medicare.

RECOMMENDATION: That the Imperial Valley Healthcare District Board of Directors approves each of the recommendations of the Medical Executive Committee for medical staff membership and clinical privileges as outlined above, policies and procedures as noted and authorize the chief executive officer to sign any documents to implement the same.



Respectfully submitted,

Ameen Alshareef, M.D.
Vice Chief of Staff, Medical Executive Committee, PMH
Chairman, Clinical Service of Pediatrics
Pioneers Memorial Hospital
AA/cb

POLICIES FOR APPROVAL AT BOARD

	Policy	Policy No.	Page #	Revisions (see policy for full description)
1.	Electronic Signature, Attestation and Authorship	ADM-00182	• 1-5	<ul style="list-style-type: none"> • Updated header to reflect IVHD • Updated revision date. • Removed 6.2 Reference from AHIMA -Maintaining a Legally Sound Health Record – Paper and Electronic-archived • Removed 3.2.3.2 – Reference to Old EHR – Quadramed QCPR
2.	Pharmacy Employee Theft and Impairment Reporting Requirement	CLN-02990	• 6-8	<ul style="list-style-type: none"> • Updated IVHD PMH
3.	Procurement of Medications	CLN-02947	• 9-10	<ul style="list-style-type: none"> • IVHD PMH
4.	Radiology Peer Review	CLN-00894	• 11-18	<ul style="list-style-type: none"> • Author changed from Rojian Lira to Derek Tapia
5.	Scope of Pharmacy Services & Staffing Guidelines	CLN-02951	• 19-21	<ul style="list-style-type: none"> • Revised IVHD PMH • Modified Holidays to note closure 0800-1700 vs closing at 1830 on PMH premium pay holidays • Added Premium Holidays Observed table

Imperial Valley Healthcare District

Title: Electronic Signature, Attestation and Authorship		Policy No. ADM-00182
		Page 1 of 5
Current Author: Lorena Santana		Effective: 9/23/2014
Latest Review/Revision Date: January 2026		Manual: Administration / Admin Policies

Collaborating Departments: HIM, IS, Compliance	Keywords: e-signature, authentication, record integrity, e-sign, EHR, electronic health record, EMR, electronic medical record, nonrepudiation
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Approval Route: List all required approval

MARCC: X	PSQC	Other:		
Clinical Service _____	MSQC X	MEC X	BOD X	

NOTE: *If any of the sections of your final layout are not needed do not delete them, write "not applicable".*

1.0 Purpose:

- 1.1 To establish guidelines for a legal and compliant electronic signature process to improve signature legibility, improve record completion timeliness, validate information accuracy, verify the identification and appropriateness of electronic health record authors, and support nonrepudiation.

2.0 Scope: District wide

3.0 Policy:

- 3.1 It is the policy of Imperial Valley Healthcare District (IVHD) in accordance with the American Health Information Management Association (AHIMA), to accept electronic signatures as defined within this policy for author validation of documentation, and content accuracy and completeness with all the associated ethical, business, and legal implications. This process operates within a secured infrastructure, ensuring integrity of process and minimizing risk of unauthorized activity in the design, use, and access of the electronic health record (6.6).
- 3.2 E-Signature Authentication:
 - 3.2.1 General Principles:
 - 3.2.1.1 IVHD took into account current laws and regulations and accreditation standards during development of organizational policy to ensure compliance at all levels.
 - 3.2.1.2 Verification of content accuracy and completeness of each entry or document is made by the author prior to attestation.
 - 3.2.1.3 An e-signature event captures and displays the author's name, credentials and date and time of application.
 - 3.2.1.4 Once an entry has been e-signed, the system prevents deletion or alteration of the entry and its related e-signature.
 - 3.2.1.5 Policies and procedures are readily accessible by all e-signature users.
 - 3.2.2 Acceptable Timeliness Parameters Related to E-Signature Application:
 - 3.2.2.1 Medication verbal and telephone orders are to be authenticated and signed by the prescribing provider or other responsible provider within 48 hours (*See policy number CLN-02862; Verbal/Telephone Orders*).
 - 3.2.2.2 All inpatient medical records are to be completed, with all applicable signatures, within 14 days from the date of discharge (California Code of Regulations, Title 22, section 70751).

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- 3.2.2.3 Additional requirements may also be included in the applicable IVHD policies, by-laws and/or rules and regulations.
- 3.2.3 Acceptable Imported Electronic Documents With An E-Signature Component:
 - 3.2.3.1 Reports from external systems, such as radiology reports and transcribed reports, are available in the electronic health record (EHR).
- 3.2.4 Types of E-Signatures:
 - 3.2.4.1 IVHD, in accordance with AHIMA, recognizes that a properly executed electronic process signifying an approval of an entry or document presented in an electronic format, includes a broad range of technologies and methodologies, ranging from an “Accept”, “Yes”, “Sign/Review” button in a click-through agreement, to an electronic tablet that accepts a handwritten digitized signature, to a digital signature cryptographically tied to a digital ID or certificate.
 - 3.2.4.2 Acceptable and approved e-signature types include biometric, digital signature and digitized signature.
- 3.2.5 Data Elements Required in E-Signature:
 - 3.2.5.1 The policy defines the appearance of the applied e-signature for user and legal identification.
 - 3.2.5.2 The e-signature includes the author’s name, credentials and date and time of application.
 - 3.2.5.3 Phrases approved and acceptable for EHR authentication are to be fitting to the type of documentation referenced. Examples include “Electronically signed by”; “Signed by”; “Authenticated by”; “Corrected by”; “Resulted by”; “Approved by”; “Completed by”; “Verified by”; “Finalized by”; “Validated by”; “Generated by”; “Confirmed by”; and “Result Verification by.”
- 3.3 Special Consideration or E-Signature:
 - 3.3.1 Dual Signatures, Cosignatories, and Countersignatures
 - 3.3.1.1 In the event that multiple signatures are required, such as in the case of a physician assistant, both signatures should be affixed to the documentation
 - 3.3.2 Entries Made on Behalf of Another:
 - 3.3.2.1 In the event that a provider is absent, leaving unsigned electronic documents or entries, a qualified alternate signer can sign entries for the purpose of record closure. When entries must be left unsigned due to lack of alternate signers, documentation should be included in the EHR to indicate the reason for record closure with e-signature validation gaps.
 - 3.3.3 Auto-Attestation:
 - 3.3.3.1 Auto-attestation is the process by which a provider authenticates an entry that he or she cannot review. The practice of auto-attestation is strictly prohibited as a method of authentication in a health record. The method used to apply an e-signature must promote action by the signer to verify the entry or report content, to confirm the information is

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accurate.

3.3.4 Batch Signing:

3.3.4.1 Batch signing of entries or orders may be acceptable if the following standards can be met:

3.3.4.1.1 All entries or orders can be viewed.

3.3.4.1.2 Each entry or order can be acted upon individually, including editing the content.

3.3.4.1.3 The entry or order can be removed from the batch.

3.3.5 Patient and Witness Signatures

3.3.5.1 Documents requiring patient or witness signatures are part of the patient's legal health record. Approaches to legal patient and witness signatures may include e-signatures such as digitized signatures and digital signatures. The same general principles related to e-signature as stated in this policy apply.

3.3.6 Amendments, Corrections, Deletions and Retractions in the EHR:

3.3.6.1 The e-signature event finalizes the document, and any subsequent changes are handled as a new version. All versions of the document and their e-signatures are retained. Any necessary revisions to an electronically signed document must follow organizational policy and procedure regarding modification of the medical record. The same general principles related to e-signature as stated in this policy apply.

3.4 E-Signature Participation, Confidentiality and Security:

3.4.1 Those authorized to affix an e-signature will be limited to those identified by organizational policy, such as treating physicians, ancillary healthcare staff, and clinical residents and students involved in patient care requiring record documentation and/or review and approval of documentation within the EHR.

3.4.2 Under no circumstances may users provide any other person including their office staff, other providers, or family members access to their PIN, code, password or e-signature functionality. Any security breach, such as problems with PINs, codes or passwords must be promptly dealt with and changed if they are suspected or known to have been compromised (*See policy number HIP-00019; Security Awareness and Training (Administrative Safeguard)*).

3.4.3 A code, PIN or password should be used to identify each authorized user. This code, PIN or password should be confidential, known only to the user, and adequately complex by security best practices and organizational policy (*See policy number HIP-00019; Security Awareness and Training (Administrative Safeguard)*).

3.4.4 Planned compliance monitoring will be performed in the form of ongoing or periodic audits to measure participant alignment with policy and procedure expectations and for detection of inappropriate e-signature practices whether from ignorance or negligence (*See policy number DPS-00312; Ongoing Medical Record Review*).

3.4.5 Any individual who makes inappropriate or illegal use of e-signatures or records is subject to policy enforcement and disciplinary sanctions. This includes, but is

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not limited to, anyone who discloses his or her code, PIN or password to others, and anyone using a PIN, code or password without authorization.

4.0 Definitions:

- 4.1 Attestation – the act of applying an e-signature to the content, showing authorship and legal responsibility
- 4.2 Authentication – the security process of verifying a user’s identity with the system that authorizes the individual to access the system. Authentication assigns responsibility to the user for entries they create, modify or view.
- 4.3 Authorship – attributing the origination or creation of a particular unit of information to an individual or entity acting at a particular time.
- 4.4 Electronic signature – a generic, technology-neutral term for the various ways that an electronic record can be signed, including a digitized image of a signature, a name typed at the end of an email message by the sender, a biometric identifier, a secret code or PIN, or a digital signature
- 4.5 Biometric – use of biological data, such as fingerprints, to authenticate an individual
- 4.6 Digital signature – a cryptographic signature that authenticates the user, provides nonrepudiation, and ensures message integrity
- 4.7 Digitized signature – an electronic representation of a handwritten signature. The image of a handwritten signature may be created and saved using various methods, such as using a signature pad.
- 4.8 Qualified Alternate Signer – individual who is able to uphold the purpose of attestation and validate the accuracy of the documentation.
- 4.9 Batch Signing – is the process of applying an e-signature to multiple entries at one time.
- 4.10 Preliminary Reports – is documentation that is available for viewing but has not been authenticated or attested.

5.0 Procedure: Not applicable

6.0 References:

- 6.1 Medicare Program Integrity Manual – Chapter 3 Verifying Potential Errors and Taking corrective Actions; Section 3.3.2.4 pg. 41 Signature Requirements–
<https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/downloads/pim83c03.pdf>
- 6.2 AHIMA e-HIM Workgroup: Best Practices for Electronic Signature and Attestation. "Electronic Signature, Attestation, and Authorship (Updated)." Journal of AHIMA 80, no.11 (November-December 2009): expanded online edition.
http://library.ahima.org/xpedio/groups/public/documents/ahima/bok1_050522.pdf
- 6.3 State Operations Manual, Appendix A – Survey Protocol, Regulations and Interpretive Guidelines for Hospitals http://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/downloads/som107ap_a_hospitals.pdf

7.0 Attachment List: Not applicable

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8.0 Summary of Revisions:

- 8.1 Updated header to reflect Imperial Valley Healthcare District
- 8.2 Updated revision date.
- 8.3 Removed 6.2 Reference from AHIMA -Maintaining a Legally Sound Health Record – Paper and Electronic- archived
- 8.4 Removed 3.2.3.2 – Reference to Old EHR – Quadramed QCPR

Imperial Valley Healthcare District

Title: Pharmacy Employee Theft and Impairment Reporting Requirements		Policy No. CLN-02990
Current Author: John P. Teague, Liz Beth Reyes		Page 1 of 2
Latest Review/Revision Date: 05/13/2025		Effective: 1/28/2013
		Manual: Clinical / Pharmacy

Collaborating Departments: Pharmacy; Human Resources; Quality Department; Risk Manager, MDPC RPH, P&T Chairs 05/2025		Keywords: Theft, Impairment, Chemical, Mental, Diversion, Dangerous, Controlled Substance		
Approval Route: List all required approval				
P&T Chairs 05/2025	PSQC	Other: <u>P& T Subcommittee</u>		
Clinical Service		MSQC 6/2023	MEC 6/2023	BOD 7/2023

Note: If any of the sections of your final layout are not needed do not delete them, write "not applicable".

1.0 Purpose:

- 1.1 To define procedures for taking action to protect the public when a licensed individual employed by (or with) the Pharmacy Department is discovered, or known, to be:
 - 1.1.1 Chemically, mentally, or physically impaired to the extent it affects his or her ability to practice the profession or occupation authorized by his or her license.
 - 1.1.2 Engaged in the theft, diversion or self-use of dangerous drugs.

2.0 Scope:

- 2.1 Director of Pharmaceutical Services
- 2.2 Risk Manager
- 2.3 Human Resources Manager
- 2.4 All Pharmacy Staff

3.0 Policy:

- 3.1 Any pharmacy employee who has knowledge of theft, diversion or self-use of dangerous drugs is obligated to report such information to the Director of Pharmacy, pharmacy manager or appropriate hospital manager/administrator.
 - 3.1.1 Information provided will be confidential. All reasonable steps will be taken to protect the confidentiality of the information and the identity of the employee furnishing information.
 - 3.1.2 Failure to report information of theft, diversion or self-use of dangerous drugs will be considered in determining whether or not an employee continues to work in a specific location

4.0 Definitions: Not applicable

5.0 Procedure:

- 5.1 In collaboration with the Human Resources Department, pharmacy management will report to the Board of Pharmacy or individual licensing bureau of the state, within 14 days, of the discovery of theft, diversion or self-use of dangerous drugs by any licensed individual. (See Policy CLN-02975: Controlled Drugs-Reporting Theft or Loss)
 - 5.1.1 Reporting to include:
 - 5.1.1.1 Admission by a licensed individual of chemical, mental or physical

Imperial Valley Healthcare District

Title: Pharmacy Employee Theft and Impairment Reporting Requirements		Policy No. CLN-02990
Current Author: John P. Teague, Liz Beth Reyes		Page 2 of 2
Latest Review/Revision Date: 05/13/2025		Effective: 1/28/2013
		Manual: Clinical / Pharmacy

- 5.1.1.2 impairment affecting his or her ability to practice
- 5.1.1.2 Admission by a licensed individual of theft, diversion, or self-use of dangerous drugs.
- 5.1.1.3 Video or documentary evidence demonstrating chemical, mental or physical impairment of a licensed individual to the extent it affects his or her ability to practice.
- 5.1.1.4 Video or documentary evidence demonstrating theft, diversion or self-use of dangerous drugs by a licensed individual.
- 5.1.1.5 Termination based on chemical, mental or physical impairment of a licensed individual to the extent that it affects his or her ability to practice.
- 5.1.1.6 Termination of a licensed individual based on theft, diversion, or self-use of dangerous drugs.
- 5.1.2 The report shall include sufficient detail to inform the board of the facts upon which the report is based, including an estimate of the type and quantity of all dangerous drugs involved, the timeframe over which the losses are suspected, and the date of the last controlled substances inventory. Upon request of the board, the pharmacy shall prepare and submit an audit involving the dangerous drugs suspected to be missing.
- 5.1.3 Should the discovery of theft, diversion or self-use of dangerous drugs by any licensed individual occur, the individual may be subject to disciplinary action up to and including termination of employment (reference # HRD 00027 Corrective Action policy).

