



Hazel Hawkins

MEMORIAL HOSPITAL

**REGULAR MEETING OF THE FACILITIES AND FINANCE COMMITTEE
SAN BENITO HEALTH CARE DISTRICT
911 SUNSET DRIVE, HOLLISTER, CALIFORNIA
MONDAY, AUGUST 25, 2025 - 4:30 P.M.
SUPPORT SERVICES BUILDING, 2ND FLOOR – GREAT ROOM**

San Benito Health Care District is a public agency that serves as a responsive, comprehensive health care resource for its patients, physicians and the community.

1. Call to Order
2. Update on Current Projects
 - Project Dashboard – July 2025
3. Review Financial Updates
 - Financial Statements – July 2025
 - Finance Dashboard – July 2025
 - Supplemental Payments – no new information
4. Consider Recommendation for Board Approval of Commercial Lease Agreement with K&S Market, Inc.
 - Report
 - Committee Questions
 - Motion/Second
5. Public Comment

This opportunity is provided for members of the public to make a brief statement, not to exceed three (3) minutes, on matters within the jurisdiction of this District Board **Committee**, which are not on this agenda.
6. Adjournment



The next Facilities and Finance Committee meeting is scheduled for **Monday, September 22, 2025 at 4:30 p.m.**

The complete Facilities and Finance Committee packet, including subsequently distributed materials and presentations, is available at the Facilities and Finance Committee meeting and in the Administrative Offices of the District. All items appearing on the agenda are subject to action by the Facilities and Finance Committee. Staff and Committee recommendations are subject to change by the Facilities and Finance Committee.

Notes: Requests for a disability-related modification or accommodation, including auxiliary aids or services, to attend or participate in a meeting should be made to District Administration during regular business hours at 831-636-2673. Notification received 48 hours before the meeting will enable the District to make reasonable accommodations.

Project Dashboard - August Board

Project Name	Purpose	Start Date	Go Live	Status	Priority	Key Stakeholder	Update
ED Helipad	System is an AFFF system and no longer allowed in CA. Is required to be phased out due to being a hazardous chemical.	1/14/2025	TBD	In Progress	High	Doug Mays	HCAI emergency authorization has been granted. Site walk with all vendors and IOR on 7/9. Pending contract signed before demolition/removal of old system can begin.
BD Installation	New Pyxis Machines in ASC and ICU	12/4/2024	9/19/2025	In Progress	Medium	Naveen Ravela	Pending HCAI and city of Hollister approval, once finalized will perform remaining electrical work, floor scan and installation.
Lab Phase 1	Upgrading Analyzers (Validation Only)	6/1/2024	2/1/2026	In Progress	High	Bernadette Enderez	currently on 60-70% of the validation process. (project will not officially close out until Lab Phase 2 is completed and ready analyzers to move to permanent location)
Lab Phase 2	Analyzer Replacement	6/3/2024	2/1/2026	In Progress	High	Bernadette Enderez	Contract has been finalized - planning preconstruction walkthroughs and contractor has sub contractors allocating and preparing resources

Project Dashboard - August Board

Wi-Fi-Upgrade	Wireless Infrastructure Upgrade	9/16/2024	9/1/2025	In Progress	High	Salomon Mercado	Med surg only location left, pending construction progress for HUGS project
Seismic	Upgrade to Meet HCAI Seismic Compliance & Safety Standards	TBD	TBD	Ongoing	High	Doug Mays	Pending final review of MTCAP and ROM submitted
*Verkada	Security / SSO + Door Access	3/11/2025	TBD	In Progress	High	Jorge Ramirez	HCAI has approved the project, pending contractor being assigned to issue building permit. Coordinating with vendor for onsite visit to get sample door/controller started to build the database
Boiler Replacement	Replace Existing Boiler to Enhance Efficiency & Reliability	1/10/2024	9/1/2025	In Progress	High	Doug Mays	Pending official closeout from HCAI compliance officer. Project construction is completed.
Physical Therapy Clinic Remodel	Expanding current location to help with ongoing demand	6/1/2025	TBD	In Progress	High	Jun Estrada	Kickoff call and initial planning has started. Key to new location has been received. Will meet with facilities, IT, security and internal team for continued planning and requirements.
Focus Sports Therapy	Renovate and expand Focus sports therapy clinic	7/1/2025	TBD	In Progress	Medium	Doug Mays	Pending proposal from architect

Project Dashboard - August Board

*Imaging Trailer Pad Make Ready	Treanor to help when MP starts	TBD	TBD	On Hold	Medium	Bernadette Enderez	Proposal Submitted, Treanor to provide recommendation.
CT Scanner	Replace		TBD	In Progress	High	Bernadette Enderez	Both CT's that we have need repairs. One needs a tube replaced. The CT in our ER is partially down until they arrive to begin repairs
MRI Upgrade	Proposal submitted	TBD	TBD	On Hold	Low	Bernadette Enderez	Proposal submitted
Totals							

TASK STATUS %

STATUS	COUNT	%
Not Started	0	0%
In Progress	11	79%
Overdue	0	0%
On Hold	2	14%
Ongoing	1	7%
Completed	0	0%
TOTAL	14	100%

estimated go-live
planned go live

PROJECT PRIORITY %		
PRIORITY	COUNT	%
High	11	79%
Medium	3	21%
Low	0	0%
TOTAL	14	100%



August 25, 2025

CFO Financial Summary for the District Board:

For the month ending July 31, 2025, the District's Net Surplus **(Loss)** is \$530,498 compared to a budgeted Surplus **(Loss)** of \$1,089,139. The District was under budget for the month by \$558,641.

Acute discharges were 162 for the month, under budget by 7 discharges or 4%. The ADC was 13.16 compared to a budget of 15.10. The ALOS was 2.52. The acute I/P gross revenue was under budget by **\$824,284 (11%)** while O/P services gross revenue was slightly under budget by **\$167,560** or **1%** under budget. ER I/P visits were 134 and ER O/P visits were over budget by 9 visits. The RHCs & Specialty Clinics treated 3,704 (includes 532 visits at the Diabetes Clinic) and 1,102 visits respectively.

Other Operating revenue exceeded budget by **\$433,434** due to an increase supplemental payment accruals.

Operating Expenses were under budget by **\$320,075** due mainly to: savings in Salary and Wages of \$290,298 and Employee Benefits of \$195,008 offsetting the overage in Registry of \$120,830thopedic surgery cases.

Non-operating Revenue exceeded budget by **\$22,223** due to the Auxiliary donating \$46,000 for a 2023 cargo van.

The SNFs ADC was **89.39** for the month. The Net Surplus **(Loss)** is \$141,589 compared to a budget of \$126,385.



HAZEL HAWKINS MEMORIAL HOSPITAL - COMBINED
HOLLISTER, CA 95023
FOR PERIOD 07/31/25

	CURRENT MONTH				YEAR-TO-DATE					
	ACTUAL 07/31/25	BUDGET 07/31/25	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 07/31/24	ACTUAL 07/31/25	BUDGET 07/31/25	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 07/31/24
GROSS PATIENT REVENUE:										
ACUTE ROUTINE REVENUE	3,378,550	3,497,490	(118,940)	(3)	3,525,032	3,378,550	3,497,490	(118,940)	(3)	3,525,032
SNF ROUTINE REVENUE	2,084,040	2,092,500	(8,460)	0	1,972,830	2,084,040	2,092,500	(8,460)	0	1,972,830
ANCILLARY INPATIENT REVENUE	3,716,245	4,543,000	(826,755)	(18)	4,638,265	3,716,245	4,543,000	(826,755)	(18)	4,638,265
HOSPITALIST\PEDS I\P REVENUE	175,198	0	175,198	0	0	175,198	0	175,198	0	0
TOTAL GROSS INPATIENT REVENUE	9,354,033	10,132,990	(778,957)	(8)	10,136,126	9,354,033	10,132,990	(778,957)	(8)	10,136,126
ANCILLARY OUTPATIENT REVENUE	30,638,214	30,924,445	(286,231)	(1)	28,201,616	30,638,214	30,924,445	(286,231)	(1)	28,201,616
HOSPITALIST\PEDS O\P REVENUE	118,671	0	118,671	0	0	118,671	0	118,671	0	0
TOTAL GROSS OUTPATIENT REVENUE	30,756,885	30,924,445	(167,560)	(1)	28,201,616	30,756,885	30,924,445	(167,560)	(1)	28,201,616
TOTAL GROSS PATIENT REVENUE	40,110,918	41,057,435	(946,518)	(2)	38,337,742	40,110,918	41,057,435	(946,518)	(2)	38,337,742
DEDUCTIONS FROM REVENUE:										
MEDICARE CONTRACTUAL ALLOWANCES	10,821,350	11,052,935	(231,586)	(2)	10,691,024	10,821,350	11,052,935	(231,586)	(2)	10,691,024
MEDI-CAL CONTRACTUAL ALLOWANCES	10,569,806	10,736,953	(167,147)	(2)	10,613,612	10,569,806	10,736,953	(167,147)	(2)	10,613,612
BAD DEBT EXPENSE	1,131,712	776,676	355,036	46	665,668	1,131,712	776,676	355,036	46	665,668
CHARITY CARE	70,086	31,739	38,347	121	1,214	70,086	31,739	38,347	121	1,214
OTHER CONTRACTUALS AND ADJUSTMENTS	5,218,951	4,905,168	313,783	6	4,510,102	5,218,951	4,905,168	313,783	6	4,510,102
HOSPITALIST\PEDS CONTRACTUAL ALLOW	71,366	0	71,366	0	0	71,366	0	71,366	0	0
TOTAL DEDUCTIONS FROM REVENUE	27,883,270	27,503,471	379,799	1	26,481,619	27,883,270	27,503,471	379,799	1	26,481,619
NET PATIENT REVENUE	12,227,647	13,553,964	(1,326,317)	(10)	11,856,122	12,227,647	13,553,964	(1,326,317)	(10)	11,856,122
OTHER OPERATING REVENUE	1,569,207	1,135,773	433,434	38	621,659	1,569,207	1,135,773	433,434	38	621,659
NET OPERATING REVENUE	13,796,854	14,689,737	(892,883)	(6)	12,477,782	13,796,854	14,689,737	(892,883)	(6)	12,477,782
OPERATING EXPENSES:										
SALARIES & WAGES	5,203,471	5,548,026	(344,555)	(6)	4,771,892	5,203,471	5,548,026	(344,555)	(6)	4,771,892
REGISTRY	665,129	525,385	139,744	27	479,102	665,129	525,385	139,744	27	479,102
EMPLOYEE BENEFITS	2,270,703	2,488,416	(217,713)	(9)	2,014,373	2,270,703	2,488,416	(217,713)	(9)	2,014,373
PROFESSIONAL FEES	1,702,716	1,644,784	57,932	4	1,368,632	1,702,716	1,644,784	57,932	4	1,368,632
SUPPLIES	1,243,955	1,323,687	(79,732)	(6)	1,058,394	1,243,955	1,323,687	(79,732)	(6)	1,058,394
PURCHASED SERVICES	1,517,318	1,355,855	161,463	12	1,210,970	1,517,318	1,355,855	161,463	12	1,210,970
RENTAL	214,764	169,755	45,009	27	120,495	214,764	169,755	45,009	27	120,495
DEPRECIATION & AMORT	321,716	315,203	6,513	2	318,704	321,716	315,203	6,513	2	318,704
INTEREST	5,745	19,870	(14,126)	(71)	6,082	5,745	19,870	(14,126)	(71)	6,082
OTHER	526,778	593,333	(66,555)	(11)	346,971	526,778	593,333	(66,555)	(11)	346,971
TOTAL EXPENSES	13,672,295	13,984,314	(312,019)	(2)	11,695,615	13,672,295	13,984,314	(312,019)	(2)	11,695,615
NET OPERATING INCOME (LOSS)	124,560	705,423	(580,864)	(82)	782,167	124,560	705,423	(580,864)	(82)	782,167

