

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015  
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
Commission file number: **0-54892**

**INSYNERGY PRODUCTS, INC**  
(Exact name of registrant as specified in its charter)

Nevada  
(State or other jurisdiction of  
incorporation or organization)

27-1781753  
(I.R.S. Employer  
Identification No.)

2501 West Burbank Blvd., Suite 201, Burbank, CA  
(Address of principal executive offices)

91505  
(Zip Code)

Registrant's telephone number, including area code: (818)760-1644

Securities registered under Section 12(b) of the Act: None

Securities registered under Section 12(g) of the Act: Common Stock

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the 16,779,048 shares of voting and non-voting common equity held by non-affiliates computed by reference to the closing price (\$0.51) at which the common equity was last sold as of the last business day of its most recently completed second fiscal quarter (June 30, 2015) was approximately \$8,557,314.

At April 11, 2016, there were 26,296,868 shares of the registrant's common stock outstanding.

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## PART I

### Item 1. BUSINESS

#### Our Business

Insynergy Products Inc. (the “Company”) was incorporated in the State of Nevada on January 26, 2010. The Company was organized to engage in Direct Response marketing that has the ability to take a product from the drawing board to the ultimate consumer via sales through television, Internet and retail. As disclosed herein, our business model has evolved to including marketing our products through retail channels utilizing other pull through market such as social, innovative in-store merchandising and targeted public relations.

#### Forward Looking Statements

Certain matters discussed herein are forward-looking statements. Such forward-looking statements contained in this Form 10-K involve risks and uncertainties, including statements as to:

- our future operating results;
- our business prospects;
- our contractual arrangements and relationships with third parties;
- the dependence of our future success on the general economy;
- our possible future financings; and
- the adequacy of our cash resources and working capital.

These forward-looking statements can generally be identified as such because the context of the statement will include words such as we “believe,” “anticipate,” “expect,” “estimate” or words of similar meaning. Similarly, statements that describe our future plans, objectives or goals are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties which are described in close proximity to such statements and which could cause actual results to differ materially from those anticipated. Shareholders, potential investors and other readers are urged to consider these factors in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included herein are only made as of the date of this Form 10-K, and we undertake no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

#### Plan of Operations

Insynergy Products (“Insynergy”) is a company with deep experience in commercializing consumer products. Beyond developing products, a core competency is commercial and infomercial production development combined with specific expertise in traditional and digital media acquisition. The foundation of Insynergy and the continued corporate goal is to develop intellectual property (“IP”) internally or via a license from a third party. The path to monetization and value creation is realized as the Company then exploits our growing distribution footprint. Beyond the goal of extensive profitability, the intent is to engineer sustained and long term value by building the portfolio of IP inclusive of products and brands. The Board of Directors is cognizant of the Company’s stage, size, limitations, attributes short and long term goals. Ultimately the Company envisions a healthy organic growth path coupled by strategic acquisitions. This will lead the Company to an upgrade onto a primary securities exchange by 2018. Insynergy has a keen eye for strategic acquisitions and has identified certain takeover targets that the Company expects to start to capitalize on in 2017.

The Company’s commercialization path intently depends on identifying a novel product(s). Once found, a series of due diligence steps are taken ensuring the product’s success. From technology to marketing to feasibility, the product as a whole is intently examined. The Company consistently and with discipline follows a *SWOT Analysis* in understanding a product from a 360 vantage point that sets the stage for sound and low risk commercialization inferences. SWOT is the analysis of Strengths, Weaknesses, Opportunities and Threats. Everything from patent and trademark searches to liability analysis to broad retail shelf sweeps are undertaken until the Board of Directors approves a product as a candidate for launch. Then a series of intimate customer engagements begins. From focus groups to trial runs to engagement with corporate buyers for their privileged views, this all provides a level of insight that strategically positions Insynergy as a unique and formative player in the consumer products industry.

Insynergy today has established vendor numbers with key retailers across the nation, including Home Depot, Walgreens, Kroger, and Dollar General, to name a few, all due to our first product's success Plumbers Hero – [www.plumbershero.com](http://www.plumbershero.com).

This unique drain clearing aerosol product was launched in the first quarter of 2015 in an expedited fashion in order to accomplish a few key tactical goals being revenue growth, vendor number acquisition and brand development. Due to our CEO's past experience, commercializing Plumbers Hero was a quick process. With a cumulative media spend over the first three quarters of approximately \$500,000 not only was national retail distribution gained but total gross revenues topped \$1.5M in under eight months. The project was designed as a short term run with a critical start and stop time line. This provided enough market inertia to not only generate sales and brand development but it positioned the Company to gain retail vendor numbers and shelf space. Due to the media and direct to consumer response the strategy to then pull the product through retail was a comprehensive success. The nature of this project was to commercialize, market and distribute via Direct Response TV and retail with the understanding the product will not have long term shelf stability as the goal was not to reinvest in media. A quick controlled investment with specific and measured goals. As this product had a relatively low cost to commercialize, the Company desired a big splash, easy consumer acceptance, DR sales, vendor numbers, shelf space and retail sales that now set the stage for our future, which includes a remarkable and broad portfolio of recently acquired IP.