6.0 References:

- 6.1 Code of Federal Regulations, Title 21, Sections 1301.74, 1301.91
- 6.2 Pharmacy Law, with Rules and Regulations, 2014 California Edition, Law Tech Publishing definitions
- 6.3 California Business & Professions Code Chapter 9, Division 2, Article 6, Section 4104
- 6.4 Drug and Alcohol Policy # HRD-00075
- 6.5 Corrective Action Policy # HRD 00027

7.0 Attachment List:

- 7.1 Attachment A: State Board of Pharmacy Communication Template

8.0 Summary of Revisions:

- 8.1 Updated IVHD PMH

(HOSPITAL LETTERHEAD)

(Date)

State Board of Pharmacy
1234 Main Street
City, State, ZIP

This letter is to report the discovery of (select those which apply, delete those that don't):

- Theft of / diversion of / self-use of dangerous drugs / controlled substances (name of the drug)
- Mental, chemical or physical impairment

or termination on **XX-XX-XX** based upon:

- Theft of / diversion of / self-use of dangerous drugs / controlled substances (name of the drug)
- Mental, chemical or physical impairment

of the following individual: **FULL NAME, LICENSE NUMBER**

Our investigation revealed a loss of controlled substances. Please see attached DEA-106 Theft/Loss Report.

If you have any questions, please contact **FULL NAME at PHONE NUMBER.**

Sincerely,

Imperial Valley Healthcare District

Title: Procurement of Medications		Policy No. CLN-02947
		Page 1 of 2
Current Author: John P. Teague		Effective: 8/1/1976
Latest Review/Revision Date: 05/13/2025		Manual: Clinical / Pharmacy

Collaborating Departments: P&T Chairs 05/2025		Keywords: Purchasing, Procurement, order, loan borrow		
Approval Route: List all required approval				
P&T Chairs 05/2025	PSQC	Other:		
Clinical Service _____		MSQC 6/2023	MEC 6/2023	BOD 7/2023

Note: If any of the sections of your final layout are not needed do not delete them, write "not applicable".

1.0 Purpose:

- 1.1 To define the method of medication procurement

2.0 Scope: Pharmacy

3.0 Policy:

- 3.1 Drugs, chemicals, and biologicals related to the practice of pharmacy shall be procured from sources of supply authorized by this policy.

4.0 Definitions: Not applicable

5.0 Procedure:

- 5.1 Manufacturers and distributors - Drugs must be manufactured or distributed by firms that comply with good manufacturing practices and that will supply bioavailability and other quality-related data upon request. Quality of the product is the prime reason for selecting a vendor; Service and price are secondary to quality.
- 5.2 Wholesalers and buying groups - When not obtained directly from the manufacturer of distributor, drugs shall be obtained from wholesalers, buying groups, or other legitimate sources.
- 5.3 Other healthcare organization or pharmacies - Limited amounts of drugs, sufficient to meet immediate needs, may be obtained (ie, borrowed or purchased) from other healthcare organizations or pharmacies.
- 5.4 Alcohol (spirits, beverages, and tax free) - Alcoholic spirits and beverages used for medicinal purposes must be obtained from a supplier licensed by this state. Tax-free alcohol for patient treatment or for medicinal, mechanical, or scientific purposes may not be used for beverage purposes, in any food product, or used in preparing beverages or food products.
- 5.5 Records of Transactions – The supplier’s invoice or loan receipt is the record of the transaction. If a borrowed drug is returned to the supplier, the record shall be canceled and retained by the pharmacy. Records of controlled and dangerous drug transactions shall be kept as required by law.

6.0 References: Not applicable

7.0 Attachment List: Not applicable

Imperial Valley Healthcare District

Title: Procurement of Medications		Policy No. CLN-02947
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8.0 Summary of Revisions:

8.1 IVHD PMH

Imperial Valley Healthcare District

Title: Radiology Peer Review	Policy No. CLN-00894
	Page 1 of 2
Current Author: Derek Tapia	Effective: 1/28/2013
Latest Review/Revision Date: 11/2025	Manual: Clinical / Radiology

Collaborating Departments: Medical Staff, Dr. George Rapp	Keywords:		
Approval Route: List all required approval			
MARCC x	PSQC	Other: <u>Chief of Radiology</u>	
Clinical Service _____	MSQC x	MEC x	BOD x

Note: If any of the sections of your final layout are not needed do not delete them, write "not applicable".

1.0 Purpose:

- 1.1 To outline the process and procedures of the Radiologist Peer Review process

2.0 Scope: Radiology

3.0 Policy:

- 3.1 Approximately one percent of all Radiology studies will be peer reviewed on an ongoing basis.
- 3.2 The cases reviewed will closely represent the departments case mix by modality which is 54% X-Ray, 21% CT, 15% U/S, 5% MAMMO, 3% MRI, 2% NUC MED.
- 3.3 Scoring will follow the proposed ACR RADPEER scoring language.
- 3.4 Findings will be reported by Radiologist by modality and by Group totals by modality.

4.0 Definitions:

- 4.1 Proposed ACR RADPEER scoring language
 - 4.1.1 Score 1 Concur with interpretation
 - 4.1.2 Score 2 Discrepancy in interpretation/not ordinarily expected to be made (understandable miss)
 - 4.1.3 Score 3 Discrepancy in interpretation/should be made most of the time.
 - 4.1.4 Score 4 Discrepancy in interpretation/should be made almost every time – misinterpretation of findings.
- 4.2 ACR American College of Radiology
- 4.3 MSQC Medical Staff Quality Committee

5.0 Procedure:

- 5.1 During the routine interpretation of current images, prior studies which were read by another Radiologist can be evaluated for accuracy of interpretation.
- 5.2 The accuracy of prior reports will be scored by the current interpreter of the new study using the standardized 4-point ACR proposed RADPEER scoring language.
- 5.3 Scores of 3 or 4 will be reviewed and scored by a third Radiologist.
- 5.4 An addendum will be made to all reports if a discrepancy of clinical significance is found.
- 5.5 Scores will be documented using the PMHD Radiology Peer Review Scoring Form.
- 5.6 On a quarterly basis the Radiology Peer Review Scoring forms will be collected.

Imperial Valley Healthcare District

Title: Radiology Peer Review	Policy No. CLN-00894
	Page 2 of 2
Current Author: Derek Tapia	Effective: 1/28/2013
Latest Review/Revision Date: 11/2025	Manual: Clinical / Radiology

Summary statistics will be generated by the Radiology Manager or designee to include statistics for each Radiologist by modality and Group by modality.

- 5.7 Quarterly reports will be discussed at the Radiology Department Meeting with a copy sent to MSQC.

6.0 References:

- 6.1 RADPEER Scoring White Paper American College of Radiology

7.0 Attachment List:

- 7.1 Attachment A – RADPEER Scoring White Paper American College of Radiology
7.2 Attachment B – PMHD Radiology Peer Review Scoring Form

8.0 Summary of Revisions:

- 8.1 Author changed from Rojian Lira to Derek Tapia

RADPEER™ Scoring White Paper

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William T. Thorwarth Jr, MD^j

The ACR's RADPEER™ program began in 2002; the electronic version, e-RADPEER™, was offered in 2005. To date, more than 10,000 radiologists and more than 800 groups are participating in the program. Since the inception of RADPEER, there have been continuing discussions regarding a number of issues, including the scoring system, the subspecialty-specific subcategorization of data collected for each imaging modality, and the validation of interfacility scoring consistency. This white paper reviews the task force discussions, the literature review, and the new recommended scoring process and lexicon for RADPEER.

Key Words: Peer review, medical errors, harm score, undercalls, overcalls, misinterpretations, disagreement rates

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INTRODUCTION

The ACR established a task force on patient safety in 2000, in response to the 1999 Institute of Medicine report *To Err Is Human* [1], which estimated that as many as 98,000 people die in hospitals as a result of preventable medical errors. Although medical imaging was not cited as an area of practice with high error rates, the ACR's task force established several committees to address patient safety issues. One of the committees in this task force addressed model peer review and self-evaluation. That committee developed the RADPEER™ program, a radiology peer-review process, and conducted a pilot of the program at 14 sites in 2001 and 2002. After the pilot study, the program was offered to ACR members in 2002.

RADPEER was designed to be a simple, cost-effective process that allows peer review to be performed during

the routine interpretation of current images. If prior images and reports are available at the time a new study is being interpreted, these prior studies and the accuracy of their interpretation would typically be evaluated at the time the radiologist interprets the current study. In addition, at the time of the interpretation of the current study, the radiologist may have additional information that is helpful in assessing the interpretation of the prior study. This may include the progression or regression of findings on the current imaging study or additional history, including the findings of intervening nonimaging studies or procedures. The process requires no additional interpretive work on the part of radiologists beyond what already is currently being done. RADPEER simply creates a system that allows "old images" and "old interpretations" to be collected and structured in a reviewable format. The accuracy of prior reports is scored by the current interpreter of the new study using a standardized, 4-point rating scale (Table 1).

Although this scoring system has worked well for the past 5 years, there has been continued confusion over the meaning of some categories. Scores 1 and 4 are easy to understand. However, score 3 does not mention misinterpretation or disagreement and could potentially be used in a situation in which an image was correctly interpreted but the reviewer merely felt that it was an easy diagnosis. Likely the most confusing is score 2, "difficult diagnosis, not ordinarily expected to be made." It is unclear whether there is an actual disagreement with the original interpretation or if the score is being used because it was a great pickup. Scores of 1 and 2 require no action, but scores of 3 and 4 require internal review by

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Table 1. Current RADPEER scoring system

Score	Meaning
1	Concur with interpretation
2	Difficult diagnosis, not ordinarily expected to be made
3	Diagnosis should be made most of the time
4	Diagnosis should be made almost every time—misinterpretation of findings

the local peer-review committee to validate or change, if necessary, the original RADPEER score.

Each institution (radiology group) is assigned a unique identifier number. To maintain confidentiality, facilities assign each physician a numeric identifier (such as 101) to use when information is submitted to the ACR. The actual names of the participating radiologists are not provided to the ACR.

RADPEER scoring was originally performed using machine readable cards; in 2005, a Web-based program, e-RADPEER™, was established. Completed cards or electronic scores are submitted to the ACR, and reports are generated that provide

- summary statistics and comparisons for each radiologist by modality,
- summary data for each facility by modality, and
- data summed across all participating facilities.

The reports should demonstrate trends that radiologists may use to focus their continuing medical education activities. Efforts to optimize interpretive skills should result in improvements in patient care.

The original model peer review committee members reviewed several documents, including examples of scoring from the literature [2,3] (W. Thorwarth, personal communication) and samples submitted from committee members' own practices. Everyone agreed that for any program to be effective and widely accepted, it needs to be simple and user friendly. The committee members reviewed several examples of scoring and eventually decided on the 4-point system shown in Table 1. Although there was discussion regarding the inclusion of "clinically significant" in the scoring language, the committee steered away from this because of the difficulty in tracking a case for evidence of clinical significance and outcome. The committee also discussed the categories selected and whether modality or body system was preferable. Because the original card-based system used in RADPEER required radiologists to manually enter data onto cards, the need to keep the categories and scoring simple was emphasized.

RADPEER participation has increased every year, with substantial growth in 2007 after the ACR's mandate that all sites applying for any of the voluntary accreditation programs (computed tomography, magnetic resonance, ultrasound, positron emission tomography, nuclear medicine, and breast ultrasound) have evidence of a physician peer-review program, either RADPEER or their own internal programs. The number of participating radiologists has grown to more than 10,000.

The summarized RADPEER data collected through December 2007 are shown in Table 2. These data raise important questions. Fewer than 0.5% of the scores are 3 or 4. Does this reflect the quality of the interpretive skills of radiologists or a reluctance to assign less than perfect scores to colleagues? However, the RADPEER data are similar to those reported in the literature. For example, Soffa et al [4] found a disagreement rate of 3.48%. Combining RADPEER scores of 2, 3, and 4 gives a total disagreement rate of 2.91%. If the scores are not a true reflection of individual radiologists' interpretive skills, does the RADPEER process serve as a tool for improving patient safety or continuous quality improvement?

Since the inception of RADPEER, there have been continuing discussions regarding a number of issues, including the scoring system, the subspecialty-specific subcategorization of data collected for each imaging modality, and the validation of interfacility scoring consistency. In addition, there has been controversy regarding the inclusion of the clinical significance for scores of 2, 3, and 4. When RADPEER was originally developed, the committee members felt that adding clinical significance would require follow-up that either could not be done or would place an additional burden on radiology resources.

TASK FORCE ON RADPEER SCORING

Because of the issues regarding the RADPEER scoring process, a task force was formed to review the literature and various scoring methods to determine if a change would be warranted. The task force met on September 15, 2007, and consisted of members of the RADPEER committee, representatives from ACR leadership, and a radiology resident. The task force members reviewed the

Table 2. Summary of RADPEER scores

Score	Percentage of Total Scored Cases
1	97.11
2	2.51
3	0.32
4	0.07

Table 3. Melvin et al [6] scoring system of discrepancy

Grade	Significance
0 = No discrepancy	0 = None
1 = Minor	1 = Minor (incidental to treatment/management)
2 = Significant	2 = Significant (affects treatment/management, not outcome)
3 = Major	3 = Major (affects outcome)

current language, the literature, and several proposed changes to the current scoring system.

There were several suggestions that the scoring system be changed to improve the ease of scoring, improve the consistency of scoring, and reflect the clinical significance of the various levels of disagreement. This would move RADPEER from a scoring system based on standards of care to an outcomes-based system, more in line with peer-reviewed systems described in the literature [4-6]. In the current climate of emphasis on patient safety, this could perhaps become a more durable product.