HAZEL HAWKINS MEMORIAL HOSPITAL - COMBINED
HOLLISTER, CA 95023
FOR PERIOD 07/31/25

	CURRENT MONTH				YEAR-TO-DATE			
	ACTUAL 07/31/25	BUDGET 07/31/25	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 07/31/24	ACTUAL 07/31/25	BUDGET 07/31/25	POS/NEG VARIANCE
NON-OPERATING REVENUE\EXPENSE:								
DONATIONS	46,000	20,000	26,000	130	5,654	46,000	20,000	26,000
PROPERTY TAX REVENUE	248,434	248,434	0	0	241,122	248,434	248,434	0
GO BOND PROP TAXES	181,114	181,114	0	0	175,915	181,114	181,114	0
GO BOND INT REVENUE\EXPENSE	(61,114)	(61,114)	0	0	(65,081)	(61,114)	(61,114)	0
OTHER NON-OPER REVENUE	12,824	16,399	(3,575)	(22)	14,266	12,824	16,399	(3,575)
OTHER NON-OPER EXPENSE	(22,650)	(22,742)	92	0	(27,863)	(22,650)	(22,742)	92
INVESTMENT INCOME	1,331	1,625	(294)	(18)	4,101	1,331	1,625	(294)
COLLABORATION CONTRIBUTIONS	0	0	0	0	0	0	0	0
TOTAL NON-OPERATING REVENUE/(EXPENSE)	405,939	383,716	22,223	6	348,115	405,939	383,716	22,223
NET SURPLUS (LOSS)	530,498	1,089,139	(558,641)	(51)	1,130,282	530,498	1,089,139	(558,641)
EBIDA	\$ 754,864	\$ 1,307,084	\$ (552,220)	(42.24)%	\$ 1,366,015	\$ 754,864	\$ 1,307,084	\$ (552,220)
EBIDA MARGIN	5.47%	8.90%	(3.43)%	(38.51)%	10.95%	5.47%	8.90%	(3.43)%
OPERATING MARGIN	0.90%	4.80%	(3.90)%	(81.19)%	6.27%	0.90%	4.80%	(3.90)%
NET SURPLUS (LOSS) MARGIN	3.85%	7.41%	(3.57)%	(48.14)%	9.06%	3.85%	7.41%	(3.57)%

HAZEL HAWKINS MEMORIAL HOSPITAL - ACUTE FACILITY

HOLLISTER, CA 95023

FOR PERIOD 07/31/25

	CURRENT MONTH				PRIOR YR				YEAR-TO-DATE					
	ACTUAL 07/31/25	BUDGET 07/31/25	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 07/31/24	ACTUAL 07/31/25	BUDGET 07/31/25	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 07/31/24	ACTUAL 07/31/25	BUDGET 07/31/25	POS/NEG VARIANCE	PERCENT VARIANCE
GROSS PATIENT REVENUE:														
ROUTINE REVENUE	3,378,550	3,497,490	(118,940)	(3)	3,525,032	3,378,550	3,497,490	(118,940)	(3)	3,525,032	3,378,550	3,497,490	(118,940)	(3)
ANCILLARY INPATIENT REVENUE	3,281,333	4,161,875	(880,542)	(21)	4,353,079	3,281,333	4,161,875	(880,542)	(21)	4,353,079	3,281,333	4,161,875	(880,542)	(21)
HOSPITALIST I/P REVENUE	175,198	0	175,198		0	175,198	0	175,198		0	175,198	0	175,198	
TOTAL GROSS INPATIENT REVENUE	6,835,081	7,659,365	(824,284)	(11)	7,878,111	6,835,081	7,659,365	(824,284)	(11)	7,878,111	6,835,081	7,659,365	(824,284)	(11)
ANCILLARY OUTPATIENT REVENUE	30,638,214	30,924,445	(286,231)	(1)	28,201,616	30,638,214	30,924,445	(286,231)	(1)	28,201,616	30,638,214	30,924,445	(286,231)	(1)
HOSPITALIST O/P REVENUE	118,671	0	118,671		0	118,671	0	118,671		0	118,671	0	118,671	
TOTAL GROSS OUTPATIENT REVENUE	30,756,885	30,924,445	(167,560)	(1)	28,201,616	30,756,885	30,924,445	(167,560)	(1)	28,201,616	30,756,885	30,924,445	(167,560)	(1)
TOTAL GROSS ACUTE PATIENT REVENUE	37,591,966	38,583,810	(991,844)	(3)	36,079,726	37,591,966	38,583,810	(991,844)	(3)	36,079,726	37,591,966	38,583,810	(991,844)	(3)
DEDUCTIONS FROM REVENUE ACUTE:														
MEDICARE CONTRACTUAL ALLOWANCES	10,521,135	10,779,124	(257,989)	(2)	10,439,130	10,521,135	10,779,124	(257,989)	(2)	10,439,130	10,521,135	10,779,124	(257,989)	(2)
MEDI-CAL CONTRACTUAL ALLOWANCES	10,460,684	10,636,201	(175,517)	(2)	10,500,531	10,460,684	10,636,201	(175,517)	(2)	10,500,531	10,460,684	10,636,201	(175,517)	(2)
BAD DEBT EXPENSE	1,098,471	771,676	326,795	42	681,501	1,098,471	771,676	326,795	42	681,501	1,098,471	771,676	326,795	42
CHARITY CARE	70,086	31,739	38,347	121	1,214	70,086	31,739	38,347	121	1,214	70,086	31,739	38,347	121
OTHER CONTRACTUALS AND ADJUSTMENTS	5,224,834	4,870,104	354,730	7	4,492,147	5,224,834	4,870,104	354,730	7	4,492,147	5,224,834	4,870,104	354,730	7
HOSPITALIST/PEDS CONTRACTUAL ALLOW	71,366	0	71,366		0	71,366	0	71,366		0	71,366	0	71,366	
TOTAL ACUTE DEDUCTIONS FROM REVENUE	27,446,576	27,088,844	357,732	1	26,114,524	27,446,576	27,088,844	357,732	1	26,114,524	27,446,576	27,088,844	357,732	1
NET ACUTE PATIENT REVENUE	10,145,389	11,494,966	(1,349,577)	(12)	9,965,203	10,145,389	11,494,966	(1,349,577)	(12)	9,965,203	10,145,389	11,494,966	(1,349,577)	(12)
OTHER OPERATING REVENUE	1,569,207	1,135,773	433,434	38	621,659	1,569,207	1,135,773	433,434	38	621,659	1,569,207	1,135,773	433,434	38
NET ACUTE OPERATING REVENUE	11,714,596	12,630,739	(916,143)	(7)	10,586,862	11,714,596	12,630,739	(916,143)	(7)	10,586,862	11,714,596	12,630,739	(916,143)	(7)
OPERATING EXPENSES:														
SALARIES & WAGES	4,156,203	4,446,501	(290,298)	(7)	3,781,915	4,156,203	4,446,501	(290,298)	(7)	3,781,915	4,156,203	4,446,501	(290,298)	(7)
REGISTRY	596,990	476,160	120,830	25	432,957	596,990	476,160	120,830	25	432,957	596,990	476,160	120,830	25
EMPLOYER BENEFITS	1,784,707	1,979,715	(195,008)	(10)	1,548,488	1,784,707	1,979,715	(195,008)	(10)	1,548,488	1,784,707	1,979,715	(195,008)	(10)
PROFESSIONAL FEES	1,700,506	1,642,284	58,222	4	1,366,422	1,700,506	1,642,284	58,222	4	1,366,422	1,700,506	1,642,284	58,222	4
SUPPLIES	1,121,648	1,225,433	(103,785)	(9)	948,931	1,121,648	1,225,433	(103,785)	(9)	948,931	1,121,648	1,225,433	(103,785)	(9)
PURCHASED SERVICES	1,412,802	1,251,817	160,985	13	1,125,740	1,412,802	1,251,817	160,985	13	1,125,740	1,412,802	1,251,817	160,985	13
RENTAL	194,660	159,619	35,041	22	119,229	194,660	159,619	35,041	22	119,229	194,660	159,619	35,041	22
DEPRECIATION & AMORT	282,199	276,162	6,037	2	279,580	282,199	276,162	6,037	2	279,580	282,199	276,162	6,037	2
INTEREST	5,745	19,870	(14,126)	(71)	6,082	5,745	19,870	(14,126)	(71)	6,082	5,745	19,870	(14,126)	(71)
OTHER	443,974	541,948	(97,974)	(18)	302,305	443,974	541,948	(97,974)	(18)	302,305	443,974	541,948	(97,974)	(18)
TOTAL EXPENSES	11,699,434	12,019,509	(320,075)	(3)	9,911,649	11,699,434	12,019,509	(320,075)	(3)	9,911,649	11,699,434	12,019,509	(320,075)	(3)
NET OPERATING INCOME (LOSS)														
NET OPERATING INCOME (LOSS)	15,163	611,230	(596,067)	(98)	675,213	15,163	611,230	(596,067)	(98)	675,213	15,163	611,230	(596,067)	(98)

HAZEL HAWKINS MEMORIAL HOSPITAL - ACUTE FACILITY
HOLLISTER, CA 95023
FOR PERIOD 07/31/25

	CURRENT MONTH				YEAR-TO-DATE			
	ACTUAL 07/31/25	BUDGET 07/31/25	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 07/31/24	ACTUAL 07/31/25	BUDGET 07/31/25	POS/NEG VARIANCE
NON-OPERATING REVENUE\EXPENSE:								
DONATIONS	46,000	20,000	26,000	130	5,654	46,000	20,000	26,000
PROPERTY TAX REVENUE	211,194	211,194	0	0	204,954	211,194	211,194	0
GO BOND PROP TAXES	181,114	181,114	0	0	175,915	181,114	181,114	0
GO BOND INT REVENUE\EXPENSE	(61,114)	(61,114)	0	0	(65,081)	(61,114)	(61,114)	0
OTHER NON-OPER REVENUE	12,824	16,399	(3,575)	(22)	14,266	12,824	16,399	(3,575)
OTHER NON-OPER EXPENSE	(17,602)	(17,694)	92	(1)	(21,675)	(17,602)	(17,694)	92
INVESTMENT INCOME	1,331	1,625	(294)	(18)	4,101	1,331	1,625	(294)
COLLABORATION CONTRIBUTIONS	0	0	0	0	0	0	0	0
TOTAL NON-OPERATING REVENUE/(EXPENSE)	373,747	351,524	22,223	6	318,135	373,747	351,524	22,223
NET SURPLUS (LOSS)	388,910	962,754	(573,845)	(60)	993,348	388,910	962,754	(573,845)

PRIOR YR
07/31/24PERCENT
VARIANCEPOS/NEG
VARIANCEBUDGET
07/31/25ACTUAL
07/31/25PRIOR YR
07/31/24PERCENT
VARIANCEPOS/NEG
VARIANCEBUDGET
07/31/25ACTUAL
07/31/25PRIOR YR
07/31/24PERCENT
VARIANCEPOS/NEG
VARIANCEBUDGET
07/31/25ACTUAL
07/31/25