In the third quarter of 2015, we struck a land mark license deal with Mr. Ross Sklar of The Starco Group. Insynergy secured the exclusive license to a broad body of novel products and technologies in the following categories:

- Consumer Food
- Cosmetic
- OTC Personal Care
- House hold cleaning
- Hardware, Automotive
- Pet Care
- Seasonal
- Arts & Crafts

The products in the aforementioned categories will fill our pipeline until 2025.

The significance of the license agreement is that it enables the Company access to cutting edge products that span multiple categories. This allows Insynergy the ability to focus on our core competencies in branding, media production/buying and distribution. With the ground work done in this first year Insynergy has opened retail channels with many of the major retail accounts and will commercialize unique IP while strategically marketing and placing our products into their distribution.

Mr. Sklar currently oversees a very broad manufacturing infrastructure that produces products in the aforementioned categories. This adds a portfolio of leading-edge IP that not only vertically integrates Insynergy's research and development efforts but it completely builds out our product pipeline for years to come. It is our belief that no one in the space has our technological depth. While there are competitive players in Insynergy's DRTV/retail vertical, the resources and depth Insynergy now has positions the Company to take a dominating role over the next five years.

In 2015 the Company had a busy and successful year. To top things off we secured and fulfilled a very large order from a big box leader, totaling over \$350,000.

2015 has been a wonderful developmental year for Insynergy, while we have experienced some recent cash flow rigidity the Company is well structured with very low overhead. In the following months we will be announcing further strategic corporate joint ventures involving a shopping channel combined with cross category product launches and management is thrilled to execute on our strategic plan in 2016 and beyond.

### **Direct Response Marketing**

Direct Response Marketing generally takes the form of the marketing and sale of products utilizing infomercials which are broadcast over local television channels, paired with a Call Response Center which takes the calls generated by potential purchasers who call in after viewing the infomercial, and a fulfillment center, which ships out the product.

The infomercial is designed to solicit a direct response in the target audience which is specific and quantifiable. The delivery of the response is directly between the viewer and the advertiser, that is, the customer responds to the marketer or its agent directly. In direct marketing (such as telemarketing), there is no intermediary broadcast media involved. In Direct "Response" Marketing, marketers use broadcast media to encourage customers to contact them directly. This direct response marketing seeks to elicit action. Marketing results from a Direct Response Marketing Program can be tracked, measured, and quantified.

Direct Response Marketing is characterized by:

- An offer of a specific product or combination of products
- Sufficient information for the consumer to make a decision whether to act and buy
- An explicit “call to action”
- Provision of a means for buy response (typically multiple options such as toll free number, web page, and email)

### **Direct Response Marketing Products**

Direct Response Marketing is often used for new and innovative products that can be demonstrated and shown to make life easier or better, or products which solve a specific problem the target audience may have.

Health and fitness products, skin, hair and personal care products, nutritional supplements, house wares and appliances, have all been successfully marketed. Anti-aging products are a category of product which is currently generating successful sales. An idea for a new product usually comes from an inventor, who then approaches a company such as ours for development and implementation of a Direct Marketing Program or campaign for the product.

Our Company selects products invented by others for use in a Direct Response Marketing Program, but we also develop our own products for sale as well. We will analyze each product presented to us to see if it looks like it would be an attractive candidate for a direct marketing campaign. We will look for products which satisfy a specific need that can be concretely presented in the infomercial, lend themselves to generation of a call for action motivation in the target audience, provide for a substantial markup on the sales price over their cost (typically somewhere in the realm of a 5 to 1 markup), have a lower range target price in order to encourage immediate discretionary purchase, and have anticipated staying power as a useful product which the Company can sell over and over again.

We will license products from the inventor or owner of the product, with license fees paid on collected revenue from the sales of the product, net of returns and allowances. Typical license fees run between 2% and 4% of net sales for sales generated over television and the web, and if the Company is able to then take the product for distribution to traditional brick and mortar outlets for further sales, an increased license fee of between 4% and 6% is typically paid. The license rights typically run for between 24 and 36 months, and are generally renewable. Products may or may not have patent protection, copyright protection, and/or trademark protection.

The Company is developing products that will be marketed in many different areas. This will be a completely different type of branding. Social media will be a key factor to making consumers aware of new and great retail brands. This special type of advertising will bring consumers into the stores and create a special awareness of new and exciting products.