The task force reviewed the literature on peer-review processes in medicine and specifically in radiology. Lee et al [5] described a 5-point system, with 1 representing “not significant” and 5, “highly significant,” causing delays in diagnosis (false-negative results), unwarranted invasive procedures (false-positive results), or incorrect treatments. Similarly, Melvin et al [6] also used a grading system that combined the severity of a discrepancy with its clinical significance (Table 3).

Clinical Significance

If RADPEER is to have an impact on patient safety, should the clinical significance of a score of 2, 3, or 4 be evaluated, as has been done in other peer-review processes? The task force members agreed that it would be useful to provide the reviewer an option to not only assign a score but also evaluate clinical significance. Thus,

in the proposed system, for categories 2 to 4, the reviewer has the option to check the items “unlikely to be clinically significant” and “likely to be clinically significant.”

There was concern expressed about the ability to rank something as “clinically significant,” because that cannot be ascertained in all cases. One of the task force members reported that his group originally had a “clinically significant” category but discontinued its use because of difficulty with scoring. For example, if a radiologist misses a metastatic lesion in a patient with other metastases, it would not be as clinically significant as a lesion in a patient with no known disease. Many task force members felt that the determination of clinical significance does not have to be a difficult process based on absolute outcome measures. Instead, a “gut” assessment of the likelihood of impact of the discrepancy on patient care would be adequate.

In any acceptable peer-review program under the ACR’s accreditation requirements (Appendix A), there must be “reviewer assessment of the agreement of the original report with a subsequent review” and “policies and procedures for action to be taken on significantly discrepant peer review findings for purposes of achieving quality outcomes improvements.” The whole point of peer review is to compare studies to assess reviewer accuracy and, should discrepancies exist, having a system in place to assess the need for reviewer improvement that should ultimately improve patient care.

After discussion of the issues regarding the meaning of each score and clinical significance, the task force members agreed on a new RADPEER scoring language (Table 4). The scoring numbers remain the same, but some of the definitions have changed. The committee members felt strongly that examples of cases for each of the scores are necessary to clarify the scoring process for radiologists (Appendix B). Score 2 was better defined to indicate that it represents a discrepancy in interpretation, but for a finding difficult enough that it is an understandable miss. The task force discussed changing score 3 to “substantial discrepancy in interpretation” and score 4 to “major discrepancy in interpretation.” However, the ACR’s legal

Table 4. Proposed RADPEER scoring language

Score	Meaning	Optional
1	Concur with interpretation	
2	Discrepancy in interpretation/not ordinarily expected to be made (understandable miss)	a. Unlikely to be clinically significant b. Likely to be clinically significant
3	Discrepancy in interpretation/should be made most of the time	a. Unlikely to be clinically significant b. Likely to be clinically significant
4	Discrepancy in interpretation/should be made almost every time—misinterpretation of finding	a. Unlikely to be clinically significant b. Likely to be clinically significant

staffers felt that the terms *substantial* and *major* are too vague and recommended that the original language be maintained, changing the word *diagnosis* to *interpretation*.

The current system language is more related to misses or standard of care, whereas the proposed system is more widely applicable and outcomes based, similar to the “harm score” of the Pennsylvania Patient Safety Reporting System [7]. The harm score (with 10 categories) ranges from circumstances that could cause adverse events to events that contributed to or resulted in death. The Joint Commission also looks at “harm vs no detectable harm” [8], assessing the impact of medical errors and systems failure, commonly referred to as harm to patients. In addition, the proposed scoring system addresses the issues of both undercalls (misses) and overcalls (which may lead to unnecessary additional tests or intervention).

Some members expressed concern that a major change to the language would cause all of the accumulated data to be lost. The ACR’s Research Department reviewed the proposed scoring system and felt that any change should preserve comparability with respect to the distinction of a score of 1 vs any other score. The proposed system does this in large part by maintaining a 4-category scoring language. Because the concern is that categories 2 to 4 have been used inconsistently, the change should preserve what is relatively reliable in the historical data. They suggested that the task force may want to recommend that the terminology be reevaluated and change considered about every 5 years.

Legal Implications of RADPEER Language

Obviously, the improvement of patient care includes taking action when it is discovered that a study was misread, thereby affecting appropriate patient care. Failure to take the appropriate action can subject health care providers to malpractice liability as easily as the initial misread of the study. Moreover, failure to act on a misread can be viewed by a jury as reason to impose punitive sanctions on a physician, resulting in a malpractice conviction and a higher judgment than might have been awarded for the failure to make the initial interpretation. Thus, regardless of the language used in the RADPEER definitions, the liability exposure remains the same. The current RADPEER system requires that all scores of 3 and 4 be reviewed by the local peer-review committee (the group’s internal peer-review process or committee) for validation and appropriate action.

Validation of Scores

The validation of RADPEER, through the development of some type of process to standardize scoring so that scoring at one facility is comparable with scoring at another, was discussed at length. There are several concerns with a validation process. It is likely that any validation

process would require tracking radiologists’ identities and the possible loss of anonymity and perhaps protection from discovery. If the ACR develops a model whereby an outside “expert” would overread the score of the original RADPEER reviewer, how would it be determined who is expert enough and adequately trained to determine the correct score? In addition, any type of validation process would involve additional cost and resources for both the ACR and the facility. Thus, the RADPEER committee will study the validation issue. It was felt to be out of the scope of the task force at this time.

CONCLUSION

In summary, the task force is proposing a scoring system that will build on the current system, maintaining the current system of numbers for scoring but making the categories clearer. In addition, radiologists would have the option to give their opinions regarding the clinical significance of discrepancies in interpretation, more in keeping with other peer-review methods described in the literature. The task force members all strongly agreed that better explanation of the scoring, with examples, is necessary to help standardize the scoring method among participants. In addition, any future changes should be accompanied by changes to the lexicon. Future groups or task forces that discuss RADPEER language and scoring should be mindful of the impact of any changes on existing statistical data. It is probably wise to expand the existing scoring system rather than change to a completely new system, so as not to lose previous data.

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APPENDIX A

Items That Must Be Included in an Acceptable Alternative Physician Peer-Review Program

- A peer-review process that includes a double reading with 2 physicians interpreting the same study
- A peer-review process that allows for the random selection of studies to be reviewed on a regularly scheduled basis
- Examinations and procedures representative of the work of each physician's specialty
- Reviewer assessment of the agreement of the original report with subsequent review (or with surgical or pathologic findings)
- A classification of peer-review findings with regard to level of quality concerns (eg, a 4-point scoring scale)
- Policies and procedures for action to be taken on significantly discrepant peer-review findings for the purpose of achieving quality outcomes improvement
- Summary statistics and comparisons generated for each physician by modality
- Summary data for each facility or practice by modality

APPENDIX B

Examples of Scoring

Note: Scoring should include both primary findings and incidental findings on the imaging study. Both misses and overcalls can be included.

Score of 1: “Concur with original reading”: self-explanatory

Score of 2: “Discrepancy in interpretation/not ordinarily expected to be made (understandable miss)”

A. “Unlikely to be clinically significant”

- Small knee collateral ligament tear (ie, subtle or difficult to appreciate finding)
- Osteopoikilosis that is not clinically significant (ie, esoteric finding)
- 7-mm mesenteric lymph node on abdominal computed tomography (CT)
- Small (5-mm) apical pneumothorax on overpenetrated portable chest radiography after subclavian line placement
- Minimally calcified (<3 cm) abdominal aortic aneurysm on kidney, ureter, and bladder scan
- Old, healed long-bone fracture (ie, apparent on single view)
- Subtle mass (probable benign lymph node) on mammography

B. “Likely to be clinically significant”

- Subtle or early lung cancer seen on chest CT in retrospect (ie, difficult to diagnose prospectively)

- Subtle meningeal enhancement on brain CT or magnetic resonance imaging (MRI)
- Small subdural hematoma around cerebellar tentorium
- Subtle scapholunate separation
- Small minimally radiopaque soft-tissue glass foreign body on hand radiography
- Subtle 1.5-cm pancreatic tail mass
- Early vascular calcifications on screening mammography, recalled for additional imaging (overcall)

Score of 3: “Discrepancy in interpretation/should be made most of the time”

A. “Unlikely to be clinically significant”

- 2-cm bone cyst noted on knee MRI
- Pneumoperitoneum on abdominal film of patient one day after abdominal surgery
- Vertebral body hemangioma on spine MRI
- 3-cm thyroid mass on chest CT
- 5-mm calcified renal calculus without associated hydronephrosis on computed tomographic urography

B. “Likely to be clinically significant”

- Small subdural hematoma on brain CT
- Skin fold interpreted as pneumothorax in newborn with subsequent placement of chest tube
- Asymmetric 2-cm breast mass on chest CT
- 2-cm para-aortic or pelvic lymph node
- Periappendiceal or pericolic fat stranding
- 1.5-cm adrenal mass in patient with lung mass
- Cluster of pleomorphic microcalcifications on mammography
- Pericardial effusion on chest CT
- Short single-segment Crohn's disease on small bowel follow-through examination
- Lateral meniscus tear on knee MRI

Score of 4: “Discrepancy in interpretation/should be made almost every time—misinterpretation of finding”

A. “Unlikely to be clinically significant”

- 4-cm pelvic lymph node in patient beginning chemotherapy for lymphoma
- 2-cm calcified gallstone on CT of a patient with lower left quadrant pain and diverticulitis

B. “Likely to be clinically significant”

- Displaced fracture of base of fifth metatarsal
- 25% slipped capital femoral epiphysis in 12-year-old patient
- Tension pneumothorax
- Large medial meniscus tear on knee MRI
- 3-cm hilar lymph node on chest CT
- 2-cm lung nodule on chest radiography
- “Classic” molar pregnancy on pelvic ultrasound
- Obvious hamartoma on mammography for which biopsy was recommended (overcall)

Imperial Valley Healthcare District

Title: Scope of Pharmacy Services & Staffing Guidelines		Policy No. CLN-02951
		Page 1 of 3
Current Author: John P. Teague		Effective: 12/1/1995
Latest Review/Revision Date: 05/13/2025		Manual: Clinical / Pharmacy

Collaborating Departments: P&T Chairs 05/2025		Keywords: Pharmacy, Scope, Hours of Operation, hours, staffing	
Approval Route: List all required approval			
P&T Chairs 05/2025	PSQC	Other:	
Clinical Service _____	MSQC 6/2023	MEC 6/2023	BOD 7/2023

Note: If any of the sections of your final layout are not needed do not delete them, write "not applicable".

1.0 Purpose:

- 1.1 To identify the scope of practice for the pharmacy department as it relates to daily operations.

2.0 Scope: Pharmacy Department

3.0 Policy:

- 3.1 The scope of pharmacy services shall relate to the use of drugs and diagnostic testing materials and shall be provided in accordance with laws, rules, regulations, and recognized standards and practice guidelines. Services shall be adequate to meet the needs of patients and the medical staff.

4.0 Definitions: Not applicable

5.0 Procedure:

- 5.1 The scope of pharmacy services includes the following:
 - 5.1.1 Pharmacy Specific Activities
 - 5.1.2 Assuring availability of staff necessary to provide pharmacy services
 - 5.1.3 Selection, procurement, and storage of drugs (including maintaining an adequate drug supply)
 - 5.1.4 Ordering/prescribing drugs
 - 5.1.5 Preparing/dispensing (including labeling) of drugs, chemicals, sterile products, and parenteral solutions
 - 5.1.6 Administration of drugs
 - 5.1.7 Monitoring the effects of drugs on patients (including monitoring for appropriate and safe drug use and therapy)
 - 5.1.8 Monitoring adverse drug reactions
 - 5.1.9 Providing drug information
 - 5.1.10 Participating in orientation and in-service education programs
 - 5.1.11 Meeting the needs of patient types and age groups served by the facility
 - 5.1.12 Supervising all drug storage and preparation areas within the pharmacy and throughout the facility
- 5.2 Pharmacy and Therapeutics Activities
 - 5.2.1 Developing medication-related policies and procedures
 - 5.2.2 Developing and maintaining a formulary system and approving a formulary (list of drugs) acceptable for use in the facility. This includes:

The electronic version of this policy supersedes any printed copy.

Imperial Valley Healthcare District

Title: Scope of Pharmacy Services & Staffing Guidelines		Policy No. CLN-02951
		Page 2 of 3
Current Author: John P. Teague		Effective: 12/1/1995
Latest Review/Revision Date: 05/13/2025		Manual: Clinical / Pharmacy

5.2.2.1 Defining and reviewing all significant untoward (adverse) drug reactions.

5.2.2.2 Participating in activities relating to the review and evaluation of drug usage

5.3 Pharmacy Hours of Operation

5.3.1 The pharmacy's hours of operation are sufficient to meet the needs of patients and the medical staff. The Pharmacy Department hours of operation are as follows:

Monday – Friday 8:00 AM — 6:30 PM

Saturday – Sunday 8:00 AM — 6:30 PM

Holidays "Premium" 8:00 AM — 5:00 PM

Holiday	Start Time	End Time
New Year's Day	7:00 pm December 31	7:00 pm January 1
Memorial Day	7:00 am Monday	7:00 am Tuesday
Independence Day	7:00 am July 4	7:00 am July 5
Labor Day	7:00 am Monday	7:00 am Tuesday
Thanksgiving Day	7:00 am Thursday	7:00 am Friday
Christmas	7:00 pm December 24	7:00 pm December 25

5.3.2 A qualified registered pharmacist is present during normal business hours and a qualified registered pharmacist is available off-site during off hours to verify orders and answer any medication related questions. A qualified registered pharmacist is on-call after normal business hours if an urgent request requires them to be on-site.

5.3.3 Pharmacists (full-time) are scheduled to work 80 hours per pay period. Part-time and relief pharmacists are scheduled as needed. Pharmacy Technicians (full-time) are scheduled to work 80 hours per pay period. Part-time and relief Pharmacy Technicians are generally assigned to work weekends but also may be scheduled to work during the week as needed.

5.3.4 Pharmacists and Pharmacy Technicians rotate weekends and holidays. The Pharmacy department is staffed with at least two Pharmacists and four Pharmacy Technicians Monday through Sunday of each week. There is one pharmacy technician assigned to prepare IV admixtures daily.