HAZEL HAWKINS SKILLED NURSING FACILITIES
HOLLISTER, CA
FOR PERIOD 07/31/25

	CURRENT MONTH				YEAR-TO-DATE			
	ACTUAL 07/31/25	BUDGET 07/31/25	POS/NEG VARIANCE	PERCENT VARIANCE	PRIOR YR 07/31/24	ACTUAL 07/31/25	BUDGET 07/31/25	POS/NEG VARIANCE
GROSS SNF PATIENT REVENUE:								
ROUTINE SNF REVENUE	2,084,040	2,092,500	(8,460)	0	1,972,830	2,084,040	2,092,500	(8,460)
ANCILLARY SNF REVENUE	434,912	381,125	53,787	14	285,186	434,912	381,125	53,787
TOTAL GROSS SNF PATIENT REVENUE	2,518,952	2,473,625	45,327	2	2,258,016	2,518,952	2,473,625	45,327
DEDUCTIONS FROM REVENUE SNF:								
MEDICARE CONTRACTUAL ALLOWANCES	300,214	273,811	26,403	10	251,894	300,214	273,811	26,403
MEDI-CAL CONTRACTUAL ALLOWANCES	109,122	100,752	8,370	8	113,081	109,122	100,752	8,370
BAD DEBT EXPENSE	33,241	5,000	28,241	565	(15,833)	33,241	5,000	28,241
CHARITY CARE	0	0	0	0	0	0	0	0
OTHER CONTRACTUALS AND ADJUSTMENTS	(5,883)	35,064	(40,947)	(117)	17,955	(5,883)	35,064	(40,947)
TOTAL SNF DEDUCTIONS FROM REVENUE	436,694	414,627	22,067	5	367,096	436,694	414,627	22,067
NET SNF PATIENT REVENUE	2,082,258	2,058,998	23,260	1	1,890,920	2,082,258	2,058,998	23,260
OTHER OPERATING REVENUE	0	0	0	0	0	0	0	0
NET SNF OPERATING REVENUE	2,082,258	2,058,998	23,260	1	1,890,920	2,082,258	2,058,998	23,260
OPERATING EXPENSES:								
SALARIES & WAGES	1,047,268	1,101,525	(54,257)	(5)	989,978	1,047,268	1,101,525	(54,257)
REGISTRY	68,139	49,225	18,914	38	46,145	68,139	49,225	18,914
EMPLOYEE BENEFITS	485,996	508,701	(22,705)	(5)	465,885	485,996	508,701	(22,705)
PROFESSIONAL FEES	2,210	2,500	(290)	(12)	2,210	2,210	2,500	(290)
SUPPLIES	122,307	98,254	24,053	25	109,464	122,307	98,254	24,053
PURCHASED SERVICES	104,516	104,038	478	1	85,230	104,516	104,038	478
RENTAL	20,104	10,136	9,968	98	1,266	20,104	10,136	9,968
DEPRECIATION	39,517	39,041	476	1	39,123	39,517	39,041	476
INTEREST	0	0	0	0	0	0	0	0
OTHER	82,805	51,385	31,420	61	44,666	82,805	51,385	31,420
TOTAL EXPENSES	1,972,861	1,964,805	8,056	0	1,783,966	1,972,861	1,964,805	8,056
NET OPERATING INCOME (LOSS)	109,397	94,193	15,204	16	106,954	109,397	94,193	15,204
NON-OPERATING REVENUE\EXPENSE:								
DONATIONS	0	0	0	0	0	0	0	0
PROPERTY TAX REVENUE	37,240	37,240	0	0	36,168	37,240	37,240	0
OTHER NON-OPER EXPENSE	(5,048)	(5,048)	0	0	(6,188)	(5,048)	(5,048)	0
TOTAL NON-OPERATING REVENUE/(EXPENSE)	32,192	32,192	0	0	29,980	32,192	32,192	0
NET SURPLUS (LOSS)	141,589	126,385	15,204	12	136,934	141,589	126,385	15,204

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HAZEL HAWKINS MEMORIAL HOSPITAL
HOLLISTER, CA
For the month ended 07/31/25

	CURR MONTH 07/31/25	PRIOR MONTH 06/30/25	POS/NEG VARIANCE	PERCENTAGE VARIANCE	PRIOR YR 06/30/25
CURRENT ASSETS					
CASH & CASH EQUIVALENT	46,414,510	46,670,211	(255,700)	(1)	46,670,211
PATIENT ACCOUNTS RECEIVABLE	61,712,345	66,556,290	(4,843,945)	(7)	66,556,290
BAD DEBT ALLOWANCE	(7,410,556)	(7,062,672)	(347,884)	5	(7,062,672)
CONTRACTUAL RESERVES	(34,221,439)	(38,404,377)	4,182,938	(11)	(38,404,377)
OTHER RECEIVABLES	6,368,903	5,031,646	1,337,257	27	5,031,646
INVENTORIES	5,003,186	4,981,471	21,715	0	4,981,471
PREPAID EXPENSES	2,780,442	2,599,584	180,859	7	2,599,584
DUE TO\FROM THIRD PARTIES	(181,860)	(181,860)	0	0	(181,860)
TOTAL CURRENT ASSETS	80,465,533	80,190,293	275,240	0	80,190,293
ASSETS WHOSE USE IS LIMITED					
BOARD DESIGNATED FUNDS	5,515,847	5,234,864	280,983	5	5,234,864
TOTAL LIMITED USE ASSETS	5,515,847	5,234,864	280,983	5	5,234,864
PROPERTY, PLANT, AND EQUIPMENT					
LAND & LAND IMPROVEMENTS	3,370,474	3,370,474	0	0	3,370,474
BLDGS & BLDG IMPROVEMENTS	100,098,374	100,098,374	0	0	100,098,374
EQUIPMENT	46,397,595	46,216,122	181,474	0	46,216,122
CONSTRUCTION IN PROGRESS	4,486,240	4,324,809	161,431	4	4,324,809
GROSS PROPERTY, PLANT, AND EQUIPMENT	154,352,684	154,009,779	342,905	0	154,009,779
ACCUMULATED DEPRECIATION	(98,729,796)	(98,393,920)	(335,876)	0	(98,393,920)
NET PROPERTY, PLANT, AND EQUIPMENT	55,622,887	55,615,859	7,028	0	55,615,859
OTHER ASSETS					
UNAMORTIZED LOAN COSTS	321,473	327,215	(5,742)	(2)	327,215
PENSION DEFERRED OUTFLOWS NET	7,038,149	7,038,149	0	0	7,038,149
TOTAL OTHER ASSETS	7,359,622	7,365,364	(5,742)	0	7,365,364
TOTAL UNRESTRICTED ASSETS	148,963,890	148,406,380	557,510	0	148,406,380
RESTRICTED ASSETS	127,672	127,208	464	0	127,208
TOTAL ASSETS	149,091,562	148,533,588	557,974	0	148,533,588

HAZEL HAWKINS MEMORIAL HOSPITAL
HOLLISTER, CA
For the month ended 07/31/25

	CURR MONTH 07/31/25	PRIOR MONTH 06/30/25	POS/NEG VARIANCE	PERCENTAGE VARIANCE	PRIOR YR 06/30/25
CURRENT LIABILITIES					
ACCOUNTS PAYABLE	5,898,194	6,124,661	226,467	(4)	6,124,661
ACCRUED PAYROLL	3,884,598	3,467,229	(417,369)	12	3,467,229
ACCRUED PAYROLL TAXES	295,860	257,546	(38,315)	15	257,546
ACCRUED BENEFITS	4,850,693	5,074,320	223,627	(4)	5,074,320
OTHER ACCRUED EXPENSES	88,152	80,907	(7,246)	9	80,907
PATIENT REFUNDS PAYABLE	1,310	1,310	0	0	1,310
DUE TO\FROM THIRD PARTIES	4,701,466	4,701,466	0	0	4,701,466
OTHER CURRENT LIABILITIES	852,447	756,834	(95,612)	13	756,834
TOTAL CURRENT LIABILITIES	20,572,720	20,464,273	(108,448)	1	20,464,273
	=====	=====	=====	=====	=====
LONG-TERM DEBT					
LEASES PAYABLE	4,628,380	4,635,296	6,916	0	4,635,296
BONDS PAYABLE	28,506,361	28,534,881	28,520	0	28,534,881
TOTAL LONG TERM DEBT	33,134,740	33,170,177	35,436	0	33,170,177
	=====	=====	=====	=====	=====
OTHER LONG-TERM LIABILITIES					
DEFERRED REVENUE	0	0	0	0	0
LONG-TERM PENSION LIABILITY	23,814,514	23,814,514	0	0	23,814,514
TOTAL OTHER LONG-TERM LIABILITIES	23,814,514	23,814,514	0	0	23,814,514
	=====	=====	=====	=====	=====
TOTAL LIABILITIES	77,521,975	77,448,963	(73,012)	0	77,448,963
NET ASSETS:					
UNRESTRICTED FUND BALANCE	70,935,051	70,935,051	0	0	70,935,051
RESTRICTED FUND BALANCE	104,038	149,573	45,536	(30)	149,573
NET REVENUE/(EXPENSES)	530,498	0	(530,498)		0
TOTAL NET ASSETS	71,569,587	71,084,625	(484,963)	1	71,084,625
	=====	=====	=====	=====	=====
TOTAL LIABILITIES AND NET ASSETS	149,091,562	148,533,588	(557,974)	0	148,533,588
	=====	=====	=====	=====	=====



San Benito Health Care District
Hazel Hawkins Memorial Hospital
JULY 2025

Description	MTD Budget	MTD Actual	YTD Actual	YTD Budget	FYE Budget
Average Daily Census - Acute	15.10	13.16	13.16	15.10	15.00
Average Daily Census - SNF	90.00	89.39	89.39	90.00	90.00
Acute Length of Stay	2.77	2.52	2.52	2.77	2.80
<u>ER Visits:</u>					
Inpatient	142	134	134	142	1,638
Outpatient	2,048	2,057	2,057	2,048	27,053
Total	2,190	2,191	2,191	2,190	28,691
Days in Accounts Receivable	50.0	48.1	48.1	50.0	50.0
Productive Full-Time Equivalents	561.68	526.26	526.26	561.68	575.17
Net Patient Revenue	13,553,964	12,227,647	12,227,647	13,553,964	157,730,532
Payment-to-Charge Ratio	33.0%	30.5%	30.5%	33.0%	32.4%
Medicare Traditional Payor Mix	29.93%	28.19%	28.19%	29.93%	28.71%
Commercial Payor Mix	21.78%	26.02%	26.02%	21.78%	23.36%
Bad Debt % of Gross Revenue	1.89%	2.82%	2.82%	1.89%	1.89%
EBIDA	1,307,084	754,864	754,864	1,307,084	13,769,729
EBIDA %	8.90%	5.47%	5.47%	8.90%	7.98%
Operating Margin	4.80%	0.90%	0.90%	4.80%	3.79%
Salaries, Wages, Registry & Benefits %:					
by Net Operating Revenue	58.28%	58.99%	58.99%	58.28%	59.06%
by Total Operating Expense	61.22%	59.53%	59.53%	61.22%	61.39%
<u>Bond Covenants:</u>					
Debt Service Ratio - 1.25	8.38	4.84	4.84	8.38	7.36
Current Ratio - 1.50	2.00	3.91	3.91	2.00	2.00
Days Cash on hand - 30.00	97.22	107.59	107.59	97.22	110.00
Met or Exceeded Target					
Within 10% of Target					
Not Within 10%					

Statement of Cash Flows
Hazel Hawkins Memorial Hospital
Hollister, CA
one month ending July 31, 2025