### **Products to Be Marketed**

During the year ended December 31, 2015, the Company centered its efforts on Plumber’s Hero, a product that clears normal clogs in the shower, tub, kitchen sink, bathroom sink and toilet.

Our exclusive License Agreement gives us worldwide rights to advertise, promote, market, manufacture, distribute, sell and/or exploit the product in any and all media, means and markets and all channels of trade and distribution now known or hereafter devised.

The Plumber’s Hero kit comes with a canister containing twenty applications of the Plumber’s Hero formula, one large and one small rubber drain cover to work on kitchen sinks, including double sinks with a disposal, bathroom, shower and tub drains, as well as an extension handle for use in the toilet.

Two minute, one minute and thirty second commercials were shot and the marketing campaign ran throughout 2015.

### **Production of Infomercials**

Demonstrating the appeal and uniqueness of the product in a sales video infomercial is critical in creating a buying response.

An offer must be presented in the video such that its appeal is relevant to the wants or needs of the audience.

Short form direct response video commercials have time lengths ranging from 30 seconds to 2 minutes. Long form infomercials are 30 minutes in length. Direct Response ads can be contrasted with normal television commercials because traditional commercials normally do not solicit a direct immediate response from the viewer, but instead try to brand their product in the market place.

The typical direct response spot of two minutes consists of a spokesperson or dominant voice over footage showing the product being demonstrated, solving a problem and/or making life easier and better. An 800 phone number will be shown on screen a few seconds into the spot along with a website address. The last few seconds of the spot will show a blue screen with all the information to make a purchase and provide a call to action.

The Company writes, produces, hires the talent, directs, shoots and edits many of its infomercials in-house. The Company will also hire outside production companies who have had success shooting shows with products in the same genre as the products we will be releasing such as fitness, house wares and hair care.

### **Test Marketing**

We test all our products with a retail sales group before we execute a license agreement, in order to gauge the likely reaction in the market place. Once a license agreement is executed, we will typically create the video, and then spend small amounts of money on media air time over test stations and test air segments that have what management considers the right demographics for a particular product. If a product successfully generates sales in these test spots, we will then expand the campaign for the product over additional TV markets. During the test marketing stage we also tweak the video infomercial as to dialogue, and as to order of presentment of material.

### **Purchasing of Air Time**

The products and demographics will dictate which TV market management selects for a particular campaign. We expect most of our spots to run approximately 2 minutes. The cost per spot will depend on which market it is show in, and at what time the spot airs. We may also use radio and/or direct mailing campaigns, and will provide a website over which a product can be purchased.

### **Telephone Marketing Functions**

Once a customer has decided to buy our product, they either call an 800 phone number or go to a website to conclude the purchase. In today's marketing climate, order taking for many products sold under \$20 is done by an interactive voice recognition telephone application ("IVR") which electronically takes the customer's name and address, phone number, credit card information and orders for products. Order information will be in a file format to be batched and sent daily to a fulfillment facility.

Using the IVR application is perhaps half the cost of using live agents to respond to calls, but for some products with higher price points, live sales agents provided by independent third party contractors will be used.

The Company will subcontract out to independent third parties the telephone marketing functions associated with a campaign for each product. Initially, the Company has contracted for Teleperformance ("Teleperformance") to provide this function, although many other companies are available to undertake this roll at competitive pricing, and the Company may use others in the future.

### **Manufacture of Products**

The Company will out-source the manufacture of products it markets to independent third party companies. The Company has had discussions with several mainland China manufacturers, for the manufacture of products. Unless presented with a Letter of Credit, a mainland China manufacturer generally requires 30% as down payment to begin manufacturing and the balance when the product is ready to ship. Management believes there are many sources for manufacturing in China, and elsewhere offshore, which are generally dependable and reasonably priced. However, the product, Plumber's Hero, is 100% manufactured in the United States.

### **Fulfillment of Orders**

Fulfillment involves the storage of inventory, acceptance of order information, boxing and shipping out of products, and dealing with questions, order status, complaints, returns and allowances on products, and maintaining proper records. The fulfillment function on each product will be sub-contracted out to independent third party companies.

Initially, the Company has contracted for Moulton Logistics to provide this function, although many other companies are available to undertake this role at competitive prices, and the Company may use others in the future.

### **Credit Card Transactions**

Sales orders for Direct Response Marketing Programs are typically taken using credit cards. The Company has contracted for credit card processing of sales orders on products with BluePay, an independent third party company. BluePay powers payment processing for companies that sell direct to consumers through internet retail, online services, direct response marketing and multichannel retail.