5.3.5 The minimum staffing level required to perform basic distribution functions is one pharmacist and two pharmacy technicians. When this situation occurs one technician will prepare IV and one technician will cover other departments.

5.3.5.1 Staffing levels may need to be regulated according to patient census and acuity, and volume of employee prescriptions.

5.3.5.2 "Seasonal" times of the year may require additional staffing. Additional staffing is also required when inventory is taken twice yearly.

5.4 Pharmacy Areas of Responsibility

5.4.1 Pharmacy (including dispensing, storage, and preparation areas)

5.4.2 Drug storage in patient care areas (e.g., including nursing units and all other

Imperial Valley Healthcare District

Title: Scope of Pharmacy Services & Staffing Guidelines		Policy No. CLN-02951
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areas where drugs are stored or administered)

5.4.3 Emergency drug supplies

5.4.4 Drug storage refrigerators

5.5 Assessment and Alteration of Scope of Services

5.5.1 The pharmacy periodically assesses its scope of services and, as necessary, alters the scope to meet changing patient –care needs.

6.0 References: Not applicable

7.0 Attachment List: Not applicable

8.0 Summary of Revisions:

8.1 Revised IVHD PMH

8.2 Modified Holidays to note closure 0800-1700 vs closing at 1830 on PMH premium pay holidays

8.3 Added Premium Holidays Observed table

Title: Self-Pay Discount/Cash Prices		Policy No. DPS-00601
		Page 1 of 3
Current Author: Cynthia Ramirez Veliz		Effective: 11/25/2015
Latest Review/Revision Date 04/17/2026		Manual: Dept Specific / Patient Accounting

Collaborating Departments: CFO		Keywords: Discount		
Approval Route: List all required approval				
MARCC X	PSQC	Other:		
Clinical Service _____	MSQC	MEC	BOD X	

Note: If any of the sections of your final layout are not needed do not delete them, write "not applicable".

1.0 Purpose:

- 1.1 To provide all self-pay patients a discounted price for services rendered, who have no applicable insurance or third party coverage. All adjustments should be reviewed for appropriateness and include the necessary level approvals prior to adjustment. Discounts will only be guaranteed for patients without healthcare coverage and/or who do not qualify for Medi-Cal or charity programs.

2.0 Scope: District wide

3.0 Policy:

- 3.1 Patients must meet the following criteria in order to receive the above referenced discount:
 - 3.1.1 Patients may not have any type of government insurance or any other third party payer that would cover any portion of their hospitalization.
 - 3.1.2 Discounts are ONLY for hospital charges.
 - 3.1.3 Self-pay discounts are not allowed for copays or deductibles, since this is a covered person's contractual financial obligation with their insurance.
 - 3.1.4 Employees and/or physicians are subject to the same discount amounts as the rest of IVHD patients.
 - 3.1.5 Physicians are not employees of the hospital; therefore, separate bills for physician services may follow. These might include bills from the patient's private physician, emergency room physicians, radiologists, pathologists, and/or anesthesiologists.
 - 3.1.6 Elective services and cash deposits are to be paid in full, in advance of the expected service date or upon discharge, unless financial arrangements are made.

4.0 Definitions:

- 4.1 Adjustments which are to be considered arbitrary or judgmental in nature such as charity care, administrative adjustments, flat rate allowance, balance transfers, bad debt write-offs do require approval.
- 4.2 CDLD – Center for Digestive and Liver Disease
- 4.3 SCAP – Specialty Center at Pioneers
- 4.4 SHAP – Surgical Health at Pioneers
- 4.5 WHAP – Women's Health Center at Pioneers
- 4.6 URO – Urology Center at Pioneers
- 4.7 FY – Fiscal Year (July to June)

Title: Self-Pay Discount/Cash Prices		Policy No. DPS-00601
		Page 2 of 3
Current Author: Cynthia Ramirez Veliz		Effective: 11/25/2015
Latest Review/Revision Date 04/17/2026		Manual: Dept Specific / Patient Accounting

5.0 Procedure:

- 5.1 Inpatient Discount
 - 5.1.1 All self-pay patients who are admitted will be charged for the inpatient stay 120% above the Medicare DRG reimbursement.
 - 5.1.2 Pediatric patients will be charged a per diem of \$3135.
 - 5.1.3 Nursery Intermediate will be charged a per diem of \$1,650.
- 5.2 OB Inpatient
 - 5.1.2 All Obstetrics self-pay patients will be given the OB package price. <See policy ADM-00315; OB Cash Discount>
- 5.3 Rural Health Clinics (Calexico, Brawley, El Centro, Women's & Children Health Centers)
 - 5.3.1 Flate Rate \$200.00 per visit.
 - 5.3.2 Sports Physicals will be charge a flat rate of \$44.
 - 5.3.3 Circumcisions will be charged a flat rate of \$385.
- 5.4 Emergency Room
 - 5.4.1 All self-pay patients will receive a percentage of payment to charges. This discount is 60% of total billed charges.
- 5.5 Outpatient Surgery (includes Cath services)
 - 5.5.1 All self-pay patients will be offered 120% of Medicare Rate as payment in full.
 - 5.5.2 Cash Prices for Gastrointestinal GI Procedures which include consults and post op consults, will be billed at 120% of the Medicare Fee-For-Service Program Rate. A complete order and list of CPT codes is required by the operating and/or attending physician prior to scheduling of services.
- 5.6 Outpatient Services – Physical Therapy, Speech Therapy and OT Therapy
 - 5.6.1 All self-pay patients will receive a percentage of payment to charges. This discount is 60% of total billed charges.
- 5.7 Outpatient Services – Wound Care
 - 5.7.1 All self-pay patients will be offered 120% of Medicare Rate as payment in full.
- 5.8 Outpatient Services –Specialty Services
 - 5.8.1 All self-pay patients will receive a percentage of payment to charges. This discount is 60% of total billed charges.
- 5.9 Outpatient Services – Oncology
 - 5.9.1 All self-pay patients will receive a percentage of payment to charges. This discount is 60% of total billed charges.
- 5.10 All other Outpatient Services (not listed above)
 - 5.10.1 All self-pay patients will receive a percentage of payment to charges. This discount is 60% of total billed charges.
- 5.11 Discount percentages will be revised every fiscal year (July – June) and periodically at management's discretion.
- 5.12 Patients may contact the Patient Accounting Office at 760-351-3322 or 760-351-3323 to make necessary payment arrangements.
- 5.13 A deposit of 30% of the discounted amount listed below must be collected at the time of scheduling or on the date of service. The full discounted amount must be paid by the

Title: Self-Pay Discount/Cash Prices		Policy No. DPS-00601
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discharge date for outpatient services.

6.0 References: Not applicable

7.0 Attachment List: Not applicable

8.0 Summary of Revisions:

- 8.1 Inpatient Discounts changed from 100% to 120% of Medicare DRG Reimbursement.
- 8.2 RHC services will be billed at a flat rate of \$200 per visit, rather than a percent of total charges.
- 8.3 Outpatient surgeries will be billed at 120% of the Medicare rate, rather than as a percentage of total charges.
- 8.4 The discount for all other outpatient services has been revised to 60% of total charges.
- 8.5 Section 5.13 has been revised to require a 30% deposit, with the full discounted balance due by the date of discharge.

Title: Fire Plan		Policy No. EOC-00330
		Page 1 of 4
Current Author: Oscar Clemente		Effective: 1/22/1996
Latest Review/Revision Date 02/2026		Manual: EOC – Fire Safety

Collaborating Departments: Engineering		Keywords: Disaster; RACE, Code RED		
Approval Route: List all required approval				
MARCC X	PSQC X	Other: <u>Safety Committee</u> X		
Clinical Service _____	MSQC X	MEC X	BOD X	

Note: *If any of the sections of your final layout are not needed do not delete them, write “not applicable”.*

1.0 Purpose:

- 1.1 The purpose of the Pioneers Memorial Hospital Fire Disaster Plan is to inform all hospital employees of procedures to be followed in case of a fire. This plan is designed to first and foremost guarantee the safety and wellbeing of all hospital patients, guests, and employees. Additionally, the plan strives to protect hospital property and to minimize the fire’s impact on hospital functions.
- 1.2 Fire extinguishers are located in strategic locations throughout the hospital building and grounds. There is an integrated alarm system, smoke detectors, and alarm boxes which, when activated, will notify the alarm company that calls the Brawley Fire Department, as well as the switchboard. It is imperative that hospital employees know the location of fire extinguishers, as well as alarm boxes nearest their work area. At the end of this plan there is a schematic locating all extinguishers, and alarm boxes. The hospital fire code to notify all hospital employees of the fire is CODE RED followed by the location.
- 1.3 The designated assembly areas during CODE RED are the area immediately outside the main entrance of the hospital and the south receiving lot behind dietary.

2.0 Scope: Hospital wide

3.0 Policy:

- 3.1 Pioneers Memorial Hospital operates under a defend-in-place strategy consistent with NFPA 101 Life Safety Code.
- 3.2 The proper response to fire or smoke is RACE
 - 3.2.1 R – Rescue patients immediately from fire or smoke area
 - 3.2.2 A – Pull fire alarm station and call emergency number, give exact location
 - 3.2.3 C – Contain the smoke or fire by closing all doors to rooms and corridors
 - 3.2.4 E – Extinguish the fire (*when safe to do so*)
 - 3.2.4.1 Rescue individuals from the immediate fire or smoke area. Always rescue people before pulling the fire alarm.
 - 3.2.4.2 Pull the fire alarm to report the fire. Be sure to take this step immediately after rescuing, so that the appropriate emergency response personnel are notified and can start to the scene of the fire
 - 3.2.4.3 Contain the fire and smoke by closing all doors in the area.
 - 3.2.4.4 After all doors are closed in the fire area, attempt to extinguish the fire if it is safe to do so. All employees will be familiar with the location and operation of fire extinguishers through the fire safety education program.

Title: Fire Plan		Policy No. EOC-00330
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Current Author: Oscar Clemente		Effective: 1/22/1996
Latest Review/Revision Date 02/2026	Manual: EOC – Fire Safety	

- 3.2.4.5 If fire or water threatens your area, initiate the following procedures:
 - 3.2.4.5.1 When in an area identified as having an emergency, report to the nearest nurse’s stations.
 - 3.2.4.5.2 If the fire is not in your area, be alert; be guided by the instructions of the nearest area Fire Marshal, or department director.

3.3 General Information

- 3.3.1 Remain calm.
- 3.3.2 Non-nursing personnel in nursing areas (such as housekeepers) will stay in that area and assist nursing personnel.
- 3.3.3 Do not use telephones except for emergency-related communications
- 3.3.4 Elevators are not to be used during a CODE RED.

3.4 If fire is of a minor nature and can be extinguished quickly and safely, it is still necessary to notify the operator of a CODE RED or pull a fire alarm.

- 3.4.1 Extinguish fire and immediately notify your supervisor who will complete a report and forward it to administration.
- 3.4.2 Assure patients and employees who smell smoke that everything is all right and that the fire has been extinguished.
- 3.4.3 Notify environmental services to clean up area.

3.5 Fire in Patient Rooms

- 3.5.1 Immediately sound alarm to alert other personnel. Remove any patients and guests in immediate danger to a safe area away from the fire.
- 3.5.2 Dial Extension 4444 and state “CODE RED” followed by the exact location. If the fire is not in the main hospital, otherwise use a fire alarm box.
- 3.5.3 Turn on hall lights.
- 3.5.4 Clinical personnel turn off oxygen near fire area and close all doors. Any guests will remain in the patient’s room.
- 3.5.5 Cardiopulmonary personnel will assist nursing in moving patients on oxygen and will provide portable oxygen, if needed.
- 3.5.6 Fight fire with fire extinguisher until help arrives. Position yourself between the fire and an exit so that you will not be cut off from escape. Employees are not expected to act as firefighters. Personal safety is the priority. Do not attempt to extinguish a fire if doing so would place you at risk
- 3.5.7 The order to evacuate the hospital is the responsibility of the senior administrative person on duty or the house supervisor.
- 3.5.8 If the alarm sounds during an operation, the attending physician is in full charge. His or her orders are to be followed.

3.6 Fire in Nursing Areas Other Than Patient Rooms

- 3.6.1 Turn on hall lights and close doors.
- 3.6.2 Any guests will remain in patient rooms.
- 3.6.3 Be prepared to shut off non-essential electrical power and oxygen.

3.7 Fire in Non-Nursing Areas:

- 3.7.1 If the fire is not located in the main hospital notify the operator on Emergency Line (Extension 4444).

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- 3.7.2 Escort patients and visitors to assembly areas.
- 3.7.3 Close fire doors, doors and windows to limit drafts.
- 3.7.4 Turn off all non-essential electrical equipment and turn on hall lights.
- 3.7.5 Fight fire, if possible, until help arrives, stationing yourself between the fire and an exit so as not to cut yourself off from escape.
- 3.8 Fire in Other Areas
 - 3.8.1 Close all doors and turn on lights.
 - 3.8.2 Turn off all non-essentials electrical supplies and gases.
 - 3.8.3 Leave one person in department for phone messages. The rest of the personnel, guests, and patients will report to the nearest safe assembly area.
 - 3.8.4 Evacuate via the stairwells (the elevators are not to be used). Patients will be evacuated in the following manner.
 - 3.8.4.1 Ambulatory patients and all guests will be directed or escorted away from the area first.
 - 3.8.4.2 Wheelchair patients next
 - 3.8.4.3 Non-ambulatory patients should be wrapped or covered with blankets and moved by nursing personnel or other designated personnel away from the fire towards the exits. Patients should not be evacuated in beds unless clinically necessary (e.g., ICU or non-ambulatory patients requiring life-sustaining equipment).
 - 3.8.4.4 Patients nearest the fire will be moved first. As an area is cleared, the house supervisor will check all rooms to make sure all patients and guests have been removed, and then shut the doors. After all patients have been removed, the patient’s charts and cardex should be removed to safety if at all possible.
 - 3.8.4.5 If safe, non-patient areas will be secured and the departments’ records and monies will be removed. The department director will inspect area to make sure all electrical and gas supplies are turned off, all window and doors are closed, and all personnel, patients and guests are out of the area before leaving.
 - 3.8.4.6 Take special consideration for evacuation of newborns/infants, patients on life-support systems, and patients on dialysis.
- 3.9 Recovery
 - 3.9.1 Authorize deactivation of all units when they are no longer needed.
 - 3.9.2 Notify all entities of planned deactivation.
 - 3.9.3 Ensure that any open actions not yet completed will be taken care of after deactivation.
 - 3.9.4 Ensure that all required forms and reports are completed prior to deactivation.
 - 3.9.5 Be prepared to provide input to critique of operation.
 - 3.9.6 Proclaim termination of the emergency and return to normal operation

4.0 Definitions: Not applicable

5.0 Procedure: Not applicable

Title: Fire Plan		Policy No. EOC-00330
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6.0 References:

- 6.1 NFPA 72, National Fire Alarm and Signaling Code. Current Edition 2025.
- 6.2 NFPA 101, Life Safety Code. Current Edition 2024.
- 6.3 NFPA 99, Health Care Facilities Code. Current Edition 2024.