	CASH FLOW		COMMENTS
	Current Month 7/31/2025	Current Year-To-Date 7/31/2025	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	\$530,498	\$530,498	
Depreciation	335,876	335,876	
(Increase)/Decrease in Net Patient Accounts Receivable	1,008,891	1,008,891	
(Increase)/Decrease in Other Receivables	(1,337,257)	(1,337,257)	
(Increase)/Decrease in Inventories	(21,715)	(21,715)	
(Increase)/Decrease in Pre-Paid Expenses	(180,859)	(180,859)	
(Increase)/Decrease in Due From Third Parties	0	0	
Increase/(Decrease) in Accounts Payable	(226,467)	(226,467)	
Increase/(Decrease) in Notes and Loans Payable	0	0	
Increase/(Decrease) in Accrued Payroll and Benefits	232,056	232,056	
Increase/(Decrease) in Accrued Expenses	7,246	7,246	
Increase/(Decrease) in Patient Refunds Payable	0	0	
Increase/(Decrease) in Third Party Advances/Liabilities	0	0	
Increase/(Decrease) in Other Current Liabilities	95,612	95,612	
Net Cash Provided by Operating Activities:	(86,617)	(86,617)	Semi-Annual Int. - 2005 GO & 2021 Revenue Bonds
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Property, Plant and Equipment	(342,905)	(342,905)	
(Increase)/Decrease in Limited Use Cash and Investments	0	0	
(Increase)/Decrease in Other Limited Use Assets	(280,983)	(280,983)	Bond Principal & Int Payment - 2014 (2005) & 2021 Bonds
(Increase)/Decrease in Other Assets	5,742	5,742	Amortization
Net Cash Used by Investing Activities	(618,146)	(618,146)	
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase/(Decrease) in Capital Lease Debt	(6,916)	(6,916)	
Increase/(Decrease) in Bond Mortgage Debt	(28,520)	(28,520)	
Increase/(Decrease) in Other Long Term Liabilities	0	0	2014 GO Principal & Refinancing of 2013 Bonds with 2021 Bonds
Net Cash Used for Financing Activities	(35,436)	(35,436)	
(INCREASE)/DECREASE IN RESTRICTED ASSETS	(46,000)	(46,000)	
Net Increase/(Decrease) in Cash	(255,701)	(255,701)	
Cash, Beginning of Period	46,670,211	46,670,211	
Cash, End of Period	\$46,414,510	\$46,414,510	\$0

Cost per day to run the District	\$430,664	\$42,866,565	Budgeted Cash on Hand
Operational Days Cash on Hand	107.77	\$3,547,945	Variance

LEASE AGREEMENT

Between

LANDLORD:

**K&S MARKET, INC.
A California Corporation**

And

TENANT:

**SAN BENITO HEALTH CARE DISTRICT
A Public Agency**

PREMISES:

**890 Sunset Drive, Suite A-2A
Hollister, California 95023**

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THIS LEASE AGREEMENT ("Lease") is made and entered into on the date hereafter set forth by and between K&S MARKET, INC., a California Corporation, and SAN BENITO HEALTH CARE DISTRICT, a Public Agency, hereinafter referred to as "Landlord" and "Tenant", respectively.

The parties hereto agree as follows:

1. LEASE/USE. Landlord hereby leases to Tenant and Tenant hereby hires from Landlord, for the purposes of conducting therein the practice of medicine, and for no other purposes, those certain premises with appurtenances described hereinafter set forth.

2. PREMISES. The premises leased to Tenant, together with appurtenances, consist of 3,000 square feet, more or less, being all of the second floor level of Building A (the "Building"), known as Suite A-2A, 890 Sunset Drive, Hollister, California (the "Premises").

Tenant acknowledges that it has examined the Premises before taking possession hereunder. Tenant further acknowledges that such taking of possession shall be conclusive evidence as against Tenant that at the time thereof the Premises are in good order and satisfactory condition, that there are no representations or warranties by Landlord regarding the condition of the Premises or the Property (as hereinafter defined) or the suitability thereof for Tenant's proposed use or improvements (if any), and that the Premises are accepted in an "AS IS", "WHERE IS" condition, and Landlord shall have no obligation to improve the same in any way, except as otherwise provided herein.

3. TERM/POSSESSION. The initial term of this Lease shall be for a period of three (3) years, commencing on September 1, 2025 (the "Commencement Date") and terminating on August 31, 2028, as the same may be extended pursuant to the provisions of Paragraph 5 below. The initial term, together with any extension pursuant to the exercise of Tenant's option to extend, shall constitute the "Term" of this Lease.

4. RENT. Monthly rent shall be paid by Tenant to Landlord in the following amounts during the Term of this Lease.

Term	Rent
September 1, 2025 through September 30, 2025	\$0 per month
October 1, 2025 through October 31, 2025	\$5,226.00 per month
November 1, 2025 through August 31, 2026	\$5,487.00 per month
September 1, 2026 through August 31, 2027	\$5,706.00 per month
September 1, 2027 through August 31, 2028	\$5,934.00 per month

Such rent shall be paid, in advance, commencing on the first day of each and every calendar month set forth herein and continuing on the same date of each month thereafter during the Term of this Lease. All payments received by Landlord from Tenant shall be applied to the oldest payment obligation owed by Tenant to Landlord. No designation by Tenant, either in a separate writing or on a check or money order, shall modify this clause or have any force or effect. All rent shall be paid to Landlord's agent, A.G. Davi at 484-D Washington Street, Monterey, California 93942, or to such other person or at such other place as Landlord may from time to time designate in writing and shall be paid in lawful money of the United States of America without deduction, offset, prior notice, or demand.

In the event of a Chronic Delinquency (as hereinafter defined), at Landlord's option, Landlord shall have the right, in addition to all other remedies under this Lease and at law, to require that rent be paid by Tenant quarterly, in advance. This provision shall not limit in any way, nor be construed as a waiver of the rights and remedies of Landlord provided herein or by law in the event of delinquency. "Chronic Delinquency" shall mean failure by Tenant to pay rent, or any other payments required to be paid by Tenant under this Lease, within five (5) days after written notice thereof for any three (3) months (consecutive or non-consecutive) during any twelve (12) month period.

5. OPTION TO EXTEND TERM. Tenant shall have one (1) option to extend the Term of this Lease for a period of three (3) years (the "Option Period") on all of the provisions contained herein, except for the monthly rent which shall be determined as set forth below. Exercise of the option hereunder shall be by giving written notice of exercise of the option (the "Option Notice") to Landlord at least three (3) months, but not more than six (6) months, before expiration of the Term of this Lease; provided, however, that if Tenant is in Default (as defined in Paragraph 30, below) on the date of giving the Option Notice, the Option Notice shall be totally ineffective; or if Tenant is in Default on the date the Option Period is to commence, the Option Period shall not commence, and this Lease shall expire at the end of the Term. If Tenant fails to exercise its option in the manner and within the times provided herein, then this Lease shall terminate at the end of the Term.

Monthly rent due during each year of the Option Period, if the option is exercised, shall be paid as provided for payment of rent during the initial three (3) year Term in Paragraph 4 above, but in the following amounts:

Term	Monthly Rent
September 1, 2028 through August 31, 2029	\$6,171.00 per month
September 1, 2029 through August 31, 2030	\$6,418.00 per month
September 1, 2030 through August 31, 2031	\$6,675.00 per month

6. SECURITY DEPOSIT. Landlord acknowledges receipt of a previous deposit in the sum of One Thousand Five Hundred Dollars (\$1,500.00) as a security deposit for the performance by Tenant of all the terms, covenants, conditions, agreements of this Lease. In the event Tenant breaches any term, covenant, condition or agreement of this Lease, Landlord may use the security deposit, or any portion of it, to cure the breach or to compensate Landlord for all costs, expenses and damages sustained by Landlord resulting from Tenant's breach. On written demand by Landlord, Tenant shall immediately deposit with Landlord a sum equal to the portion of the security deposit necessary to increase the same to the One Thousand Five Hundred Dollars (\$1,500.00) initially deposited with Landlord. In the event Tenant shall not then be in Default (as hereinafter defined) as to any of the terms, covenants, conditions or agreements of this Lease on expiration or termination of this Lease, Landlord shall return said security deposit to Tenant. Landlord's obligations with respect to this security deposit are those of a debtor and not a trustee. No interest shall accrue or be paid on the security deposit and Landlord may commingle it, use it in the ordinary course of business, or in any other way, and may assign or transfer the same.

7. LATE CHARGE. Tenant acknowledges that late payment to Landlord of rent and other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Accordingly, if any installment of rent or any other sum due from Tenant is not received by Landlord within five (5) days after such amount shall be due, Tenant shall pay to Landlord a charge equal to six percent (6%) of the outstanding obligation plus any costs and attorneys' fees incurred by Landlord by reason of Tenant's failure to pay rent and/or other

charges when due hereunder. The parties hereby agree that such late charge represents a fair and reasonable estimate of costs Landlord will incur by reason of late payment by Tenant. Acceptance of such late charge by Landlord shall in no event constitute a waiver of Tenant's Default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder.

8. RETURNED CHECKS. Returned checks are considered as unpaid rent and as such Tenant will be charged a six percent (6%) late charge and a Twenty-Five Dollar (\$25.00) non-sufficient funds or NSF fee for all returned checks. In the event of a returned check, the amount in question will be due immediately, payable by money order or cashier's check only, including the late charge and non-sufficient funds fee.

9. REAL PROPERTY TAXES. Tenant covenants during the Term of this Lease or any extension thereof, to pay monthly with the rent Tenant's pro-rata share of any and all real property taxes (as defined below) levied upon the real property commonly known as 890 Sunset Drive, Hollister, California, including all buildings and improvements constructed thereon (collectively, the "Property"). Tenant's share shall be 52.0100% of the real property taxes levied upon the Property. All payments due under this Paragraph 9 shall be deemed additional rent.

The term "real property taxes" as used herein shall be deemed to mean all general and special real property taxes and assessments and governmental levies and charges of any and every kind, nature and sort whatsoever, ordinary and extraordinary, foreseen and unforeseen, and substitutes therefor or supplements thereto, including the cost to Landlord of any appeals or contests of any taxes or assessments, except any inheritance, estate, succession, transfer or gift tax imposed on Landlord or any income tax specifically payable by Landlord as a separate tax-paying entity without regard to Landlord's income source as arising from or out of the Property which may be levied or assessed by any lawful authority against the Property applicable to the period from the Commencement Date until the expiration or sooner termination of this Lease.

All real estate property taxes for the tax year in which the Term commences and for the tax year in which this Lease terminates shall be apportioned and adjusted so that Tenant shall not be responsible for taxes and assessments for a period of time occurring prior to the time the Term commences or subsequent to the Term.

10. INSURANCE REIMBURSEMENT. Tenant covenants during the Term of this Lease or any extension to reimburse Landlord for Tenant's pro-rata share of any and all insurance costs paid by Landlord for the Property along with the monthly rent. Tenant's share shall be 52.0100%. Each year Landlord shall adjust said monthly cost to reflect the actual cost. All payments due under this Paragraph 10 shall be deemed additional rent.

11. PERSONAL PROPERTY TAXES. During the Term of this Lease and any extension hereof, Tenant shall pay prior to delinquency all taxes assessed against and levied upon fixtures, furnishings, equipment and all other personal property of Tenant contained in the Premises, and when possible, Tenant shall cause said fixtures, furnishings, equipment and other personal property to be assessed and billed separately from the Building. In the event any or all of the Tenant's fixtures, furnishings, equipment and other personal property shall be assessed and taxed with the Building, the Tenant shall pay to Landlord any taxes levied or assessed against Tenant's personal property within ten (10) days after delivery to Tenant by Landlord of a statement in writing setting forth the amount of such taxes applicable to the Tenant's property.

12. PARKING AND COMMON FACILITIES. The Lease of said Premises includes appurtenant rights of access to the same by Tenant, and Tenant's clients, employees, agents, and invitees, through the Common Area (as hereinafter defined) of the Property upon which the Building is located and through the Common Area of the Building and the non-exclusive right of Tenant and said persons to park vehicles in any designated spaces within the Common Area. Landlord covenants that the Common Area of the Property includes, but is not limited to, all areas and facilities outside the Premises within the Building and on the Property upon which the Building is located that are provided and designated by Landlord from time to time for the general use and convenience of Tenant and other tenants of the Building and the Property upon which the Building is located, and their respective authorized clients, customers, authorized representatives, employees, agents, and invitees and includes, without limitation, any sidewalks, corridors, stairways, lobbies, balconies, parking lots, as well as landscaping surrounding the Building, elevator(s), restrooms, hallways and decks of the Building in which the Premises are situated but which are outside of the Premises.