### **Product Campaign Failure**

Some of our future Direct Response Marketing Campaigns will no doubt fail. Direct response products can fail due to many reasons, including no perceived need for the product, other competing products provide better solutions or are better priced, the product price is too high, the infomercial is unconvincing, the wrong time slot or market segment is selected for broadcast, the marketing company lacks sufficient capital to fund product inventory and air time purchase, and for a variety of other reasons. Larger trends, such as a recessionary economy, less discretionary purchasing power in the hands of consumers, more restrictive credit or higher rates on credit cards, also can discourage sales and cause a campaign to fail. Other issues can also cause a campaign to fail, such as too low a price markup, poor quality resulting in high returns, a lack of sufficient capital to purchase sufficient airtime, or to purchase sufficient inventory, or failure by third party contractors to properly carry out their responsibilities for manufacturer, order taking, and fulfillment.

Management will endeavor to avoid these pitfalls in selection of a product, production of the TV spot, test marketing, purchasing of air time, and other aspects of running of the campaign, but there are significant risks in conducting a direct response marketing business, and we will no doubt have some product failures which will result in loss, while other products may barely breakeven and return the costs laid out to undertake product production and the campaign.

### **Transition from Direct Response Marketing to Brick and Mortar Distribution**

If a product is financially successful in our direct marketing response campaign, management will consider marketing and distributing the product to big box retail stores, building off the product branding that has occurred by running the television campaign.

### **Competition**

There is significant competition in the Direct Response Marketing industry from both small and large companies since there are really no barriers to entry. As a result, there are literally hundreds of direct response companies that operate in the U.S. and offer a wide variety of products across all categories of consumer goods.

The Company will have to rely on the skills of its management to pick products which produce successful direct response marketing campaigns and ultimately profits to the Company.

### **Insurance**

The Company carries general liability insurance through CNA with an occurrence limit of \$1,000,000 with a general aggregate of \$2,000,000 and a deductible of \$500. The Company also carries product liability insurance to insure against liability on the products it sells.

### **Patents, Trademarks, Copyrights**

The Company may file registrations for such patents, trademarks, or copyrights, as it deems commercially prudent from time to time.

## Government Regulation

Our infomercials may be subject to regulation by the FTC and each of the states under general consumer protection statutes prohibiting unfair or deceptive acts and practices. Most deception involves written or oral misrepresentations, or omissions of material information. Deception may also occur in other forms of conduct associated with a sales transaction.

## Employees

The Company has two full-time employees, but will use independent contractors when we shoot our direct response marketing TV spots.

## Item 1A. RISK FACTORS

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and, as such, are not required to provide the information under this Item.

## Item 2. PROPERTIES

Our principal offices are located at 2501 Burbank Blvd., Suite 201, Burbank, California, 91505. In December 2015 the Company entered into a three-year lease, starting January 1, 2016, with Burbank Properties, L.P. for 1,957 square feet of office space. Current lease payments are \$3,425 with yearly increases during the term of the lease. The lease also provides an option to extend the lease for an additional three years upon expiration of the current lease term. The lease may be terminated with a 10-day written notice from the landlord for violation of the lease terms. The Company considers the space to be adequate for the next several years.

## Item 3. LEGAL PROCEEDINGS

The Company is not a party to any legal proceedings.

## Item 4. Mine Safety Disclosures

Not applicable.

## PART II

## Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

### Market Information

Our common stock is listed to trade on the OTC Markets Group OTCQB under the symbol "ISYG." The following table presents the range of the high and low trading prices of our common stock for each quarter of the years ended December 31, 2015 and 2014 as reported by the OTC Markets. Bid and ask quotations are available when there are two or more market makers and those quotations represent prices between dealers and may not include retail markups, markdowns, or commissions and may not necessarily represent actual transactions.

Fiscal Year Ended December 31, 2015		
Quarter Ended	High \$	Low \$
March 31, 2015	\$3.25	\$3.25
June 30, 2015	\$0.75	\$0.51
September 30, 2015	\$0.18	\$0.18
December 31, 2015	\$0.25	\$0.25

Fiscal Year Ending December 31, 2014		
Quarter Ended	High \$	Low \$
March 31, 2014	\$1.20	\$0.50
June 30, 2014	\$1.00	\$0.51
September 30, 2014	\$3.00	\$1.00
December 31, 2014	\$3.50	\$3.00

Our shares are subject to Section 15(g) and Rule 15g-9 of the Securities and Exchange Act, commonly referred to as the “penny stock” rule. The rule defines penny stock to be any equity security that has a market price less than \$5.00 per share, subject to certain exceptions.