7.0 Attachment List: Not applicable

8.0 Summary of Revisions:

- 8.1 Updated header to reflect current formatting standards.
- 8.2 Updated Current Author.
- 8.3 Updated Section 6.1 to reflect the current edition (2025) of NFPA 72, National Fire Alarm and Signaling Code.
- 8.4 Updated Section 6.2 to reflect the current edition (2024) of NFPA 101, Life Safety Code.
- 8.5 Updated Section 6.3 to reflect the current edition (2024) of NFPA 99, Health Care Facilities Code.
- 8.6 Revised policy terminology to replace “Pioneers Memorial Healthcare District (PMHD)” with “Pioneers Memorial Hospital” for consistency and hospital-specific applicability.
- 8.7 Updated Section 3.2.4.4 to correct grammatical errors and clarify fire extinguishment procedures for accuracy and professionalism.
- 8.8 Revised Section 3.5.6 to replace informal language with professional safety-focused wording emphasizing employee personal safety.
- 8.9 Corrected spelling in Section 3.2.4.5.2 from “Fire Marshall” to “Fire Marshal.”
- 8.10 Revised Section 3.8.4.3 to clarify patient evacuation procedures and allow bed evacuation when clinically necessary.
- 8.11 Updated Section 3.5.2 to clarify Code Line activation instructions and ensure clear emergency communication procedures.
- 8.12 Revised Section 3.3.3 to clarify telephone usage restrictions during a CODE RED and limit use to emergency-related communications.
- 8.13 Added Section 3.1 to formally state that Pioneers Memorial Hospital operates under a defend-in-place strategy consistent with NFPA 101 Life Safety Code to strengthen regulatory alignment and survey readiness.

IMPERIAL VALLEY HEALTHCARE DISTRICT

BOARD MEETING DATE: May 14, 2026

SUBJECT:

Authorize the execution of the Office Lease Agreement between El Centro Regional Medical Center (“ECRMC”) and Imperial Valley Healthcare District (“IVHD”).

BACKGROUND:

Imperial Valley Healthcare District is currently in the process of forming a Look-Alike Health Center, which is a community-based healthcare provider that provides primary and preventative care to underserved populations. Because the area of El Centro, CA has been surveyed as a location in need of non-emergency care, this lease agreement with ECRMC will help to provide a target location for such a center.

KEY ISSUES: Location: 1271 Ross Ave, Suite E, El Centro, CA 92243-4304

Fees	Frequency	Total
Base Rent	Monthly	\$6,897.50
Security Deposit	One-time fee	\$6,897.50
Parking- 2 reserved spaces	Monthly	\$200.00
Janitorial, electrical & IT costs	Monthly	6.3% based on square footage

CONTRACT VALUE: estimated cost of \$262,407.50 (*plus costs for janitorial, electrical & IT costs*)

CONTRACT TERM: Three Year term (June 1, 2026 – June 1, 2029)

BUDGETED: No

BUDGET CLASSIFICATION: Leases

RESPONSIBLE ADMINISTRATOR: Carly Loper, CFO

DATE SUBMITTED TO LEGAL: 5/7/26 **REVIEWED BY LEGAL:** Yes No

FIRST OR SECOND SUBMITTAL: 1st 2nd

RECOMMENDED ACTION:

That the Board authorizes the execution of the Office Lease Agreement between El Centro Regional Medical Center (“ECRMC”) and Imperial Valley Healthcare District (“IVHD”), as outlined.

**OFFICE LEASE BY AND BETWEEN EL CENTRO REGIONAL MEDICAL CENTER
AND IMPERIAL VALLEY HEALTHCARE DISTRICT**

1. Basic Provisions (“Basic Provisions”).

1.1 Parties. This Lease (“Lease”), dated for reference purposes only May ____, 2026, is made by and between El Centro Regional Medical Center, an agency of the City of El Centro (“Lessor”) and Imperial Valley Healthcare District, a California Healthcare District (“Lessee”) (collectively the “Parties,” or individually a “Party”).

1.2(a) Premises: That certain portion of the Property (as defined below), commonly known as: The Pediatrics Suite at 1271 Ross Ave., El Centro, California (“Premises”). The Premises are located in the County of Imperial, and consist of approximately 2,759 rentable square feet and approximately [redacted] of useable square feet. In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Areas (as defined in Paragraph 2.7 below) as hereinafter specified, but shall not have any rights to the roof, the exterior walls, the area above the dropped ceilings, or the utility raceways of the building containing the Premises (“Building”) or to any other buildings in the Property. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the “Property.” The Property consists of approximately 44,088 rentable square feet. (See also Paragraph 2)

1.2(b) Parking: Two (2) reserved vehicle parking spaces at a monthly cost of \$100 per reserved space. (See Paragraph 2.6)

1.3 Term: 3 years and 0 months (“Original Term”) commencing upon Lessor's substantial completion of construction of the Building and delivery of the Premises to Lessee (“Commencement Date”) and ending 3 years thereafter (“Expiration Date”). (See also Paragraph 3)

1.4 Early Possession: If the Premises are available Lessee may have non-exclusive possession of the Premises commencing N/A (“Early Possession Date”). (See also Paragraphs 3.2 and 3.3)

1.5 Base Rent: \$6,897.50 per month (“Base Rent”), payable on the first day of each month commencing on the Commencement Date. (See also Paragraph 4)

There are provisions in this Lease for the Base Rent to be adjusted. See Paragraph 56.

1.6 Early Termination. Notwithstanding any other provision in this Lease, if Lessee is denied FQHC approval or otherwise unable to utilize the Premises for the Agreed Use, then Lessee shall be allowed to terminate this Lease at any time during the Original Term with 30 days’ written notice to Lessor.

1.7 Base Rent and Other Monies Paid Upon Execution:

(a) Base Rent: \$6,897.50 for the period of the Term, commencing 1st month.

(b) Security Deposit: \$6,897.50 (“Security Deposit”). (See also Paragraph 5)

(c) Parking: \$200 for the period 1st month.

(e) Other: Lessee shall also be obligated to pay 6.3% of monthly janitorial, electrical, and IT Systems Solutions costs as determined by Lessor and subject to reasonable documentation. This calculation reflects a proportional allocation based on square footage of the Premises over the Property.

(f) Total Due Upon Execution of this Lease: \$13,795.00

1.8 Agreed Use: Federally Qualified Health Center (FQHC). (See also Paragraph 6)

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

1.10 Real Estate Brokers. (See also Paragraphs 15 and 26)

(a) Representation: The following real estate brokers (the "**Brokers**") and brokerage relationships exist in this transaction: None

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

1.11 Guarantor. The obligations of the Lessee under this Lease shall be guaranteed by N/A ("**Guarantor**"). (See also Paragraph 37)

1.12 Business Hours for the Building: 9:00 a.m. to 5:00 p.m., Mondays through Fridays (except Building Holidays). "**Building Holidays**" shall mean the dates of observation of New Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day, and any other holidays recognized by El Centro Regional Medical Center.

1.13 Lessor Supplied Services. Notwithstanding the provisions of Paragraph 12.1, Lessor is NOT obligated to provide the following within the Premises:

- Other (specify): Signage on monument sign as discussed.

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

- Addendum consisting of Paragraphs 52 through 60;
- Arbitration Agreement; Option to Extend Addendum.

2. Premises.

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

2.2 Condition. Lessor shall deliver the Premises to Lessee in a clean condition on the Commencement Date or the Early Possession Date, whichever first occurs ("**Start Date**"), and warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems ("**HVAC**"), and all other items which the Lessor is obligated to construct pursuant to the Work Letter attached hereto, if any, other than those constructed by Lessee, shall be in good operating condition on said date, that the structural elements of the roof, bearing walls and foundation of the Unit shall be free of material defects, and that the Premises do not contain hazardous levels of any mold or fungi defined as toxic under applicable state or federal law. Lessor also warrants that, unless otherwise specified in writing, Lessor is unaware of (i) any recorded Notices of Default affecting the Premises; (ii) any delinquent amounts due under any loan secured by the Premises; and (iii) any bankruptcy proceeding affecting the Premises.

2.3 Compliance. Lessor warrants that to the best of its knowledge the improvements on the Premises and the Common Areas comply with the building codes, applicable laws, covenants or restrictions of record, regulations, and ordinances ("**Applicable Requirements**") that were in effect at the time that each improvement, or portion thereof, was constructed. Said warranty does not apply to the use to which Lessee will put the Premises, modifications which may be required by the Americans with Disabilities Act or any similar laws as a result of Lessee's use (see Paragraph 50), or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a)) made or to be made by Lessee. NOTE: Lessee is responsible for determining whether or not the zoning and other Applicable Requirements are appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed. If the Premises do not comply with said warranty, Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same.

If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Premises, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Premises ("**Capital Expenditure**"), Lessor and Lessee shall allocate the cost of such work as follows:

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

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor shall pay for such Capital Expenditure and Lessee shall only be obligated to pay, each month during the remainder

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

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

2.4 Acknowledgements. Lessee acknowledges that: (a) it has been given an opportunity to inspect and measure the Premises, (b) Lessee has been advised by Lessor and/or Brokers to satisfy itself with respect to the size and condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler systems, security, environmental aspects, and compliance with Applicable Requirements), and their suitability for Lessee's intended use, (c) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefor as the same relate to its occupancy of the Premises, (d) it is not relying on any representation as to the size of the Premises made by Brokers or Lessor, (e) the square footage of the Premises was not material to Lessee's decision to lease the Premises and pay the Rent stated herein, and (f) neither Lessor, Lessor's agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (ii) it is Lessor's sole responsibility to investigate the financial capability and/or suitability of all proposed tenants.

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

2.6 Vehicle Parking. So long as Lessee is not in default, and subject to the Rules and Regulations attached hereto, and as established by Lessor from time to time, Lessee shall be entitled to rent and use the number of parking spaces specified in Paragraph 1.2(b) at the rental rate applicable from time to time for monthly parking as set by Lessor and/or its licensee.

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

(b) The monthly rent per parking space specified in Paragraph 1.2(b) is subject to change upon 30 days prior written notice to Lessee. The rent for the parking is payable one month in advance prior to the first day of each calendar month.

2.7 Common Areas — Definition. The term "**Common Areas**" is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Property and interior utility raceways and installations within the Premises that are provided and designated by the Lessor from time to time for the general nonexclusive use of Lessor, Lessee and other tenants of the Property and their respective employees, suppliers, shippers, customers, contractors and invitees, including, but not limited to, common entrances, lobbies, corridors, stairwells, public restrooms, elevators, parking areas, loading and unloading areas, trash areas, roadways, walkways, driveways and landscaped areas.

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

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

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

- (a) To make changes to the Common Areas, including, without limitation, changes in the location, size, shape and number of the lobbies, windows, stairways, air shafts, elevators, escalators, restrooms, driveways, entrances, parking spaces, parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways;
- (b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;
- (c) To designate other land outside the boundaries of the Property to be a part of the Common Areas;
- (d) To add additional buildings and improvements to the Common Areas;
- (e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Property, or any portion thereof; and
- (f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Property as Lessor may, in the exercise of sound business judgment, deem to be appropriate.

3. Term.

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

3.2 Early Possession. Any provision herein granting Lessee Early Possession of the Premises is subject to and conditioned upon the Premises being available for such possession prior to the Commencement Date. Any grant of Early Possession only conveys a non-exclusive right to occupy the Premises. If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such Early Possession. All other terms of this Lease shall be in effect during such period. Any such Early Possession shall not affect the Expiration Date.

3.3 Delay in Possession. Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession by such date, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease or change the Expiration Date. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until Lessor delivers possession of the Premises and any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession is not delivered within 60 days after the Commencement Date, as the same may be extended under the terms of any Work Letter executed by the Parties, Lessee may, at its option, by notice in writing within 10 days after the end of such 60-day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10-day period, Lessee's right to cancel shall terminate. If possession of the Premises is not delivered

within 120 days after the Commencement Date, this Lease shall terminate unless other agreements are reached between Lessor and Lessee, in writing.

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

4. Rent.

4.1 Rent Defined. All monetary obligations of Lessee to Lessor under the terms of this Lease, including but not limited to those amounts set forth in Paragraph 1.7 (except for the Security Deposit) are deemed to be rent ("**Rent**").

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

5. Operating Expenses.

5.1 Operating Expenses. Lessor shall bear the cost of all Operating Expenses, as hereinafter defined, during each calendar year of the term of this Lease, in accordance with the following provisions:

(a) "**Operating Expenses**" include all costs relating to the ownership and operation of the Property, including, but not limited to, the following:

(i) The operation, repair, and maintenance in neat, clean, safe, good order and condition, of the following:

(aa) The Common Areas, including their surfaces, coverings, decorative items, carpets, drapes and window coverings, and including parking areas, loading and unloading areas, trash areas, roadways, sidewalks, walkways, stairways, parkways, driveways, landscaped areas, striping, bumpers, irrigation systems, Common Area lighting facilities, building exteriors and roofs, fences and gates;

(bb) All heating, air conditioning, plumbing, electrical systems, life safety equipment, communication systems and other equipment used in common by, or for the benefit of, lessees or occupants of the Property, including elevators and escalators, tenant directories, fire detection systems including sprinkler system maintenance and repair;

(cc) The Premises and/or any other space occupied by a tenant.