Tenant, and its clients, customers, employees, agents, and invitees, and other authorized representatives, shall have the non-exclusive right in common with Landlord, and other present and future owners, tenants and their agents, employees, customers, licensees and subtenants, to use said Common Area during the Term of this Lease, or any extension thereof, for the uses for which they were designed, including but not limited to ingress and egress, roadway, sidewalk and automobile parking, provided that the condemnation or other taking by any public authority, or sale in lieu of condemnation, of any or all of such Common Area shall not constitute a violation of this covenant.

During the Term of this Lease or any extension of the Term hereof, Landlord shall keep or cause to be kept the Common Area in neat, clean and orderly condition, properly lighted and landscaped, and shall repair any damage to the facilities thereof, but all expenses in connection with the operation, maintenance and repair of such Common Area (the "Operating Costs") shall be charged and prorated in the manner hereinafter set forth.

As used herein, "Operating Costs" shall mean all costs of operating, maintaining and repairing the Common Area, the Building, and the Property, and including without limitation the following: all taxes and assessments (including, but not limited to, real and personal property taxes and assessments, local improvement district assessments and other special purpose assessments) to be paid for by Landlord for the Property under Paragraph 9 hereof; insurance premiums paid by Landlord and (to the extent used) deductibles for insurance applicable to the Property under Paragraph 10; water, sewer, lighting, janitorial and all other cleaning services; refuse and trash removal and all other utility charges (other than utilities separately metered and paid directly by Tenant or other tenants); refurbishing, repainting and flooring replacement to the extent serving areas other than just the Premises; heating, ventilation and air conditioning ("HVAC") service, repair and replacement when necessary; elevator service, monitoring and maintenance; power washing; plumbing; main sewer clean out; pest control; lighting systems; fire sprinkler and/or standpipe and hose or other automatic fire extinguishing system; fire alarm and/or smoke detection systems and equipment including inspection and monitoring; back flow devices and fire hydrants maintenance; parking lot, road, sidewalk and driveway patching, resurfacing, re-stripping and maintenance; walkways, driveways, planting, landscaping, fences and utility systems serving the Common Area, Building and Property; any fees payable to third parties (whether or not affiliated with Landlord) to manage the operation of the Common Area, Property and Building; personnel to implement such services and to police the Common Area; repair, maintenance, and, where reasonably required, replacement of signage, bumpers, directional signs and other markers; gutter and roof cleaning, maintenance and repair; bird control and prevention; graffiti removal and repainting; a reasonable allowance to Landlord for Landlord's supervision of said Common Area, Building and Property (but

said cost of supervision shall not exceed in any calendar year ten percent (10%) of the total of the aforementioned expenses for said calendar year) and any other cost Landlord deems necessary in the operation, maintenance and repair of the Common Area, the Building and the Property.

Tenant shall pay to Landlord on the first day of each month with payment of monthly rent one-twelfth of Tenant's pro rata share of Operating Costs, which amount is determined in the manner set forth below. Tenant's pro rata share of the Operating Costs is 52.0100%, except for Tenant's pro rata share of the elevator expenses which shall be 100.0000%, and the common area metered utilities set forth in Paragraph 13 below, which Tenant shall pay along with the monthly rent.

Tenant shall pay to Landlord Operating Costs pursuant to the following procedure:

(i) Landlord shall provide to Tenant, on or before the Commencement Date, a good faith estimate of annual Operating Costs for the calendar year in which the Commencement Date occurs. Landlord shall also provide to Tenant, as soon as possible following the first day of each succeeding calendar year, a good faith estimate of Tenant's annual pro rata share of Operating Costs for the then-current year.

(ii) Each estimate of Tenant's annual pro rata share of Operating Costs determined by Landlord, as described above, shall be divided into twelve (12) equal monthly installments. Tenant shall pay to Landlord such monthly installment of Operating Costs with each monthly payment of rent. In the event the estimated amount of Tenant's pro rata share of Operating Costs has not yet been determined for any calendar year, Tenant shall pay the monthly installment in the estimated amount determined for the preceding calendar year until the estimate for the current calendar year has been provided to Tenant. When the estimate for the current calendar year is received, Tenant shall then pay any shortfall or receive a credit for any surplus for the preceding months of the current calendar year and shall, thereafter, make the monthly installment payments in accordance with the current estimate.

(iii) As soon as reasonably possible following the end of each calendar year during the Term, Landlord shall provide to Tenant a statement (the "Operating Costs Statement") setting forth the amount of Operating Costs actually incurred and the amount of Tenant's pro rata share of Operating Costs actually payable by Tenant with respect to such calendar year. In the event the amount of Tenant's pro rata share of Operating Costs exceeds the sum of the monthly installments actually paid by Tenant for such calendar year, Tenant shall pay to Landlord the difference within ten (10) days following receipt of the Operating Costs Statement. In the event the sum of the monthly installments actually paid by Tenant for such calendar year exceeds the amount of Tenant's pro rata share of Operating Costs actually due and owing, the difference shall be applied as a credit to Tenant's future pro rata share of Operating Costs payable by Tenant pursuant to this Paragraph, or if the Term has expired, the excess shall be refunded to Tenant within thirty (30) days after delivery of such Operating Costs Statement. All payments due under this Paragraph 12 shall be deemed additional rent. There shall be appropriate adjustment of Tenant's share of such charges as of the commencement and expiration of the Term of this Lease.

Tenant, in the use of said Common Area, agrees to comply with such reasonable rules and regulations as the Landlord may adopt from time to time for the orderly and proper operation of said Common Area.

Landlord shall have the right to close, if necessary, all or any portion of the Common Area to such extent as may in the opinion of Landlord's counsel be necessary or desirable in order to prevent a dedication thereof or the accrual or any rights of any person or of the public therein; to close temporarily

all or any portion of the Common Area to discourage non-customer use; to use portions of the Common Area while engaged in making additional improvements or repairs or alterations to the center; and to do and perform such other acts in, to, or with respect to the Common Area as Landlord, in its sole judgment, shall determine to be appropriate for the center.

Landlord shall have the right to increase or reduce the Common Area, and to rearrange the parking spaces, driveways, entrances, exits, traffic lanes and the boundaries and locations of such parking area or areas as well as the improvements on and within the Common Area. Tenant shall not park in any parking spaces which are presently reserved for other tenants at the Property, unless otherwise directed by Landlord. Landlord shall have the sole right to place vending or amusement devices and public telephones in the Common Area.

13. UTILITIES. Tenant shall pay before delinquency all charges for water, gas, heat, electricity, power, telephone service, internet service, garbage and recycling collection, and all other services or utilities used in, upon, or about the Premises by Tenant or any of its subtenants, licensees, or concessionaires during the Term of this Lease, or any extension thereof, provided that such utilities are billed separately and directly to Tenant by the entities supplying the same.

In the event that certain utilities at said Premises are commonly metered, said commonly metered utility costs shall be included in the monthly Operating Costs payable by Tenant to Landlord in Paragraph 12 above. Tenant's pro rata share of the common area metered utilities is 52.0100%, except for Tenant's pro rata share of the elevator expenses which shall be 100.0000%, which Tenant shall pay along with the monthly rent. All payments due under this Paragraph 13 shall be deemed additional rent. There shall be appropriate adjustment of Tenant's share of such charges as of the commencement and expiration of the Term of this Lease.

14. WASTE. Tenant shall not commit, or suffer to be committed, any waste upon the Premises, or any nuisance, or other act or thing which may disturb the quiet enjoyment of any other tenant in or around the Building in which the Premises may be located.

15. ESTIMATED REIMBURSEMENT STATEMENTS. Landlord and Tenant agree that Landlord may at Landlord's option elect to estimate the approximate reimbursement of the aforementioned Common Area, real estate property tax, insurance and utility costs on a monthly basis. Tenant agrees to pay said amount along with Tenant's monthly rent. Landlord and Tenant further agree that Landlord shall review the aforementioned estimated reimbursement amount and Landlord shall adjust said amount to reflect the actual annual costs.

16. USES PROHIBITED. Tenant shall not use, or permit said Premises, or any part thereof, to be used for any other purpose or purposes other than the purpose or purposes for which said Premises are hereby leased; and no use shall be made or permitted to be made of said Premises nor acts done, which will increase the existing rate of insurance upon the Building in which said Premises may be located (once said rate is established), or cause a cancellation of any insurance policy covering said Building or any part thereof, nor shall Tenant sell or permit to be kept, used or sold in or about said Premises any article which may be prohibited by standard form of fire insurance policies. Tenant shall, at its sole cost, comply with any and all requirements, pertaining to the use of said Premises, of any insurance organization or company necessary for the maintenance or reasonable fire and public liability insurance, covering said Building and appurtenances. In the event Tenant's use of the Premises, as recited in Paragraph 1 hereof, results in a rate increase for the Building of which the Premises are a part,

Tenant shall pay annually on the anniversary date of this Lease, as additional rent, a sum equal to that of the additional premium occasioned by said rate increase.

17. HAZARDOUS SUBSTANCES. The term "Hazardous Substances," as used in this Paragraph 17, shall include, without limitation, flammables, explosives, radioactive materials, asbestos, polychlorinated biphenyls (PCBs), chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, toxic substances or related materials, petroleum and petroleum products, and substances declared to be hazardous or toxic under any law or regulation now or hereafter enacted or promulgated by any governmental authority.

17.1 Environmental Prohibitions. Tenant shall not cause or permit to occur:

(a) Any violation of any federal, state, or local law, ordinance, or regulation now or hereafter enacted, related to environmental conditions on, under, or about the Premises, or arising from Tenant's use or occupancy of the Premises, including, but not limited to, soil and groundwater conditions; or

(b) The use, generation, release, manufacture, refining, production, processing, storage, or disposal of any Hazardous Substance on, under, or about the Premises, or the transportation to or from the Premises of any Hazardous Substance arising from Tenant's use or occupancy of the Premises.

17.2 Environmental Compliance.

(a) Tenant shall, at Tenant's expense, comply with all laws regulating the use, generation, storage, transportation, or disposal of Hazardous Substances (the "Laws").

(b) Tenant shall, at Tenant's expense, make all submissions to, provide all information required by, and comply with all requirements of all governmental authorities (the "Authorities") under the Laws.

(c) If any Authority or any third party demands that a clean-up plan be prepared and that a clean-up be undertaken because of any deposit, spill, discharge, or other release of Hazardous Substances that occurs during the Term, at or from the Premises, or which arises at any time from Tenant's use or occupancy of the Premises, then Tenant shall, at Tenant's expense, prepare and submit the required plans and all related bonds and other financial assurances and Tenant shall carry out all work required by such clean-up plans.

(d) Tenant shall promptly provide all information regarding the use, generation, storage, transportation or disposal of Hazardous Substances at, on or from the Premises that is requested by Landlord. If Tenant fails to fulfill any duty imposed under this Paragraph 17.2, within a reasonable time, Landlord may do so; and reasonably in such case, Tenant shall cooperate with Landlord in order to prepare all documents Landlord reasonably deems necessary or appropriate to determine the applicability of the Laws to the Premises and Tenant's use thereof, and for compliance therewith, and, Tenant shall execute all documents promptly upon Landlord's request. No such action by Landlord and no attempt made by Landlord to mitigate damages, under any Law shall constitute a waiver of any of Tenant's obligations under this Paragraph 17.2.

(e) Tenant's obligations and liabilities under this Paragraph 17.2 shall survive the expiration or termination of this Lease.

17.3 Environmental Indemnity.

Tenant shall indemnify, defend, and hold harmless Landlord, Landlord's shareholders, officers, directors, employees, agents, contractors, or invitees from all fines, suits, procedures, claims, and actions of every kind and all costs associated therewith (including attorneys' and consultants' fees) arising out of or in any way connected with any deposit, spill, discharge, or other release of Hazardous Substances that occurs during the Term, or any extension thereof, at or from the Premises during the Term, or any extension thereof, or which arises at any time from Tenant's use or occupancy of the Premises, or from Tenant's failure to provide all information, make all submissions, and take all actions required by all Authorities under the Laws. Tenant's obligations and liabilities under this Paragraph 17.3 shall survive the expiration or termination of this Lease.