These rules may restrict the ability of broker-dealers to trade or maintain a market in our common stock and may affect the ability of shareholders to sell their shares. Broker-dealers who sell penny stocks to persons other than established customers and accredited investors must make a special suitability determination for the purchase of the security. Accredited investors, in general, include individuals with assets in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 together with their spouse, and certain institutional investors. The rules require the broker-dealer to receive the purchaser’s written consent to the transaction prior to the purchase and require the broker-dealer to deliver a risk disclosure document relating to the penny stock prior to the first transaction. A broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative, and current quotations for the security. Finally, monthly statements must be sent to customers disclosing recent price information for the penny stocks.

#### **Holders**

As of March 25, 2016, we had 166 shareholders of record, which does not include shareholders who hold shares in “street accounts” of securities brokers.

#### **Dividends**

We have not paid cash or stock dividends and have no present plan to pay any dividends, intending instead to reinvest our earnings, if any.

For the foreseeable future, we expect to retain any earnings to finance the operation and expansion of our business and the payment of any cash dividends on our common stock is unlikely.

#### **Recent Sales of Unregistered Securities**

None.

#### **Issuer Purchase of Securities**

The Company did not repurchase any of its securities during the fiscal year ended December 31, 2015.

#### **Item 6. SELECTED FINANCIAL DATA**

The registrant is a smaller reporting company, pursuant to Rule 229.10(f)(1), and is not required to report this information.

#### **Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

##### **Results of Operations for the year ended December 31, 2015 compared to the year ended December 31, 2014**

The following information should be read in conjunction with our financial statements and related notes thereto included elsewhere in this Form 10-K.

##### Revenues

For the year ended December 31, 2015 the Company recorded revenue, net of sales returns, of \$2,069,285 compared to \$49,077 for the year ended December 31, 2014. Cost of goods sold was \$1,118,378 compared to \$15,545 in the prior period. Revenue in the current year was offset by \$165,138, resulting in net revenue for the year ended of \$2,069,285. This offset was a reduction to our accounts receivable as a result of a mark down program for the Plumber’s Hero at two major retailers. We experienced a decrease in revenue in the latter part of the year largely due to amount and timing of sales to two of our retailers. Both vendors made large initial purchases in the first quarter providing them with enough inventory through the third and fourth quarters so that they have not yet had to order additional product. In addition, initial orders from new retailers have been more conservative as they introduce the Plumber’s Hero to their customers.

We introduced the Plumber's Hero to the retail market with great success in the first quarter of 2015. In the second quarter we saw an increase in our cost of goods sold as a percentage of sales. A portion of this was the result of the cost and sale price for the Plumber's Hero packaged specifically for one of our retail accounts. For this particular item the cost is approximately 10% more of the sale price than for other retailers. We also determined that it was in our best interest to no longer pursue the marketing and production of two of our products. The remaining inventory for these products has been donated to charity. As a result, we recognized impairment expense of \$42,232.

#### Operating Expenses

For the year ended December 31, 2015, compensation expense increased \$32,428 to \$253,272 compared to \$220,844 for the year ended December 31, 2014. The increase is due to increasing the yearly salary for two of our officers.

For the year ended December 31, 2015, the Company incurred \$584,061 in advertising and promotional expense as compared to \$152,831 for the prior year, an increase of \$431,230, or 282%. The increase is primarily due to spending on promotional activities for the Plumber's Hero including infomercial production.

For the year ended December 31, 2015, the Company incurred \$103,871 in professional fees compared to \$89,528 in the prior year, an increase of \$14,343 or 16%. Professional fees are mainly for accounting, auditing and legal services associated with our quarterly filings as a public company.

For the year ended December 31, 2015, the Company incurred \$902,732 in general and administrative expense as compared to \$857,795 for the prior year, an increase of \$44,937, or 5%.

On August 13, 2015, the Company signed a binding Letter of Intent with a third party whereby the Company will acquire the license rights to a series of products. Per the terms of the Letter of Intent, and the Warrant Agreement dated September 15, 2015, the Company issued 35 million warrants to the third party to purchase common stock. The aggregate fair value of the warrants totaled \$6,501,715 which has been recorded as licensing expense.

#### Other income and expense

For the year ended December 31, 2015 we had total other expense of \$257,241 compared to \$436,811 for the year ended December 31, 2014. For the year ended December 31, 2015, the Company recorded interest expense of \$23,184, a loss on disposal of fixed assets of \$17,034 and a loss on conversion of debt of \$226,811. In addition, as a result of the convertible Promissory Note with KBM Worldwide, Inc. we recorded amortization of debt discount of \$50,029, a gain on settlement of debt of \$62,859, and a gain on derivative of \$3,042. In the prior year we recognized a loss on the conversion of debt of \$424,119.

#### Net loss

For the year ended December 31, 2015, the Company recorded a net loss of \$7,651,985 as compared to a net loss of \$1,724,277 in the prior year, an increase of \$5,927,708. The increase is the direct result of licensing expense incurred as discussed above.