(ii) The cost of trash disposal, janitorial and security services, pest control services, and the costs of any environmental inspections;

(iii) The cost of any other service to be provided by Lessor that is elsewhere in this Lease stated to be an **“Operating Expense”**;

(iv) The cost of the premiums for the insurance policies maintained by Lessor pursuant to Paragraph 8 and any deductible portion of an insured loss concerning the Building or the Common Areas;

(v) The amount of the Real Property Taxes payable by Lessor pursuant to Paragraph 10;

(vi) The cost of water, sewer, gas, electricity, and other publicly mandated services not separately metered;

(vii) Labor, salaries, and applicable fringe benefits and costs, materials, supplies and tools, used in maintaining and/or cleaning the Property and accounting and management fees attributable to the operation of the Property;

(viii) The cost to replace equipment or capital components such as the roof, foundations, or exterior walls, the cost to replace a Common Area capital improvement, such as the parking lot paving, elevators or fences, and/or the cost of any capital improvement to the Building or the Property not covered under the provisions of Paragraph 2.3. Provided however, that if such equipment or capital component has a useful life for accounting purposes of 5 years or more, Lessor shall allocate the cost of any such capital improvement over a 12-year period and Lessee shall not be required to pay more than Lessee's Share of 1/144th of the cost of such capital improvement in any given month;

(ix) The cost to replace equipment or improvements that have a useful life for accounting purposes of 5 years or less.

6. Security Deposit.

6.1 Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease, Lessor may use, apply or retain all or any portion of said

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

7. Use.

7.1 Use. Lessee shall use and occupy the Premises only for the Agreed Use, or any other legal use which is reasonably comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties. Other than guide, signal and seeing eye dogs, Lessee shall not keep or allow in the Premises any pets, animals, birds, fish, or reptiles. Lessor shall not unreasonably withhold or delay its consent to any written request for a modification of the Agreed Use, so long as the same will not impair the structural integrity of the improvements of the Building, will not adversely affect the mechanical, electrical, HVAC, and other systems of the Building, and/or will not affect the exterior appearance of the Building. If Lessor elects to withhold consent, Lessor shall within 7 days after such request give written notification of same, which notice shall include an explanation of Lessor's objections to the change in the Agreed Use.

7.2 Hazardous Substances.

(a) Reportable Uses Require Consent. The term "**Hazardous Substance**" as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a

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

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

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

(d) Lessee Indemnification. Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, or any third party (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from areas outside of the Property not caused or contributed to by Lessee). Lessee's

obligations shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

(e) Lessor Indemnification. Except as otherwise provided in Paragraph 9.7, Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which result from Hazardous Substances which existed on the Premises prior to Lessee's occupancy or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

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

(g) Lessor Termination Option. If a Hazardous Substance Condition (see Paragraph 9.1(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 7.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to remediate such condition exceeds 12 times the then monthly Base Rent or \$100,000, whichever is greater, give written notice to Lessee, within 30 days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within 10 days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to 12 times the then monthly Base Rent or \$100,000, whichever is greater. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation as soon as reasonably possible after the required funds are available. If Lessee does

not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

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

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

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

8.1 Lessee's Obligations. Notwithstanding Lessor's obligation to keep the Premises in good condition and repair, Lessee shall be responsible for the cost of painting, repairing or replacing wall coverings, and to repair or replace any Improvements within the Premises.

8.2 Lessor's Obligations. Subject to the provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 5.1 (Operating Expenses), 6 (Use), 8.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor shall keep in good order, condition and repair the Premises, the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler system, fire alarm and/or smoke detection systems, fire hydrants, and the Common Areas.

8.3 Utility Installations; Trade Fixtures; Alterations.

(a) Definitions. The term "**Utility Installations**" refers to all floor and window coverings, air lines, vacuum lines, power panels, electrical distribution, security and fire protection systems, communication cabling, lighting fixtures, HVAC equipment, and plumbing in or on the Premises. The term "**Trade Fixtures**" shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term "**Alterations**" shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. "**Lessee Owned Alterations and/or Utility Installations**" are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 8.4(a).

(b) Consent. Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Alterations or Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof, ceilings, floors or any existing walls, will not affect the electrical, plumbing, HVAC, and/or life safety systems, do not trigger the requirement for additional modifications and/or improvements to the Premises resulting from Applicable Requirements, such as compliance with Title 24, and the cumulative cost thereof during this Lease as extended does not exceed \$2,000. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor.

(c) Liens; Bonds. Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than 10 days notice prior to the commencement of any

work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to 150% of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys' fees and costs.

8.4 Ownership; Removal; Surrender; and Restoration.

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

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

(c) Surrender; Restoration. Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the Improvements, parts and surfaces thereof clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing, if the Lessee occupies the Premises for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures, Lessee Owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall also remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Property) to the level specified in Applicable Requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. Any personal property of Lessee not removed on or before the Expiration Date or any earlier termination date shall be deemed to have been abandoned by Lessee and may be disposed of or retained by Lessor as Lessor may desire. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 8.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 27 below.

9. Insurance; Indemnity.

9.1 Insurance Premiums. The cost of the premiums for the insurance policies maintained by Lessor pursuant to Paragraph 8 are included as Operating Expenses. Said costs shall include increases in the premiums resulting from additional coverage related to requirements of the holder of a mortgage or deed of trust covering the Premises, Building and/or Property, increased valuation of the Premises, Building and/or Property, and/or a general premium rate increase.

9.2 Liability Insurance.

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

(b) Carried by Lessor. Lessor shall maintain liability insurance as described in Paragraph 9.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

9.3 Property Insurance — Building, Improvements and Rental Value.

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

Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed \$5,000 per occurrence.

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

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

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

9.4 Lessee's Property; Business Interruption Insurance; Worker's Compensation Insurance.

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

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

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

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

9.5 Insurance Policies. Insurance required herein shall be by companies maintaining during the policy term a "**General Policyholders Rating**" of at least A-, VII, as set forth in the most current issue of "**Best's Insurance Guide**," or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such

insurance or certificates with copies of the required endorsements evidencing the existence and amounts of the required insurance. No such policy shall be cancelable or subject to modification except after 30 days prior written notice to Lessor. Lessee shall, at least 10 days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may increase its liability insurance coverage and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same.

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

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

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

of Paragraph 8. This provision shall be null and void if Lessor has failed to properly maintain the insurance required by this Lease.

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

10. Damage or Destruction.

10.1 Definitions.

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

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

(c) "**Insured Loss**" shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 9.3(a), irrespective of any deductible amounts or coverage limits involved.

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

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

10.2 Partial Damage — Insured Loss. If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is \$5,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said 10-day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 10.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

10.3 Partial Damage — Uninsured Loss. If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective 60 days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

10.4 Total Destruction. Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate 60 days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 10.6.

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

10.6 Abatement of Rent; Lessee's Remedies.

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

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

10.7 Termination; Advance Payments. Upon termination of this Lease pursuant to Paragraph 7.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

11. Real Property Taxes.

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

11.2 Payment of Taxes. Lessor shall pay the Real Property Taxes applicable to the Property.

11.3 Additional Improvements. Reserved.

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

11.5 Personal Property Taxes. Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within 10 days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

12. Utilities and Services.

12.1 Services Provided by Lessor. Lessor shall provide heating, ventilation, air conditioning, reasonable amounts of electricity for normal lighting and office machines, water for reasonable and normal drinking and lavatory use in connection with an office, and replacement light bulbs and/or fluorescent tubes and ballasts for standard overhead fixtures. Lessor shall also provide janitorial services to the Premises and Common Areas 5 times per week, excluding Building Holidays, or pursuant to the attached janitorial schedule, if any. Lessor shall not, however, be required to provide janitorial services to kitchens or storage areas included within the Premises.

12.2 Services Exclusive to Lessee. Notwithstanding the provisions of Paragraph 12.1, Lessee shall pay for all water, gas, heat, light, power, telephone and other utilities and services specially or exclusively supplied and/or metered exclusively to the Premises or to Lessee, together with any taxes thereon. If a service is deleted by Paragraph 1.13 and such service is not separately

metered to the Premises, Lessee shall pay at Lessor's option, either Lessee's Share or a reasonable proportion to be determined by Lessor of all charges for such jointly metered service.

12.3 Hours of Service. Said services and utilities shall be provided during times set forth in Paragraph 1.12. Utilities and services required at other times shall be subject to advance request and reimbursement by Lessee to Lessor of the cost thereof.

12.4 Excess Usage by Lessee. Lessee shall not make connection to the utilities except by or through existing outlets and shall not install or use machinery or equipment in or about the Premises that uses excess water, lighting or power, or suffer or permit any act that causes extra burden upon the utilities or services, including but not limited to security and trash services, over standard office usage for the Property. Lessor shall require Lessee to reimburse Lessor for any excess expenses or costs that may arise out of a breach of this subparagraph by Lessee. Lessor may, in its sole discretion, install at Lessee's expense supplemental equipment and/or separate metering applicable to Lessee's excess usage or loading.

12.5 Interruptions. There shall be no abatement of rent and Lessor shall not be liable in any respect whatsoever for the inadequacy, stoppage, interruption or discontinuance of any utility or service due to riot, strike, labor dispute, breakdown, accident, repair or other cause beyond Lessor's reasonable control or in cooperation with governmental request or directions.

13. Assignment and Subletting.

13.1 Lessor's Consent Required.

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, "assign or assignment") or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent.

(b) Unless Lessee is a corporation and its stock is publicly traded on a national stock exchange, a change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of 25% or more of the voting control of Lessee shall constitute a change in control for this purpose.

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

(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 14.1(d), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a

noncurable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, (i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to 110% of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.

(e) Lessee's remedy for any breach of Paragraph 14.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

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

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

13.2 Terms and Conditions Applicable to Assignment and Subletting.

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

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

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

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

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of \$500 as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested. (See also Paragraph 37)

(f) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment, entering into such sublease, or entering into possession of the Premises or any portion thereof, be

deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

(g) Lessor's consent to any assignment or subletting shall not transfer to the assignee or sublessee any Option granted to the original Lessee by this Lease unless such transfer is specifically consented to by Lessor in writing. (See Paragraph 40.2)

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

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

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

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

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

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

14. Default; Breach; Remedies.

14.1 Default; Breach. A "Default" is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A

"**Breach**" is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 9.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of 5 business days following written notice to Lessee. THE ACCEPTANCE BY LESSOR OF A PARTIAL PAYMENT OF RENT OR SECURITY DEPOSIT SHALL NOT CONSTITUTE A WAIVER OF ANY OF LESSOR'S RIGHTS, INCLUDING LESSOR'S RIGHT TO RECOVER POSSESSION OF THE PREMISES.

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

(d) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate or financial statements, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 42, (viii) material safety data sheets (MSDS), or (x) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Lessee.

(e) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 2.9 hereof, other than those described in subparagraphs 14.1(a), (b), (c) or (d), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30-day period and thereafter diligently prosecutes such cure to completion.

(f) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a "debtor" as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or

other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this subparagraph is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

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

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

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

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease, or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover any damages to which Lessor is otherwise entitled. If termination of this Lease is obtained through the provisional remedy of

unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 14.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 14.1. In such case, the applicable grace period required by Paragraph 14.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

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

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

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

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

installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

14.5 Interest. Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor when due shall bear interest from the 31st day after it was due. The interest ("**Interest**") charged shall be computed at the rate of 10% per annum but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 14.4.

14.6 Breach by Lessor.

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

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

15. Condemnation.

If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively "**Condemnation**"), this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than 10% of the rentable floor area of the Premises, or more than 25% of Lessee's Reserved Parking Spaces, if any, are taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within 10 days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within 10 days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided, however, that Lessee shall be entitled to any compensation paid by the condemnor for

Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefor. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation.

16. Brokerage Fees.

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

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

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

17. Estoppel Certificates.

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

(b) If the Responding Party shall fail to execute or deliver the Estoppel Certificate within such 10-day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the

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

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

18. Definition of Lessor.

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

19. Severability.

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

20. Days.

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

21. Limitation on Liability.

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

22. Time of Essence.

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

23. No Prior or Other Agreements; Broker Disclaimer.

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

24. Notices.

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

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

25. Waivers.

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

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

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

26. Disclosures Regarding The Nature of a Real Estate Agency Relationship.

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

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

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

confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(iii) Agent Representing Both Lessor and Lessee. A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Lessor and the Lessee in a transaction, but only with the knowledge and consent of both the Lessor and the Lessee. In a dual agency situation, the agent has the following affirmative obligations to both the Lessor and the Lessee: (a) A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Lessor or the Lessee. (b) Other duties to the Lessor and the Lessee as stated above in subparagraphs (i) or (ii). In representing both Lessor and Lessee, the agent may not without the express permission of the respective Party, disclose to the other Party that the Lessor will accept rent in an amount less than that indicated in the listing or that the Lessee is willing to pay a higher rent than that offered.

The above duties of the agent in a real estate transaction do not relieve a Lessor or Lessee from the responsibility to protect their own interests. Lessor and Lessee should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

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

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

27. No Right to Holdover.

Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 150% of the Base Rent applicable immediately preceding the expiration or termination. Holdover Base Rent shall be calculated on a monthly basis. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

28. Cumulative Remedies.

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

29. Covenants and Conditions; Construction of Agreement.

All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the

singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

30. Binding Effect; Choice of Law.

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

31. Subordination; Attornment; Non-Disturbance.

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

31.2 Attornment. In the event that Lessor transfers title to the Premises, or the Premises are acquired by another upon the foreclosure or termination of a Security Device to which this Lease is subordinated (i) Lessee shall, subject to the non-disturbance provisions of Paragraph 31.3, attorn to such new owner, and upon request, enter into a new lease, containing all of the terms and provisions of this Lease, with such new owner for the remainder of the term hereof, or, at the election of the new owner, this Lease will automatically become a new lease between Lessee and such new owner, and (ii) Lessor shall thereafter be relieved of any further obligations hereunder and such new owner shall assume all of Lessor's obligations, except that such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (b) be subject to any offsets or defenses which Lessee might have against any prior lessor; (c) be bound by prepayment of more than one month's rent; or (d) be liable for the return of any security deposit paid to any prior lessor.

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

Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

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

32. Attorneys' Fees.

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

33. Lessor's Access; Showing Premises; Repairs.

Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times after reasonable prior notice for the purpose of showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary or desirable and the erecting, using and maintaining of utilities, services, pipes and conduits through the Premises and/or other premises as long as there is no material adverse effect to Lessee's use of the Premises. All such activities shall be without abatement of rent or liability to Lessee. In addition, Lessor shall have the right to retain keys to the Premises and to unlock all doors in or upon the Premises other than to files, vaults and safes, and in the case of emergency to enter the Premises by any reasonably appropriate means, and any such entry shall not be deemed a forcible or unlawful entry or detainer of the Premises or an eviction. Lessee waives any charges for damages or injuries or interference with Lessee's property or business in connection therewith.