18. ALTERATIONS AND ADDITIONS. Except as otherwise provided herein, Tenant shall not make any structural or exterior alterations to the Premises without Landlord's written consent, which consent shall not be unreasonably withheld, conditioned or delayed.

Tenant, at its sole cost and expense, shall have the right to make, without Landlord's consent, nonstructural alterations to the interior of the Premises that Tenant requires in order to conduct its business on the Premises. Notwithstanding the preceding sentence, any alteration proposed by Tenant that requires a building permit from the City of Hollister building department and/or other permission from any other government agency shall be obtained by Tenant prior to commencing any alteration.

In making any alterations that require Landlord's prior consent, Tenant shall comply with the following:

Tenant shall submit for Landlord's approval reasonably detailed final plans and specifications and working drawings of the proposed alterations (where plans and specifications and working drawings are customarily prepared in connection with such alterations) and the name of its contractor at least fifteen (15) days before the date it intends to commence the alterations.

The alterations shall not be commenced until five (5) days after Landlord has received notice from Tenant stating the date the installation of the alterations is to commence so that Landlord can post and record an appropriate notice of non-responsibility.

The alterations shall be approved by all appropriate government agencies and all applicable permits and authorizations shall be obtained by Tenant before commencement of the alteration or improvement. Specifically, prior to commencing any proposed alteration or improvement, Tenant shall provide to Landlord a copy of the completed building application for the proposed alteration(s) or improvement(s) required by the City of Hollister building department and/or other government agency. Once the proposed alteration(s) or improvement(s) have been completed, Tenant shall provide Landlord with a copy of the final, approved building plans and building permit signed by the authorized City of Hollister building official(s), along with any certificate of occupancy.

All alterations shall be completed with due diligence in compliance with the plans and specifications and working drawings and all applicable laws.

Any addition or alteration to the Premises, except movable furniture and trade fixtures, shall become at one a part of the realty and belong to Landlord at the expiration or termination of the Term, or any extension thereof, unless specific agreement to the contrary is entered into in writing by both parties. Alterations and additions that are not to be deemed as trade fixtures shall include heating, lighting, electrical systems, air-conditioning, partitioning, carpeting, or any other installation that has become an integral part of the Premises.

Tenant shall pay all costs for construction done by it or caused to be done by it on the Premises as permitted by this Paragraph 18. Any alterations undertaken by Tenant under the provisions of this paragraph shall be performed by contractors licensed by the California Contractors State License Board and undertaken in accordance with all local, state and federal laws, codes and regulations. Tenant shall keep the Building, other improvements and land of which the Premises are a part, free and clear of all mechanic's liens resulting from the construction done by or for Tenant.

19. MAINTENANCE AND REPAIR. Tenant shall, at Tenant's sole cost and expense, keep, maintain, and repair the entire Premises and that portion of the Building in which they are situated in good and sanitary order and condition (except as hereinafter provided with respect to Landlord's obligation) including without limitation, the maintenance, repair and/or replacement of any store front, doors, door assemblies, windows, window casements, glazing, water heaters, heating and air conditioning installation systems (if any), plumbing (such as clearing stoppages in pipes that originate inside the Premises and can be cleared from within the Premises), pipes, electrical wiring and conduit, lighting (including the repair and replacement of light fixtures, bulbs and ballasts within the Premises), interior painted surfaces, floor coverings, ceiling tiles, any damage caused by trespassers or vandals, and all damage or deterioration caused by any acts of Tenant or Tenant's employees, agents, invitees, licensees, or contractors. Tenant, at its sole cost and expense, shall also provide adequate fire extinguishers in the Premises as required by law.

Tenant hereby waives all right to make repairs at the expense of Landlord as provided in §1942 of the Civil Code of the State of California and Tenant hereby waives all rights provided for by §1941 of said Civil Code. By entering into the Premises, Tenant shall be deemed to have accepted the Premises as being in good and sanitary order, condition and repair and Tenant agrees on the last day of said Term, or any extension thereof, or sooner termination of this Lease to surrender the Premises with appurtenances, in the same condition as when received, reasonable use and wear thereof and damage by fire, act of God or by the elements excepted.

Subject to the provisions of Paragraph 2 (Premises), Paragraph 12 (Parking and Common Facilities), Paragraph 17 (Hazardous Substances), this Paragraph 19, Paragraph 23 (Damage and Destruction of Premises) and Paragraph 24 (Condemnation), Landlord shall keep in good order, condition and repair the foundations, exterior load-bearing walls, and structural portions of the roof and roof membrane, as well as providing the services for which there is an Operating Cost pursuant to Paragraph 12, provided, however, that anything to the contrary notwithstanding contained in this Lease, the Landlord shall not be required to make any repairs unless and until Tenant has notified Landlord in writing of the need for such repairs and Landlord shall have had a reasonable period of time thereafter within which to commence and complete said repairs. Landlord agrees to use due diligence in the making of said repairs upon receipt of Tenant's notice with regards thereto.

20. FREE FROM LIENS. Tenant shall keep the Premises free from any liens arising out of any work performed, material furnished, or obligation incurred by Tenant.

21. COMPLIANCE WITH LAWS.

(a) Tenant shall comply with all applicable city, state and federal authorities now in force or which may hereafter be in force laws, including the Americans with Disabilities Act of 1980, as it has been or may later be amended ("the ADA"), regarding the operation of Tenant's business and the use, condition, configuration and occupancy of the Premises. Tenant acknowledges and agrees that Tenant shall be solely liable for any and all costs and expenses relating to compliance with such applicable laws arising from or related to any alterations constructed in the Premises. Tenant shall, within ten (10) days after receipt, provide Landlord with copies of any notices it receives regarding a violation or alleged violation of any laws. Tenant shall all times comply with any covenants, rules or regulations affecting the Property from time to time.

(b) Tenant shall have the sole responsibility for complying, at Tenant's cost, with any and all provisions of the ADA and any other applicable laws, (i) with respect to the Premises, and (ii) with respect to the Common Areas where in the case of this clause (iii) such compliance has been brought about by: (A) any initial improvements or alterations to the Premises or to the Common Areas made by or on behalf of Tenant, whether by Landlord or otherwise, and whether performed before or after the Commencement Date; (B) requirements of Tenant's employees, any Tenant related parties or any changes to Tenant's use of the Premises; or (C) any architectural barriers caused by Tenant's installation of any equipment, fixtures, furniture, or other personal property in or about the Premises.

(c) Landlord makes no warranty that the permitted use set out in Paragraph 1 is permitted for the Premises under the applicable laws. Tenant shall be solely responsible for confirming that such use is a permitted use under applicable laws, and for securing all licenses and permits applicable to its use or tenancy of the Premises.

(d) Required Accessibility Disclosure. Landlord hereby advises Tenant that the Premises have not undergone an inspection by a certified access specialist, and except to the extent expressly set forth in this Lease, Landlord shall have no liability or responsibility to make any repairs or modifications to the Premises in order to comply with accessibility standards. The following disclosure is hereby made pursuant to California Civil Code §1938(e):

"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."

Any CASp inspection shall be conducted in compliance with reasonable rules in effect at the Building in which the Premises are located with regard to such inspections and shall be subject to Landlord's prior written consent.

22. INDEMNITY AND EXCULPATION/INSURANCE.

(a) **Exculpation of Landlord.** Landlord, Landlord's shareholders, officers, directors, employees, agents, contractors, or invitees shall not be liable for any loss, injury or damage to any

property upon the Premises, whether the same be Tenant's property or any other person's property, nor to any person upon said Premises or the adjoining sidewalks. Unless such loss, injury, or damage is caused by the gross negligence or willful misconduct of Landlord, Tenant, as a material part of the consideration to be rendered to Landlord, hereby waives all claims against Landlord, Landlord's shareholders, officers, directors, employees, agents, contractors, or invitees for damage to goods, wares and merchandise in, upon or about the Premises, and for injuries to Tenant, Tenant's agents or other persons in or about the Premises or sidewalks adjoining the Premises from any cause arising at any time.

(b) Indemnification. Tenant shall indemnify, defend and hold Landlord, Landlord's shareholders, officers, directors, employees, agents, contractors, or invitees harmless from and against any and all claims of liability for any injury or damage to any person or property arising from Tenant's use of the Premises, or from the conduct of Tenant's business, or from any activity, work or thing done, permitted or suffered by Tenant in or about the Premises or elsewhere.

Landlord shall indemnify, defend and hold Tenant harmless from and against any and all claims of liability for any injury or damage to any person or property arising from the gross negligence or willful misconduct of Landlord relating to the Premises or arising from its condition.

The obligation of each party hereto under this paragraph to indemnify, defend, and hold the other party harmless shall be limited to any sum that exceeds the amount of insurance proceeds, if any, received on account of said damage claims.

(c) Liability Insurance. Tenant, at its cost, shall maintain commercial general liability insurance in the minimum amount of One Million Dollars (\$1,000,000.00) per occurrence and in a minimum amount of Two Million Dollars (\$2,000,000.00) general aggregate, insuring against all liability of Tenant and its authorized representatives arising out of and in connection with Tenant's use or occupancy of the Premises.

Tenant's commercial general liability insurance shall insure performance by Tenant of the indemnification provisions of subparagraph (b) of this paragraph above. Landlord shall be named as an additional insured on the policy identified in this subparagraph (c).

(d) Other Insurance Matters. All the insurance required under this Lease shall:

1. Be issued by insurance companies authorized to do business in the State of California, with a financial rating of at least an A status as rated in the most recent edition of *Best's Insurance Reports*.
2. Be issued as a primary policy.
3. Contain an endorsement requiring thirty (30) days written notice from the insurance company to both parties and to Landlord's lender before cancellation or change in the coverage, scope or amount of any policy.

The insurance policy, or a certificate of the policy, together with evidence of payment of premiums, shall be deposited with Landlord at the commencement of the Term and on renewal of the policy not less than twenty (20) days before expiration of the term of the policy.

23. DAMAGE AND DESTRUCTION OF PREMISES.

(a) If, during the Term, or any extension thereof, the Premises or the Building or other improvements in which the Premises are located are totally or partially destroyed from a risk covered by insurance rendering the Premises totally or partially inaccessible or unusable, Landlord shall restore the Premises or the Building or other improvements in which the Premises are located to substantially the same condition they were in immediately before destruction. Such destruction will not terminate this Lease and all sums due hereunder shall continue to be paid, subject to reduction under subparagraph (c) of this paragraph. If the existing laws do not permit the restoration, either party can terminate this Lease immediately by giving notice to the other party.

However, if the cost of the restoration exceeds the amount of proceeds received from insurance, Landlord may elect to terminate this Lease by giving notice to Tenant within thirty (30) days after determining that the restoration costs will exceed the insurance proceeds. In the case of destruction to the Premises only, if Landlord elects to terminate this Lease, Tenant, within fifteen (15) days after receiving Landlord's notice to terminate, can elect to pay Landlord, at the time Tenant notifies Landlord of its election, the difference between the amount of insurance proceeds and the costs of restoration in which case Landlord shall restore the Premises. Landlord shall give Tenant satisfactory evidence that all sums contributed by Tenant as provided in this paragraph have been expended by Landlord in paying the costs of restoration. If Landlord elects to terminate this Lease and Tenant does not elect to contribute toward the costs of restoration as provided herein, this Lease shall terminate.