#### **Liquidity and Capital Resources**

As reflected in the accompanying financial statements, the Company has an accumulated deficit of \$14,069,367 at December 31, 2015, had a net loss of \$7,651,985 and net cash used in operating activities of \$620,092 for year ended December 31, 2015. This raises substantial doubt about the Company's ability to continue as a going concern.

While we are attempting to increase operations and revenues, our cash position may not be significant enough to support the Company's daily operations. Management intends to raise additional funds by way of debt and equity financing. We believe that the actions presently being taken to further implement our business plan and generate increased revenues provide the opportunity for the Company to continue as a going concern. At present we are working on the development of four new products followed closely by others. Through a Licensing Agreement we have multiple products available in the areas of personal care, household cleaning/laundry, hardware, automotive, pet care and foods. While we believe in the viability of our strategy to generate increased revenues and in our ability to raise additional funds, there can be no assurances to that effect. The ability of the Company to continue as a going concern is dependent upon the Company's ability to further implement its business plan and generate increased revenues.

During the year ended December 31, 2015, net cash used by investing activities was \$0 compared to \$59,954 for the prior year. Investing activity in the prior year was for the purchase of fixed assets. No new fixed assets have been purchased in the current year.

Net cash flows from financing activities for the year ended December 31, 2015 were \$660,381 compared to \$598,873 for the year ended December 31, 2014. During the year ended December 31, 2015, we received \$776,199 from the issuance of notes payable to third parties.

Our net loss for the year ended December 31, 2015 was significantly increased as a result of non-cash expense transactions. Taking into account these non-cash transactions the reconciled net loss would be \$740,035. The table below is not a GAAP presentation of the financial statements and is presented only to show the reconciled net loss.

Net loss	\$ (7,651,985)
Deduct non-cash gains:	
Gain on extinguishment of debt	(62,859)
Add back non-cash expenses:	
Shares issued for services	21,082
Depreciation	38,431
Deferred compensation	119,707
License fees paid with warrants	6,501,715
Loss on conversion of debt	226,811
Amortization of debt discount	50,029
Loss on disposal of fixed assets	17,034
Total	6,911,950
Reconciled net loss, reconciled for non-cash items	<u>\$ (740,035)</u>
Reconciled net loss per share, reconciled for non-cash items	<u>\$ (0.03)</u>

### **Obligations and Commitments**

On July 9, 2014, the Board of Directors approved an investment arrangement with a third party individual. Per the terms of the agreement the investor has transferred \$150,000 to the Company for which he is now entitled to the following: \$1 per unit sold through all retail outlets including online and retail shopping shows until the investment is paid back in full. Once the original investment is recouped the investor shall then receive a 2% royalty in perpetuity on all future retail sales of our patented fitness product. As of December 31, 2015, no units of the applicable product have been sold. The investment remains with the Company and is disclosed as an accrued liability on the balance sheet.

During the year ended December 31, 2015, the Company received short term loans from three creditors for a total of \$354,000. The loans are uncollateralized, non-interest bearing and are due on demand.

The Company also has financing loans for its product liability and Director and Officer Insurance. As of December 31, 2015 and December 31, 2014 the loans have a balance of \$16,671 and \$7,442, respectively, they bear interest at 5.99% and 6.7% and are due within one year.

### **Critical Accounting Estimates and Policies**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Note 1 to the Financial Statements describes the significant accounting policies and methods used in the preparation of the Financial Statements. Estimates are used for, but not limited to, contingencies and taxes. Actual results could differ materially from those estimates. The following critical accounting policies are impacted significantly by judgments, assumptions, and estimates used in the preparation of the Financial Statements.

We are subject to various loss contingencies arising in the ordinary course of business. We consider the likelihood of loss or impairment of an asset or the incurrence of a liability, as well as our ability to reasonably estimate the amount of loss in determining loss contingencies. An estimated loss contingency is accrued when management concludes that it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. We regularly evaluate current information available to us to determine whether such accruals should be adjusted.

We recognize deferred tax assets (future tax benefits) and liabilities for the expected future tax consequences of temporary differences between the book carrying amounts and the tax basis of assets and liabilities. The deferred tax assets and liabilities represent the expected future tax return consequences of those differences, which are expected to be either deductible or taxable when the assets and liabilities are recovered or settled. Future tax benefits have been fully offset by a 100% valuation allowance as management is unable to determine that it is more likely than not that this deferred tax asset will be realized.

#### **Off-Balance Sheet Arrangements**

We have not entered into any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources and would be considered material to investors.