34. Auctions.

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

35. Signs.

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

36. Termination; Merger.

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

37. Consents.

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

38. Guarantor.

38.1 Execution. The Guarantors, if any, shall each execute a guaranty in the form most recently published by AIR CRE, including the authority of the party signing on Guarantor's behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty.

38.2 Default. It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect.

39. Quiet Possession.

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

40. Options.

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

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

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

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

40.4 Effect of Default on Options.

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

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 40.4(a).

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

41. Security Measures.

Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its

agents and invitees and their property from the acts of third parties. In the event, however, that Lessor should elect to provide security services, then the cost thereof shall be an Operating Expense.

42. Reservations.

(a) Lessor reserves the right: (i) to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, (ii) to cause the recordation of parcel maps and restrictions, (iii) to create and/or install new utility raceways, so long as such easements, rights, dedications, maps, restrictions, and utility raceways do not unreasonably interfere with the use of the Premises by Lessee. Lessor may also: change the name, address or title of the Building or Property upon at least 90 days prior written notice; provide and install, at Lessee's expense, Building standard graphics on the door of the Premises and such portions of the Common Areas as Lessor shall reasonably deem appropriate; grant to any lessee the exclusive right to conduct any business as long as such exclusive right does not conflict with any rights expressly given herein; and to place such signs, notices or displays as Lessor reasonably deems necessary or advisable upon the roof, exterior of the Building or the Property or on pole signs in the Common Areas. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate such rights. The obstruction of Lessee's view, air, or light by any structure erected in the vicinity of the Building, whether by Lessor or third parties, shall in no way affect this Lease or impose any liability upon Lessor.

(b) Lessor also reserves the right to move Lessee to other space of comparable size in the Building or Property. Lessor must provide at least 45 days prior written notice of such move, and the new space must contain improvements of comparable quality to those contained within the Premises. Lessor shall pay the reasonable out of pocket costs that Lessee incurs with regard to such relocation, including the expenses of moving and necessary stationary revision costs. In no event, however, shall Lessor be required to pay an amount in excess of two months Base Rent. Lessee may not be relocated more than once during the term of this Lease.

(c) Lessee shall not: (i) use a representation (photographic or otherwise) of the Building or Property or their name(s) in connection with Lessee's business; or (ii) suffer or permit anyone, except in emergency, to go upon the roof of the Building.

43. Performance Under Protest.

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

44. Authority; Multiple Parties; Execution.

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

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

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

45. Conflict.

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

46. Offer.

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

47. Amendments.

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

48. Waiver of Jury Trial.

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

49. Arbitration of Disputes.

An Addendum requiring the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease is attached to this Lease.

50. Accessibility; Americans with Disabilities Act.

(a) The Premises:

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

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

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

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

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY AIR CRE OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO: 1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE. 2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING AND SIZE OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

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

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

Executed at: _____

On: _____

LESSOR: El Centro Regional Medical Center,

an agency of the City of El Centro

By: _____

Name Printed: _____

Title: _____

Phone: _____

Fax: _____

Email: _____

Executed at: _____

On: _____

LESSEE: Imperial Valley Healthcare District dba Imperial Valley Health Centers

By: _____

Name Printed: _____

Title: _____

Phone: _____

Fax: _____

Email: _____

Address: _____

Federal ID No.: _____

LEASE ADDENDUM

This Lease Addendum (the "**Addendum**") is made and entered into by and between El Centro Regional Medical Center, an agency of the City of El Centro ("**Lessor**"), and Imperial Valley Healthcare District dba Imperial Valley Health Centers ("**Lessee**"), and is dated as of the date set forth on the first page of the Standard Multi-Tenant Office Lease between Lessor and Lessee ("**Lease**") to which this Addendum is attached. The promises, covenants, agreements and declarations made and set forth herein are intended to and shall have the same force and effect as if set forth at length in the body of the Lease. To the extent that the provisions of this Addendum are inconsistent with the terms and conditions of the Lease, the terms and conditions of this Addendum shall control. Capitalized terms used herein and not otherwise defined shall have the meanings given those terms in the Lease.

52. If any of the services provided from the Premises result in protests or demonstrations at the Property, Lessee shall discontinue such services upon notice from Lessor. Lessee also agrees not to dispense drugs, eyeglasses, surgical devices or medicine except to Lessee's own patients as an incidental part of, and in the ordinary course of business of, Lessee's practice. Lessee shall not allow any patient to reside in or remain in the Premises on an overnight or in-patient basis. Lessee shall not use any apparatus, machinery or device in or about the Premises which would make any noise or set up any vibration outside of the Premises. Lessee further agrees not to connect with electric wires, water or air pipes any apparatus, machinery or device not shown on suite improvement plans without the prior written consent of Lessor in accordance with Paragraph 7 of the Lease. All walls, ceilings, floors and doors of any rooms used for examination, diagnosis, testing or therapy shall be properly shielded and shall comply with all applicable laws and other requirements from time to time in effect.

53. Lessee hereby represents and warrants to Lessor that the operation of Lessee's business from the Premises for the Agreed Use hereunder and the condition of the Premises in connection therewith shall not require any compliance with the requirements of, or certification of compliance from, the California Office of Statewide Health Planning and Development ("OSHPD") or any similar governmental certifications due to the nature of Lessee's practice. Lessor shall not be liable for, and Lessee shall indemnify, defend and hold harmless Lessor from and against any liabilities, damages, claims, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees) arising in connection with any failure of the operation of Lessee's business to comply with, or any failure of the Premises to comply with, any requirements of OSHPD or other similar governmental entities. In the event any compliance with the requirements of OSHPD or any similar governmental entity is necessary in connection with the operation of business from the Premises by any assignee or subtenant of Lessee in accordance with the provisions of this Lease, Lessee shall be solely responsible for the cost of making any alterations or taking other necessary actions to cause such compliance and Lessor shall have no liability in connection therewith. Lessee's obligations under this Paragraph 53 are cumulative and in addition to all other obligations of Lessee under this Lease.

54. Medical Waste.

(a) The term "Medical Waste" shall mean the types of waste described in Section 117690 of the California Health and Safety Code and any similar type of waste ("Medical Waste"). The definition of "Hazardous Substance" in Paragraph 7.2(a) of the Lease shall be deemed to include Medical Waste. Unless specifically permitted under this Lease to use the Premises for FQHC uses in accordance with Paragraph 6, Lessee shall not cause or permit any Medical Waste to be brought, kept or used in or about the Premises or the Building by Lessee, its employees, agents, contractors or invitees.

(b) Lessee hereby agrees, at Lessee's sole expense, to dispose of its Medical Waste in compliance with all federal, state and local laws, rules and regulations relating to the disposal of Medical Waste and to dispose of the Medical Waste in a prudent and reasonable manner. Lessee shall not place any Medical Waste in refuse containers emptied by Lessor's janitorial staff or in the Building's refuse containers. At Lessor's option, in Lessor's reasonable discretion, if Lessee fails to keep Premises clean, Lessor shall have the right, upon sixty (60) days' advance written notice to Lessee, at any time and from time to time, to elect to provide Medical Waste disposal services to Lessee, in which event all costs incurred by Lessor in providing such services shall be paid by Lessee to Lessor as additional Rent. Lessor may bill Lessee for said costs based upon the actual cost of providing the services to Lessee (so long as the amount paid is comparable to an arm's length transaction with a non-affiliated provider or vendor), as determined by Lessor in Lessor's reasonable discretion, or Lessor may bill the expenses based upon Lessee's Share of the total cost of providing the services.

(c) Within ten (10) days following Lessor's written request, Lessee shall provide Lessor with any information requested by Lessor concerning the existence, generation or disposal of Medical Waste at the Premises, including, but not limited to, the following information: (a) the name, address and telephone number of the person employed by Lessee to dispose of Medical Waste, including a copy of any contract with the person, (b) a list of each type of Medical Waste generated by Lessee at the Premises and a description of how Lessee disposes of the Medical Waste, (c) a copy of any laws, rules or regulations in Lessee's possession relating to the disposal of the Medical Waste generated by Lessee, and (d) copies of any licenses or permits obtained by Lessee to generate or dispose of the Medical Waste. Lessee shall immediately provide to Lessor (without demand by Lessor) a copy of any notice, registration, application, permit, or license given to or received from any governmental authority or private party, or persons entering or occupying the Premises, concerning the presence, release, exposure or disposal of any Medical Waste in or about the Premises.

(d) Lessor shall have the right to employ experts and/or consultants in connection with its examination of the Premises and with respect to the generation and disposal of Medical Waste on or from the Premises. The costs and expenses of any such inspection shall be paid by Lessor, unless it is determined that Lessee is not disposing of its Medical Waste in a manner permitted by applicable laws, in which case Lessee shall immediately reimburse Lessor for the cost of such inspection.

55. Notwithstanding anything to the contrary in the Lease, Lessor and its agents, representatives or contractors shall not be obligated, pursuant to the janitorial services described in the Lease or otherwise, to dispose, remove or otherwise handle any hazardous, toxic, medical or infectious materials or Medical Waste, which Medical Waste shall be handled and disposed of by Lessee, at

Lessee's sole cost, in a safe and healthful manner, in accordance with all applicable governmental laws, rules and regulations. Lessee shall be obligated to remove or otherwise dispose of any such hazardous, toxic, medical or infectious materials from the Premises at its sole cost and expense and shall segregate and keep separate the same from all other refuse or rubbish to be removed by Lessor's janitorial service. The removal or other disposal of such hazardous, toxic, medical or infectious materials by Lessee shall be in strict accordance with any applicable law, ordinance, rule or regulation promulgated by any governmental or quasi-governmental agency or authority with jurisdiction thereof and with due care.

56. Commencing on the Commencement Date, Lessee shall pay to Lessor monthly Base Rent in accordance with the following schedule:

Period (In Months)	Monthly Base Rent
01-36	\$6,897.50

57. Lessor, at Lessor's sole cost and expense, shall provide Lessee with non-exclusive Building standard signage in the digital marketing display on the monument sign located immediately outside of the Building.

58. So long as no Lessee Default has occurred and is continuing, Lessor shall not lease space in the Building to a tenant who Lessor actually knows intends to operate a Competing Business. "Competing Business" is a business which has as its sole business activity in the Building the offering or providing of "Competing Services." It is understood and agreed that a business which offers or provides one or more Competing Services on an ancillary basis only and not as its sole product or service line in the Building shall not be a Competing Business for the purposes of this Lease. "Competing Services" shall include the following services offered in the Building: Federally Qualified Health Center (FQHC).

59. [Intentionally reserved for Security Deposit escalation terms, if applicable.]

60. Lessee's reserved parking spaces pursuant to Paragraph 1.2(b) of the Lease shall be in such locations as Lessor may designate from time to time.

ARBITRATION AGREEMENT — STANDARD LEASE ADDENDUM

Dated: May ___, 2026

By and Between Lessor: El Centro Regional Medical Center, an agency of the City of El Centro

Lessee: Imperial Valley Healthcare District dba Imperial Valley Health Centers

Property Address: 1271 Ross Ave., El Centro, California

A. ARBITRATION OF DISPUTES: Except as provided in Paragraph B below, the Parties agree to resolve any and all claims, disputes or disagreements arising under this Lease, including, but not limited to any matter relating to Lessor's failure to approve an assignment, sublease or other transfer of Lessee's interest in the Lease under Paragraph 12 of this Lease, any other defaults by Lessor, or any defaults by Lessee by and through arbitration as provided below and irrevocably waive any and all rights to the contrary. The Parties agree to at all times conduct themselves in strict, full, complete and timely accordance with the terms hereof and that any attempt to circumvent the terms of this Arbitration Agreement shall be absolutely null and void and of no force or effect whatsoever.

B. DISPUTES EXCLUDED FROM ARBITRATION: The following claims, disputes or disagreements under this Lease are expressly excluded from the arbitration procedures set forth herein: 1. Disputes for which a different resolution determination is specifically set forth in this Lease. 2. All claims by either party which (a) seek anything other than enforcement or determination of rights under this Lease, or (b) are primarily founded upon matters of fraud, willful misconduct, bad faith or any other allegations of tortious action, and seek the award of punitive or exemplary damages. 3. Claims relating to (a) Lessor's exercise of any unlawful detainer rights pursuant to applicable law or (b) rights or remedies used by Lessor to gain possession of the Premises or terminate Lessee's right of possession to the Premises, all of which disputes shall be resolved by suit filed in the applicable court of jurisdiction, the decision of which court shall be subject to appeal pursuant to applicable law. 4. Any claim or dispute that is within the jurisdiction of the Small Claims Court. 5. All claims arising under Paragraph 50 of this Lease.

C. APPOINTMENT OF AN ARBITRATOR: All disputes subject to this Arbitration Agreement shall be determined by binding arbitration before: a retired judge of the applicable court of jurisdiction (e.g., the Superior Court of the State of California) affiliated with Judicial Arbitration & Mediation Services, Inc. ("JAMS"), the American Arbitration Association ("AAA") under its commercial arbitration rules, or as may be otherwise mutually agreed by Lessor and Lessee (the "Arbitrator"). In the event that the parties elect to use an arbitrator other than one affiliated with JAMS or AAA then such arbitrator shall be obligated to comply with the Code of Ethics for Arbitrators in Commercial Disputes. Such arbitration shall be initiated by the Parties, or either of them, within ten (10) days after either party sends written notice (the "Arbitration Notice") of a demand to arbitrate by registered or certified mail to the other party and to the Arbitrator. The Arbitration Notice shall contain a description of the subject matter of the arbitration, the dispute with respect thereto, the amount involved, if any, and the remedy or determination sought. If the Parties have agreed to use JAMS they may agree on a retired judge from the JAMS panel. If they are unable to agree within ten days, JAMS will provide a list of

three available judges and each party may strike one. The remaining judge (or if there are two, the one selected by JAMS) will serve as the Arbitrator. If the Parties have elected to utilize AAA or some other organization, the Arbitrator shall be selected in accordance with said organization's rules. In the event the Arbitrator is not selected as provided for above for any reason, the party initiating arbitration shall apply to the appropriate Court for the appointment of a qualified retired judge to act as the Arbitrator.