(b) If, during the Term, or any extension thereof, the Premises or the Building or other improvements in which the Premises are located are totally or partially destroyed from a risk not covered by insurance rendering the Premises totally or partially inaccessible or unusable, then Landlord may, by notice to Tenant given within fifteen (15) days after determining restoration costs, elect either to terminate this Lease or to restore the Premises, the Building or such other improvements. Any alterations made by Tenant, Tenant's trade fixtures, or Tenant's personal property shall be the sole responsibility of Tenant to restore.

(c) In the event the Premises are to be restored by Landlord under the provision of subparagraphs (a) and (b) above, the rent due hereunder shall be reduced in proportion to the loss of use of the Premises by Tenant, commencing with the first rental payment due after damage or destruction.

24. CONDEMNATION. If, during the Term or during the period of time between the execution of this Lease and the date the Term commences, there is any taking of all or any part of the Premises or any interest in this Lease by condemnation, the rights and obligations of the parties shall be determined as hereinafter provided.

(a) If the Premises are totally taken by condemnation, this Lease shall terminate on the date of taking.

(b) If any portion of the Premises is taken by condemnation, this Lease shall remain in effect, except that Tenant can elect to terminate this Lease if the remaining portion of the Building or other improvements or the parking areas that are a part of the Premises is rendered unsuitable for Tenant's continued use of the Premises, in Tenant's sole discretion. If Tenant elects to terminate this Lease, Tenant must exercise its right to terminate pursuant to this paragraph by giving notice to Landlord within thirty (30) days after the nature and the extent of the taking has been finally determined. If Tenant elects to terminate this Lease as provided for in this paragraph, Tenant shall also notify Landlord of the date of termination, which date shall not be earlier than thirty (30) days nor later than ninety (90) days after

Tenant has notified Landlord of its election to terminate. If Tenant does not elect to terminate this Lease within said period, this Lease shall continue in full force and effect as otherwise provided herein. However, if within thirty (30) days after the date that the nature and extent of the taking are finally determined, Landlord notifies Tenant that Landlord at its cost will add on to the remaining premises and parking area so that the area and the approximate layout of the Premises and parking area will be substantially the same after the date of taking as they were before the date of taking, and Landlord commences the restoration immediately and completes the restoration within ninety (90) days after Landlord notifies Tenant, this Lease shall continue in full force and effect without any reduction in minimum monthly rent, except the reduction made pursuant to the following paragraph.

(c) If any portion of the Premises is taken by condemnation and this Lease remains in full force and effect, on the date of taking the rent shall be reduced by an amount that is in the same ratio to the rent as the value of the area of the portion of the Premises taken bears to the total value of the Premises immediately before the date of taking.

(d) Each party hereto waives the provision of Code of Civil Procedure §1265.130 allowing either party to petition the Superior Court to terminate this Lease in the event of a partial taken of the Premises.

(e) If there is a partial taking of the Premises and this Lease remains in full force and effect, Tenant at its cost shall accomplish all necessary restoration.

(f) The award shall belong to and be paid to Landlord, except that Tenant shall receive from the award the following:

(1) The sum attributable to any improvements or alterations made to the Premises by Tenant in accordance with this Lease, which Tenant has the right to remove from the Premises pursuant to the provisions of this Lease but elects not to remove. However, if Tenant elects to remove any of such improvements or alterations, a sum for reasonable removal and relocation costs not to exceed the market value of such improvements or alterations.

(2) A sum attributable to that portion of the award constituting severance damages for the restoration of the Premises, but only if Tenant undertakes such restoration at its sole cost.

(3) A sum paid to Tenant from the entity undertaking condemnation for loss of good will of Tenant.

25. ABANDONMENT. Tenant shall not vacate or abandon the Premises at any time during the Term of this Lease. The Premises shall be deemed abandoned by Tenant after service of a notice of belief of abandonment pursuant to California Civil Code §§ 1951.35 et seq.

Upon such abandonment by Tenant:

(a) Landlord has the remedy described in California Civil Code § 1951.4 (Landlord may continue the Lease in effect after Tenant's breach and abandonment and recover rent as it becomes due, if Tenant has right to sublet or assign, subject only to reasonable limitations); or

(b) Landlord the right to invoke the remedy described in California Civil Code § 1951.2 (suit for damages).

26. PERSONAL PROPERTY REMAINING ON PREMISES. After Tenant vacates the Premises, either by (a) expiration of the Term or any extension thereof, (b) termination of the tenancy pursuant to the terms of this Lease, or (c) abandonment or surrender, Landlord may reenter and retake possession of the Premises. Any personal property remaining on the Premises shall be returned to Tenant, placed in storage or disposed of as provided in Civil Code §§ 1993 et seq.

27. SIGNS AND AUCTIONS. Tenant shall not place or permit to be placed any sign, advertisement, awning, banner, exterior light, pennant, flag, door lettering, placard, or other exterior decoration, or any interior sign visible from the outside of the Building in which the Premises are located, without Landlord's written consent. Any sign placed on the Premises shall comply with all laws, and Tenant shall obtain an approval required by such laws. Landlord makes no representation with respect to Tenant's ability to obtain such approval. Approval fees and the costs of preparing an erection of such signs shall be at Tenant's sole cost and expense.

Tenant shall remove all of its signs at its sole cost and expense and restore the Premises (including repainting over any sign placed on the exterior portion of the Building in which the Premises are located) to its condition existing at the Commencement Date (reasonable wear and tear excepted) at the expiration or earlier termination of this Lease.

No "sandwich" folding type signs are permitted by Landlord. Tenant shall not display or sell merchandise outside the defined exterior walls and permanent doorways of the Premises.

Tenant shall not conduct or permit to be conducted any sale by auction in, upon or from the Premises, whether said auction be voluntary, involuntary, pursuant to any assignment for the payment of creditors or pursuant to any bankruptcy or other solvency proceedings.

28. ENTRY. Landlord and its authorized representatives shall have the right to enter the Premises at all reasonable times for any of the following purposes:

(a) To determine whether the Premises are in good condition and whether Tenant is complying with its obligations under this Lease.

(b) To do any necessary maintenance and to make any restoration to the Premises that Landlord has the right or obligation to perform.

(c) To serve, post or keep posted any notices required or allowed under the provisions of this Lease or by law.

(d) To post "for sale" signs at any time during the Term or any extension thereof, to post "for rent" or "for lease" signs during the last ninety (90) days of the Term or any extension thereof, or during any period while Tenant is in Default.

(e) To show the Premises to prospective brokers, agents, buyers, tenants or persons interested in an exchange at any time during the Term or any extension thereof.

The above requirements of this Paragraph 28 making Landlord's entry into the Premises subject to reasonable prior notice to Tenant, and entry without unreasonably interfering with Tenant's business shall not apply to entry by Landlord and its authorized representatives in the event of any emergency which reasonably requires entry without compliance with said conditions of entry.

Landlord shall not be liable in any manner for any inconvenience, disturbance, loss of business, nuisance or other damage arising out of Landlord's entry on the Premises as provided in this paragraph, except damage resulting from the gross negligence or willful misconduct of Landlord or its authorized representatives.

29. ASSIGNMENT AND SUBLETTING.

(a) Landlord's Consent Required. Tenant shall not mortgage, pledge, hypothecate or encumber this Lease or any interest therein except as otherwise set forth herein. Tenant shall not assign this Lease or sublet the Premises or any part thereof, without the prior written consent of Landlord and any attempt to do so without such consent being first had and obtained shall be wholly void and shall constitute a breach of this Lease.

(b) Reasonable Consent. If Tenant complies with the following conditions, Landlord shall not unreasonably withhold, condition or delay its consent to an assignment of this Lease or the subletting of the Premises or any portion thereof. Tenant shall submit in writing to Landlord: (i) the name and legal composition of the proposed assignee or subtenant; (ii) the nature of the proposed assignee's or subtenant's business to be carried on in the Premises; (iii) the terms and provisions of the proposed assignment or sublease; and (iv) such reasonable financial information as Landlord may request concerning the proposed assignee or subtenant. Landlord may conduct reasonable investigations (including, without limitation, a background check and completed application) of Tenant's proposed subtenant or assignee at Tenant's sole cost.

(c) No Release of Tenant. No consent by Landlord to any assignment or subletting by Tenant shall relieve Tenant of any obligation to be performed by the Tenant under this Lease, whether occurring before or after such consent or assignment or subletting. The consent by Landlord to any assignment or subletting shall not relieve Tenant from the obligation to obtain Landlord's express written consent to any other assignment or subletting. The acceptance of rent by Landlord from any other person shall not be deemed to be a waiver by Landlord of any provision of this Lease or to be a consent to any assignment or subletting or other transfer. Consent to one assignment or subletting or other transfer shall not be deemed to constitute consent to any subsequent subletting or other transfer.

(d) Assignment of Rent. Tenant shall immediately and irrevocably assign to Landlord as security for Tenant's obligations under this Lease, all rent from any subletting of all or any part of the Premises as permitted by this Lease, and Landlord, as assignee and as attorney-in-fact for Tenant, or a receiver for Tenant appointed on Landlord's application, may collect such rent and apply it toward Tenant's obligations under this Lease; except that, until the occurrence of act of Default by Tenant, Tenant shall have the right to collect such rent.

(e) Excess Rent. All rent received by Tenant from Tenant's subtenants in excess of the rent payable by Tenant to Landlord under this Lease shall be paid to Landlord, and any sums paid by an assignee to Tenant in consideration of assignment of this Lease shall be paid to Landlord.

(f) Fees. If Tenant requests Landlord to consent to a proposed assignment or subletting, Tenant shall pay to Landlord, whether or not consent is ultimately given, Landlord's reasonable administrative fees or attorney's fees incurred in connection with each such request, not to exceed the total sum of One Thousand Dollars (\$1,000.00) per request for consent.

No interests of Tenant in this Lease shall be assignable by operation of law. Each of the following acts shall be considered an involuntary assignment by operation of law:

(a) If Tenant is or becomes bankrupt or insolvent, makes an assignment for the benefit of creditors or institutes a proceeding under the Bankruptcy Act in which Tenant is the bankrupt.

(b) If a writ of attachment or execution is levied on this Lease.

(c) If, in any proceeding or action to which Tenant is a party, a receiver is appointed with authority to take possession of the Premises.

An involuntary assignment shall constitute a Default by Tenant and Landlord shall have the right to elect to terminate this Lease, in which case this Lease shall be treated as an asset of Tenant.

30. DEFAULT. The occurrence of any of the following shall constitute a default (hereinafter "Default") by Tenant:

(a) Failure to pay rent or any other monies due and payable within five (5) days after the day of any month on which it is due.

(b) Abandonment of the Premises.

(c) A failure by Tenant to observe and perform any other provision of this Lease to be observed or performed by Tenant, when that failure continues for ten (10) days after written notice of Tenant's failure is given by Landlord to Tenant; provided, however, that if the nature of that Default is such that it cannot reasonably be cured within ten (10) days, Tenant shall not be deemed to be in Default if Tenant commences that cure within the ten (10) day period and thereafter diligently prosecutes it to completion.

(d) The making by Tenant of any general assignment for the benefit of creditors; the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt or of a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, it is dismissed within sixty (60) days); the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, when possession is not restored to Tenant within thirty (30) days; or the attachment, execution, or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, when that seizure is not discharged within thirty (30) days.

30.1 Replacement of Statutory Notice Requirements. When this Lease requires service of a notice, that notice shall replace rather than supplement any equivalent or similar statutory notice, including any notices required by Code of Civil Procedure §1161 or any similar or successor statute. When a statute requires service of a notice in a particular manner, service of that notice (or a similar notice required by this Lease) in the manner required by Paragraph 38 shall replace and satisfy the

statutory service-of-notice procedures, including those required by Code of Civil Procedure §1162 or any similar or successor statute.

31. REMEDIES UPON DEFAULT. Landlord shall have the following remedies if Tenant commits a Default. These remedies are not exclusive but are cumulative in addition to any remedies now or later allowed by law.