#### **Recent Accounting Pronouncements**

In August 2014, the FASB issued Accounting Standards Update “ASU” 2014-15 on “Presentation of Financial Statements Going Concern (Subtopic 205-40) – Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern”. Currently, there is no guidance in U.S. GAAP about management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern or to provide related footnote disclosures. The amendments in this Update provide that guidance. In doing so, the amendments are intended to reduce diversity in the timing and content of footnote disclosures. The amendments require management to assess an entity’s ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. Specifically, the amendments (1) provide a definition of the term *substantial doubt*, (2) require an evaluation every reporting period including interim periods, (3) provide principles for considering the mitigating effect of management’s plans, (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management’s plans, (5) require an express statement and other disclosures when substantial doubt is not alleviated, and (6) require an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). The amendments in this Update are effective for public and nonpublic entities for annual periods ending after December 15, 2016. Early adoption is permitted.

The Company has implemented all new accounting pronouncements that are in effect. These pronouncements did not have any material impact on the financial statements unless otherwise disclosed, and the Company does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

#### **Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable to smaller reporting companies.

**Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**INSYNERGY PRODUCTS, INC.  
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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors  
Insynergy Products, Inc.

We have audited the accompanying balance sheet of Insynergy Products, Inc. as of December 31, 2015, and the related statements of operations, stockholders' equity (deficit), and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Insynergy Products, Inc. as of December 31, 2015, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 13 to the financial statements, the Company has suffered losses from operations since inception and its current cash flow is not enough to meet current needs. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regards to this matter are also described in Note 13. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Haynie & Company  
Salt Lake City, Utah  
April 14, 2016

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors  
Insynergy Products, Inc.  
Studio City, California

We have audited the accompanying balance sheet of Insynergy Products, Inc. as of December 31, 2014, and the related statement of operations, stockholders' equity (deficit), and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Insynergy Products, Inc. as of December 31, 2014, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

/s/  
HJ Associates & Consultants, LLP  
Salt Lake City, Utah  
April 13, 2015

**INSYNERGY PRODUCTS, INC.**  
**BALANCE SHEETS**

	December 31, 2015	December 31, 2014
<b><u>ASSETS</u></b>		
Current Assets:		
Cash	\$ 40,485	\$ 196
Accounts receivable, net of allowance of \$5,855 and \$0, respectively	172,143	7,016
Inventory	503,946	144,893
Employee expense advance	-	4,641
Prepaid consulting	16,324	65,295
Prepaid and other assets	67,748	74,179
Total Current Assets	800,646	296,220
Deposit	10,161	10,610
Deferred stock option compensation	-	70,736
Property and equipment, net	35,300	90,765
Total Assets	\$ 846,107	\$ 468,331
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</u></b>		
Current Liabilities:		
Accounts payable	\$ 558,941	\$ 145,483
Other payables and accruals	223,615	167,598
Accrued compensation	226,556	76,260
Due to an officer	3,253	4,100
Notes payable	370,671	7,442
Total Current Liabilities	1,383,036	400,883
Total Liabilities	1,383,036	400,883
<b><u>Stockholders' Equity (Deficit):</u></b>		
Common Stock par value \$0.001 300,000,000 shares authorized, 26,296,868 and 24,574,813 shares issued, respectively	26,298	24,576
Additional paid in capital	13,506,140	6,460,254
Retained deficit	(14,069,367)	(6,417,382)
Total Stockholders' Equity (Deficit)	(536,929)	67,448
Total Liabilities and Stockholders' Equity (Deficit)	\$ 846,107	\$ 468,331

*The accompanying notes are an integral part of these financial statements.*

**INSYNERGY PRODUCTS, INC.**  
**STATEMENTS OF OPERATIONS**

	For the Years Ended December 31,	
	2015	2014
Revenues	\$ 2,069,285	\$ 49,077
Costs of goods sold	1,118,378	15,545
Gross margin	<u>950,907</u>	<u>33,532</u>
<b>Operating Expenses:</b>		
Compensation expense	253,272	220,844
Advertising and promotion	584,061	152,831
Professional fees	103,871	89,528
Licensing expense	6,501,715	-
General and administrative	902,732	857,795
Total operating expenses	<u>8,345,651</u>	<u>1,320,998</u>
Loss from operations	<u>(7,394,744)</u>	<u>(1,287,466)</u>
<b>Other Income (Expense):</b>		
Interest expense	(23,184)	(18,493)
Amortization of debt discount	(50,029)	-
Loss on disposal of assets	(17,034)	-
Loss on conversion of debt	(226,811)	(424,119)
Change in fair value of derivative liability	(3,042)	-
Gain on extinguishment of debt	62,859	5,801
Total other expense	<u>(257,241)</u>	<u>(436,811)</u>
Net Loss	<u>\$ (7,651,985)</u>	<u>\$ (1,724,277)</u>
Loss per Share, Basic & Diluted	<u>\$ (0.29)</u>	<u>\$ (0.08)</u>
Weighted Average Shares Outstanding	<u>26,094,042</u>	<u>21,218,500</u>