D. ARBITRATION PROCEDURE:

1. PRE-HEARING ACTIONS. The Arbitrator shall schedule a pre-hearing conference to resolve procedural matters, arrange for the exchange of information, obtain stipulations, and narrow the issues. The Parties will submit proposed discovery schedules to the Arbitrator at the pre-hearing conference. The scope and duration of discovery will be within the sole discretion of the Arbitrator. The Arbitrator shall have the discretion to order a pre-hearing exchange of information by the Parties, including, without limitation, production of requested documents, exchange of summaries of testimony of proposed witnesses, and examination by deposition of parties and third-party witnesses. This discretion shall be exercised in favor of discovery reasonable under the circumstances. The Arbitrator shall issue subpoenas and subpoenas duces tecum as provided for in the applicable statutory or case law.
2. THE DECISION. The arbitration shall be conducted in the city or county within which the Premises are located at a reasonably convenient site. Any Party may be represented by counsel or other authorized representative. In rendering a decision(s), the Arbitrator shall determine the rights and obligations of the Parties according to the substantive laws and the terms and provisions of this Lease. The Arbitrator's decision shall be based on the evidence introduced at the hearing including all logical and reasonable inferences therefrom. The Arbitrator may make any determination and/or grant any remedy or relief that is just and equitable. The decision must be based on, and accompanied by, a written statement of decision explaining the factual and legal basis for the decision as to each of the principal controverted issues. The decision shall be conclusive and binding, and it may thereafter be confirmed as a judgment by the court of applicable jurisdiction, subject only to challenge on the grounds set forth in the applicable statutory or case law. The validity and enforceability of the Arbitrator's decision is to be determined exclusively by the court of appropriate jurisdiction pursuant to the provisions of this Lease. The Arbitrator may award costs, including without limitation, Arbitrator's fees and costs, attorneys' fees, and expert and witness costs, to the prevailing party, if any, as determined by the Arbitrator in his discretion. Whenever a matter which has been submitted to arbitration involves a dispute as to whether or not a particular act or omission (other than a failure to pay money) constitutes a Default, the time to commence or cease such action shall be tolled from the date that the Notice of Arbitration is served through and until the date the Arbitrator renders his or her decision. Provided, however, that this provision shall NOT apply in the event that the Arbitrator determines that the Arbitration Notice was prepared in bad faith. Whenever a dispute arises between the Parties concerning whether or not the failure to make a payment of money constitutes a default, the service of an Arbitration Notice shall NOT toll the time period in which to pay the money. The Party allegedly obligated to pay the money may, however, elect to pay the money "under

protest" by accompanying said payment with a written statement setting forth the reasons for such protest. If thereafter, the Arbitrator determines that the Party who received said money was not entitled to such payment, said money shall be promptly returned to the Party who paid such money under protest together with Interest thereon as defined in Paragraph 14.5. If a Party makes a payment "under protest" but no Notice of Arbitration is filed within thirty days, then such protest shall be deemed waived. (See also Paragraph 43 or 44)

OPTION(S) TO EXTEND — STANDARD LEASE ADDENDUM

Dated: April ___, 2026

By and Between Lessor: El Centro Regional Medical Center, an agency of the City of El Centro

Lessee: Imperial Valley Healthcare District dba Imperial Valley Health Centers

Property Address: 1271 Ross Ave., El Centro, California

A. OPTION(S) TO EXTEND: Lessor hereby grants to Lessee the option to extend the term of this Lease for two additional twenty-four (24) month period(s) commencing when the prior term expires upon each and all of the following terms and conditions:

(i) In order to exercise an option to extend, Lessee must give written notice of such election to Lessor and Lessor must receive the same at least nine but not more than twelve months prior to the date that the option period would commence, time being of the essence. If proper notification of the exercise of an option is not given and/or received, such option shall automatically expire. Options (if there are more than one) may only be exercised consecutively.

(iii) Except for the provisions of this Lease granting an option or options to extend the term, all of the terms and conditions of this Lease except where modified by this option shall apply.

(iv) This Option is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and without the intention of thereafter assigning or subletting.

(v) The monthly rent for each month of the option period shall be calculated as follows, using the method(s) indicated below:

Fixed Rental Adjustment(s) (FRA)

The Base Rent shall be in the following amounts on the dates set forth below:

Period	Monthly Base Rent
Months 1–24 (Extension Period)	\$_____ [to be agreed upon by the Parties]

IV. Initial Term Adjustments. The formula used to calculate adjustments to the Base Rate during the original Term of the Lease shall continue to be used during the extended term.

B. NOTICE: Unless specified otherwise herein, notice of any rental adjustments, other than Fixed Rental Adjustments, shall be made as specified in Paragraph 23 of the Lease.

C. BROKER'S FEE: The Brokers shall be paid a Brokerage Fee for each adjustment specified above in accordance with Paragraph 15 of the Lease or if applicable, Paragraph 9 of the Sublease.

Imperial Valley Hospital District Benefit Program

Overview of your Employee Benefits Program

Executive Summary

Merger Dependency and Underwriting Approach

The medical proposal assumes a combined program for both hospitals and is contingent upon completion of the merger, which is currently postponed with a potential target date of July 1, 2026.

- Proposal was underwritten using combined claims data from both organizations.
- Claims experience between the two hospitals varies significantly:
 - One hospital has stronger claims performance and represents more than ½ of total enrollment.
 - The other hospital has a significantly higher claims ratio, though it represents a smaller portion of the overall population.

Executive Summary

Impact if the Merger Is Delayed or Does Not Occur

If the merger is not completed prior to the plan effective date:

- The hospitals will need to be underwritten as separate employer groups.
- Each group will assume risk based on its own claims experience.
- Differences in cost will primarily emerge in:
 - Actual claims performance
 - Aggregate factors (variable or “soft dollar” components)
- To mitigate disruption, fixed costs have already been aligned across both organizations, including:
 - Stop loss premiums
 - Administrative fees
 - Other fixed program expenses
- This alignment ensures consistency and minimizes financial variability regardless of merger timing.

Stop Loss Renewal

Fixed Costs (Predictable Expenses)

Includes stop loss premiums and administrative costs.

- **Specific (Stop Loss) Premiums**
 - Berkley & Sun Life: +11% increase
- **Aggregate Coverage Premium**
 - Sun Life: Flat (no increase)
 - Berkley: -2% decrease
- **Annual Fixed Cost Comparison**
 - **Current** (combined): \$2.1M
 - **Renewal** (SunLife or Berkley): ~\$2.4M

Variable Costs (Claims-Driven Expenses)

Reflect estimated claims costs (medical + pharmacy). These fluctuate based on actual utilization.

- **Aggregate Factors (Claims Projections)**
 - **Sun Life:** Flat renewal
 - **Berkley:** +9% increase
- **Annual Variable Cost Comparison**
 - **Current** (combined): \$23.7M
 - **Renewal:**
 - Sun Life: \$23.9M
 - Berkley: \$24.4M

Community Hospital Insurance Coalition

(Berkley Captive Option)

CHIC Captive Program Overview

The CHIC Captive is a collaborative program of 50+ rural community hospitals designed to improve health plan performance through shared strategies and scale.

Key Advantages

Cost Containment & Network Optimization

- Domestic steerage strategies to guide care to lower-cost, high-quality providers
- Direct contracting opportunities through shared healthcare relationships
- Access to 340B savings programs
- Hospital-owned retail pharmacy integration

Carrier & Program Partnership

- Direct partnership with Berkley for stop loss
- Access to senior leadership for faster decision-making and issue resolution
- Proven performance since program inception (2018)

Collaboration & Shared Best Practices

- Ongoing collaboration with peer rural hospitals facing similar challenges
- **Shared strategies across leadership levels:**
 - HR: Workforce and benefit strategies
 - Finance (CFO): Cost management and risk mitigation
 - Executive/Board: Long-term planning and governance

Key Takeaway

Participation in the CHIC Captive provides scale, collaboration, and proven cost management strategies that are difficult to achieve independently—particularly for rural and community-based health systems.

Next Steps

- Board Approval of benefit plan renewal decisions:
 - Stop Loss Options:
 - Renew with SunLife
 - Join CHIC captive with Berkley as stop loss carrier
 - Stop Loss Deductible (\$250k, or explore higher deductible alternates)
 - Ancillary Plans:
 - Most plans remain under existing rate guarantees, and for those that were not, we successfully negotiated rate holds- resulting in no cost increases across all non-medical benefits
 - Finalize Employee Contribution Strategy
 - Must have renewal decisions first
- Open Enrollment meetings 5/18-5/22
- New Benefits are effective 7/1/2026

Appendix

Imperial Valley Healthcare District

FIXED COSTS - PREDICTABLE EXPENSES (ADMINISTRATIVE FEES FOR CLAIMS PROCESSING, NETWORK ACCESS, STOP LOSS PREMIUMS, ETC.)

PLAN DETAILS	Current - Sunlife	Renewal - Sunlife	Option 1- Berkley (CHIC)
	Self Insured	Self Insured	Self Insured
Domestic Reimbursement	0%	0%	0%
Carrier/TPA - 3 year contract 7/1/2025-7/1/2028	Meritain	Meritain	Meritain
PBM Name	Alluma	Alluma	Alluma
Provider Network	Aetna	Aetna	Aetna
Reinsurance Carrier	Sunlife	Sunlife	Berkley
Contract Terms			NNL / 55% RC
Specific Deductible	\$250,000	\$250,000	\$300,000
Specific Coverage	Paid Medical, RX	Paid Medical, RX	18/15 Medical, RX
Specific Contract Annual Maximum	Unlimited	Unlimited	Unlimited
Aggregating Specific Deductible	\$0	\$0	\$0
Aggregate Stop Loss Attachment Point	\$20,283,894	\$20,283,894	\$21,172,440
Aggregate Coverage	Paid Medical, RX	Paid Medical, RX	18/15 Medical, RX
Aggregate Contract Annual Maximum	\$1,000,000	\$1,000,000	\$1,000,000
ADMINISTRATIVE FEES			
Total Annual Administrative Cost (Claims Administration, Network Access, Case)	\$503,435.84	\$503,435.84	\$511,835.84
\$ Change			\$8,400
% Change			2%
MEDICAL STOP LOSS PREMIUMS			
Total Annual Reinsurance Cost	\$2,173,442.64	\$2,404,882.80	\$2,403,584.64
\$ Change		\$231,440	\$230,142
% Change		11%	11%
ORGAN TRANSPLANT POLICY PREMIUMS			
Total Annual Organ Transplant Policy Cost	\$173,428	\$193,789	\$193,789
\$ Change		\$20,360.64	\$20,361
% Change		12%	12%
Total Annual FIXED Costs - Predictable Expenses:	\$2,850,307	\$3,102,107	\$3,109,209
- Administrative Fees, Stop Loss and Organ Transplant Premiums			

Imperial Valley Healthcare District

AGGREGATE LIABILITY - VARIABLE COSTS

PLAN DETAILS		Current - Sunlife	Renewal - Sunlife	Option 1- Berkley (CHIC)
		Self Insured	Self Insured	Self Insured
AGGREGATE LIABILITY - VARIABLE COSTS				
- Claims Driven Expenses - fluctuate based on actual utilization				
Single	664	\$1,406	\$1,406	\$1,468
Family	538	\$1,406	\$1,406	\$1,468
Total Monthly Aggregate:		\$1,690,325	\$1,690,325	\$1,764,370
Inc %			0%	4%
Annual Aggregate Attachment Point:		\$20,283,894	\$20,283,894	\$21,172,440
Maximum Plan Exposure		\$23,734,201	\$23,986,002	\$24,281,649
Expected Cost		\$19,077,422	\$19,329,223	\$20,047,161
Maximum Plan Exposure Increase			\$251,801	\$547,448
Maximum Plan Exposure Increase			1%	2%

Imperial Valley Healthcare District

RECOMMENDED EMPLOYEE CONTRIBUTIONS

	Group Name:	Imperial Valley Hospital District			
	Effective Date:	7/1/2026			
	Per Month Premium (Fully Insured Equivalent)	Employer Contribution	Employee Contribution Monthly	Employee Contribution Per Pay Check	COBRA Rate (Incl 2%)
	EXPECTED PLAN EXPOSURE				
	Freedom				
Employee	\$ 927.13	\$ 751.05	\$ 176.08	\$ 81.27	\$ 945.67
Emp/Sp	\$ 2,064.66	\$ 1,503.53	\$ 561.13	\$ 258.98	\$ 2,105.95
Emp/Ch	\$ 1,689.27	\$ 1,237.81	\$ 451.46	\$ 208.37	\$ 1,723.06
Emp/Fam	\$ 2,815.46	\$ 2,116.68	\$ 698.78	\$ 322.51	\$ 2,871.77
	Independence				
Employee	\$ 830.33	\$ 755.94	\$ 74.39	\$ 34.33	\$ 846.94
Emp/Sp	\$ 1,826.93	\$ 1,449.50	\$ 377.43	\$ 174.20	\$ 1,863.47
Emp/Ch	\$ 1,494.56	\$ 1,191.31	\$ 303.25	\$ 139.96	\$ 1,524.45
Emp/Fam	\$ 2,490.92	\$ 1,986.33	\$ 504.59	\$ 232.89	\$ 2,540.74

Imperial Valley Healthcare District

RECOMMENDED EMPLOYEE CONTRIBUTIONS

	Group Name:	Imperial Valley Hospital District			
	Effective Date:	7/1/2026			
	MAXIMUM PLAN EXPOSURE				
	Freedom				
Employee	\$ 1,129.19	\$ 953.11	\$ 176.08	\$ 81.27	\$ 1,151.78
Emp/Sp	\$ 2,514.65	\$ 1,953.52	\$ 561.13	\$ 258.98	\$ 2,564.95
Emp/Ch	\$ 2,057.45	\$ 1,605.99	\$ 451.46	\$ 208.37	\$ 2,098.60
Emp/Fam	\$ 3,429.09	\$ 2,730.31	\$ 698.78	\$ 322.51	\$ 3,497.67
	Independence				
Employee	\$ 1,011.29	\$ 936.90	\$ 74.39	\$ 34.33	\$ 1,031.52
Emp/Sp	\$ 2,225.10	\$ 1,847.67	\$ 377.43	\$ 174.20	\$ 2,269.60
Emp/Ch	\$ 1,820.29	\$ 1,517.04	\$ 303.25	\$ 139.96	\$ 1,856.70
Emp/Fam	\$ 3,033.81	\$ 2,529.22	\$ 504.59	\$ 232.89	\$ 3,094.48