(a) Landlord has the remedy described in California Civil Code §1951.4 (Landlord may continue the Lease in effect after Tenant's breach and abandonment and recover rent as it becomes due, if Tenant has the right to sublet or assign, subject only to reasonable limitations); or

(b) Landlord has the right to invoke the remedy described in California Civil Code §1951.2 (lease termination and suit for damages). If Landlord elects to terminate this Lease, Landlord may recover from Tenant: (1) the worth at the time of award of the unpaid rent which had been earned at the time of termination; (2) 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 Tenant proves could reasonably have been avoided; (3) the worth at the time of award of the amount by which the unpaid rent for the balance of the term of this Lease after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; and (4) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom. The "worth at the time of award" of the amount referred to in clauses (1) and (2) above is computed by allowing interest at the legal rate, as contemplated by California Civil Code §1951.2. The "worth at the time of award" of the amount referred to in clause (3) above is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus 1%.

32. SUBORDINATION/ATTORNMEN. Upon request of the Landlord, Tenant will in writing subordinate its rights hereunder to the lien of any first mortgage, or first deed of trust, to any bank, insurance company or other lending institution, now or hereafter in force against the land and Building of which the Premises are a part, and upon any buildings hereafter placed upon the land of which the Premises are a part, and to all advances made or hereafter to be made upon the security thereof.

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

33. ESTOPPEL CERTIFICATE. Tenant shall at any time upon not less than ten (10) days prior written notice from Landlord execute, acknowledge and deliver to Landlord a statement in writing (i) certifying that such Lease is unmodified and in full force and effect (or if modified, stating in reasonable detail the nature of such modifications), and the date to which the rent or other charges are paid in advance, if any, and (ii) acknowledging that there are not, to Tenant's knowledge any uncured defaults on the part of Landlord hereunder, or specifying such defaults if any are claimed. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Premises.

Tenant's failure to deliver such statement within such time shall be conclusive upon Tenant that (i) this Lease is in full force and effect, without modification except as may be represented by Landlord

and (ii) that there are no uncured defaults in Landlord's performance, and (iii) not more than thirty (30) days rent has been paid in advance.

34. SURRENDER OF PREMISES. On expiration of the Term or any extension thereof, Tenant shall surrender to Landlord the Premises in good condition (except for ordinary wear and tear occurring after the last necessary maintenance made by Tenant and destruction to the Premises covered by Paragraph 23, and except for alterations and fixtures that Tenant has the right to remove). Tenant shall remove all its personal property by the date of such termination of the Term or any extension thereof, and shall perform restoration made necessary by removal of any alterations or Tenant's personal property.

If Tenant fails to surrender the Premises to Landlord, on expiration or termination of the Term or any extension thereof, as required under this paragraph, then Tenant shall indemnify, defend and hold Landlord harmless from all damages resulting from Tenant's failure to surrender the Premises, including, without limitation, claims made by a succeeding tenant resulting from Tenant's failure to surrender the Premises.

35. SALE OF PREMISES BY LANDLORD. The term "Landlord" as used in this Lease, means only the owner for the time being of the land and Building containing the Premises, so that, in the event of any sale of said land or Building, or in the event of a Lease of said Building, the Landlord shall be and hereby is entirely freed and relieved of all covenants and obligations of the Landlord hereunder, and it shall be deemed and construed, without further agreement between the parties and the purchaser at any such sale, or the Tenant of the Building, which the purchaser or Tenant of the Building has assumed and agreed to carry out any and all covenants and obligations of the Landlord hereunder.

36. ATTORNEY'S FEES.

(a) If either party hereto fails to perform any of its obligations under this Lease or if any dispute arises between the parties hereto concerning the meaning or interpretation of any provision of this Lease, then the defaulting party or the party not prevailing in such dispute, as the case may be, shall pay any and all reasonable costs and expenses incurred by the other party on account of such default and/or in enforcing or establishing its rights hereunder, including, without limitation, court costs and reasonable attorneys' fees and disbursements. Any such attorneys' fees and other expenses incurred by either party in enforcing a judgment in its favor under this Lease shall be recoverable separately from and in addition to any other amount included in such judgment, and such attorneys' fees obligation is intended to be severable from the other provisions of this Lease and to survive and not be merged into any such judgment.

(b) Without limiting the generality of Paragraph 36(a) above, if Landlord utilizes the services of an attorney for the purpose of collecting any rent due and unpaid by Tenant or in connection with any other breach of this Lease by Tenant, Tenant agrees to pay Landlord's actual attorneys' fees for such services, regardless of the fact that no legal action may be filed by Landlord or whether or not such matter proceeds to judgment.

37. HOLDING OVER. Any holding over after the expiration of the Term, or any extension thereof, shall be construed to be a tenancy from month-to-month, subject to all of the same terms, covenants and conditions as are set forth in this Lease, including the payment of additional rent, except that Tenant's rent shall equal to One Hundred Twenty Five Percent (125%) of the rent payable during the last month of the Term preceding expiration or termination hereof.

38. NOTICES. Any notice, demand, consent, approval or communication that either party desires or is required to give to the other party or any other person shall be in writing and either personally served or sent by prepaid first-class mail. Any such notice shall be addressed to the other party as follows, except that either party may change its address by notifying the other of such a change of address. Notice shall be deemed effective upon actual receipt or refusal to accept delivery if personally served or within forty-eight (48) hours from the time of mailing if mailed as provided in this paragraph.

Landlord: K&S Market, Inc.
a California Corporation
650 San Benito Street, Suite 210
Hollister, California 95023

Tenant: San Benito Health Care District
a Public Agency
911 Sunset Drive
Hollister, California 95023

39. WAIVER. No delay or omission in the exercise of any right or remedy of Landlord on any Default by Tenant shall impair such right or remedy or be construed as a waiver. The receipt and acceptance by Landlord of delinquent rent shall not constitute a waiver of any other Default. It shall constitute only a waiver of timely payment for the particular rental payment involved. No act or conduct of Landlord, including but not limited to the acceptance of the keys to the Premises shall constitute an acceptance of the surrender of the Premises by Tenant before the expiration of the Term or any extension thereof. Only a notice from Landlord to Tenant shall constitute acceptance of the surrender of the Premises and accomplish a termination of this Lease.

Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessarily Landlord's consent to or approval of any subsequent act by Tenant. Any waiver by Landlord of any Default must be in writing and shall not be a waiver of any other Default concerning the same or any other provision of this Lease.

40. LEASE SQUARE FOOTAGE AGREEMENT. Tenant hereby acknowledges that it is leasing the Premises it viewed. Any square footage referenced in this Lease is an approximate figure and may not be the sole basis for the monthly rent. Tenant should measure the Premises to verify square footage prior to signing the Lease and must communicate any discrepancy to Landlord prior to signing this Lease. If Tenant elects not to measure the Premises and/or not communicate any discrepancy to Landlord and signs this Lease, Tenant will have no recourse if, during the Term or any extension thereof, or later, a discovery of inaccurate square footage is made to Landlord. Tenant hereby acknowledges that it physically visited and viewed the Premises and acknowledges that regardless of square footage, it is accepting and renting the Premises as viewed. Upon mutual execution of this Lease by Landlord and Tenant, Tenant will not thereafter challenge the square footage and/or determination of the square footage as contained in this Lease.

41. CONSTRUCTION. This Lease shall be construed and interpreted in accordance with the laws of the State of California. The parties acknowledge and agree that no rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall be employed in the interpretation of this Lease, including any exhibits and addenda attached hereto. All captions in this Lease are for reference only and shall not be used in the interpretation of this Lease. Whenever required by the context of this Lease, the singular shall include the plural, the masculine shall include the

feminine, and vice versa. If any provision of this Lease shall be determined to be illegal or unenforceable, such determination shall not affect any other provision of this Lease and all such other provisions shall remain in full force and effect.

42. ENTIRE AGREEMENT. This Lease constitutes the entire agreement between the parties, and there are no binding agreements or representations between the parties except as expressed herein. Tenant acknowledges that neither Landlord nor Landlord's agent(s) has made any legally binding representation or warranty as to any matter except those expressly set forth herein, including any warranty as to (i) whether the Premises may be used for Tenant's intended use under existing law; (ii) the suitability of the Premises for the conduct of Tenant's business; or (iii) the condition of any improvements. There are no oral agreements between Landlord and Tenant affecting this Lease, and this Lease supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements and understandings, if any, between Landlord and Tenant or displayed by Landlord to Tenant with respect to the subject matter of this Lease.

43. AMENDMENTS. This Lease may be modified only in writing, signed by the parties in interest at the time of modification.

44. CONFIDENTIALITY. This Lease document, the terms of this Lease, and the covenants, obligations, and conditions contained in this Lease shall remain strictly confidential. Tenant agrees to keep such terms, covenants, obligations and conditions strictly confidential and not to disclose such matters to any other landlord, tenant, prospective tenant, or broker; provided, however, Tenant may provide a copy of this Lease to its attorney or to a non-party solely in conjunction with Tenant's reasonable and good faith effort to secure an assignee or subtenant for the Premises.

45. TRIPLE NET LEASE. Landlord and Tenant acknowledge that, except as otherwise provided to the contrary in this Lease, it is their intent and agreement that this Lease be a "TRIPLE NET" Lease, and that as such, the provisions contained in this Lease are intended to pass on to Tenant or reimburse Landlord for the costs, liabilities, expenses and any other charges, including without limitation the Operating Costs described in Paragraph 12 and the common area metered utilities described in Paragraph 13 above, reasonably associated with this Lease, the Building and the Property, and Tenant's operation therefrom. To the extent such costs and expenses payable by Tenant cannot be charged directly to, and paid by, Tenant, such costs and expenses shall be paid by Landlord but reimbursed by Tenant as additional rent.

46. LOCKS AND KEYS. Locks may not be re-keyed, changed or added by Tenant without the prior written consent of Landlord. Locks must be left in place upon vacating the Premises and Landlord must have keys to all changed locks. Tenant shall not make or permit to be made any duplicate key without the prior written permission of Landlord. Tenant must use Landlord's preferred locksmith vendor for all duplicate key(s) and/or change of lock(s). Tenant shall contact Landlord for the name of its preferred locksmith vendor prior to making any duplicate key(s) or changing any lock(s). All keys to the Premises shall remain the property of Landlord and must be returned to Landlord or its agent upon the termination of this Lease. If Tenant changes any locks without first obtaining the written consent of Landlord and/or fails to return all keys to the Premises at the termination of this Lease, then Landlord will have a locksmith re-key the locks at Tenant's expense.

47. SUCCESSORS AND ASSIGNS. The terms, covenants and conditions of this Lease shall, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators and assigns of all parties hereto.

48. TIME. Time is of the essence of this Lease and each and every term, condition and provision herein.

49. CONSENT OR APPROVAL. Whenever consent or approval of either party is required, that party shall not unreasonably withhold such consent or approval.

50. COUNTERPART COPIES. This Lease (and any amendments to this Lease) may be signed in counterpart or duplicate copies, and any signed counterpart or duplicate copy shall be equivalent to a signed original for all purposes. To facilitate execution of this Lease, the parties may execute and exchange, by telephone facsimile or electronic mail PDF, counterparts of the signature pages. Signature pages may be detached from the counterparts and attached to a single copy of this Lease to physically form one document.

51. RECORDING. Tenant shall not record this Lease or a memorandum of this Lease in the public records of the county where the Premises are located.

52. INDEPENDENT LEGAL COUNSEL. Tenant acknowledges that it has been urged to seek independent legal counsel with respect to the meaning and effect of this Lease.

IN WITNESS WHEREOF, the parties have signed this Lease on this ____ day of _____
2025.

LANDLORD:

K & S MARKET, INC.,
a California Corporation

By _____
Susan K. Rivera, Vice-President

TENANT:

SAN BENITO HEALTH CARE DISTRICT,
a Public Agency

By _____

Its _____