*The accompanying notes are an integral part of these financial statements.*

**INSYNERGY PRODUCTS, INC.**  
**STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT)**

	Common Stock		Additional Paid in Capital	Accumulated Deficit	Total
	Shares	Amount			
Balance, December 31, 2013	19,760,683	\$ 19,762	\$ 4,419,476	\$ (4,693,105)	\$ (253,867)
Stock issued for cash	257,935	258	87,742	-	88,000
Stock issued for services	1,211,117	1,211	415,896	-	417,107
Stock issued for conversion of debt	3,725,078	3,725	1,149,926	-	1,153,651
Stock cancellation	(380,000)	(380)	380	-	-
Forgiveness of accrued officer compensation	-	-	189,320	-	189,320
Issuance of warrants	-	-	195,885	-	195,885
Contributed interest	-	-	1,629	-	1,629
Net Loss for the year ended December 31, 2014	-	-	-	(1,724,277)	(1,724,277)
Balance, December 31, 2014	24,574,813	24,576	6,460,254	(6,417,382)	67,448
Stock issued for services	66,500	67	21,015	-	21,082
Stock issued for conversion of debt	1,655,555	1,655	523,156	-	524,811
Issuance of warrants	-	-	6,501,715	-	6,501,715
Net Loss for the year ended December 31, 2015	-	-	-	(7,651,985)	(7,651,985)
Balance, December 31, 2015	26,296,868	\$ 26,298	\$ 13,506,140	\$ (14,069,367)	\$ (536,929)

*The accompanying notes are an integral part of these financial statements.*



**INSYNERGY PRODUCTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS**

Insynergy Products, Inc. (formerly Insynergy, Inc.) (the "Company") was incorporated in the State of Nevada on January 26, 2010 to engage in Direct Response marketing that has the ability to take a product from the drawing board to the consumer via sales through television and/or retail.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of presentation*

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Management further acknowledges that it is solely responsible for adopting sound accounting practices, establishing and maintaining a system of internal accounting control and preventing and detecting fraud. The Company's system of internal accounting control is designed to assure, among other items, that 1) recorded transactions are valid; 2) valid transactions are recorded; and 3) transactions are recorded in the proper period in a timely manner to produce financial statements which present fairly the financial condition, results of operations and cash flows of the Company for the respective periods being presented.

*Use of estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the estimated useful lives of property and equipment. Actual results could differ from those estimates.

*Concentrations of Credit Risk*

We maintain our cash in bank deposit accounts, the balances of which at times may exceed federally insured limits. We continually monitor our banking relationships and consequently have not experienced any losses in our accounts. We believe we are not exposed to any significant credit risk on cash.

*Cash equivalents*

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. There were no cash equivalents for the year ended December 31, 2015 or 2014.

*Accounts Receivable*

Revenues that have been recognized but not yet received are recorded as accounts receivable. Losses on receivables will be recognized when it is more likely than not that a receivable will not be collected. An allowance for estimated uncollectible amounts will be recognized to reduce the amount of receivables to its net realizable value. The allowance for uncollectible amounts is evaluated quarterly.

*Fair value of financial instruments*

The Company follows paragraph 825-10-50-10 of the FASB Accounting Standards Codification for disclosures about fair value of its financial instruments and paragraph 820-10-35-37 of the FASB Accounting Standards Codification ("Paragraph 820-10-35-37") to measure the fair value of its financial instruments. Paragraph 820-10-35-37 establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America (U.S. GAAP), and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, Paragraph 820-10-35-37 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three (3) broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three (3) levels of fair value hierarchy defined by Paragraph 820-10-35-37 are described below:

Level 1: Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.

Level 2: Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.

Level 3: Pricing inputs that are generally observable inputs and not corroborated by market data.

The carrying amount of the Company's financial assets and liabilities, such as cash, prepaid expenses and accrued expenses approximate their fair value because of the short maturity of those instruments. The Company's notes payable approximates the fair value of such instruments based upon management's best estimate of interest rates that would be available to the Company for similar financial arrangements at December 31, 2015.

The Company does not have any assets or liabilities measured at fair value on a recurring or a non-recurring basis as of December 31, 2015 and 2014.

#### Fixed Assets

Fixed assets are carried at the lower of cost or net realizable value. All fixed assets with a cost of \$2,000 or greater are capitalized. Major betterments that extend the useful lives of assets are also capitalized. Normal maintenance and repairs are charged to expense as incurred. When assets are sold or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in operations.

Depreciation is computed using the straight-line method over the estimated useful lives of three years.

#### Revenue recognition

The Company follows paragraph 605-10-S99-1 of the FASB Accounting Standards Codification for revenue recognition. The Company will recognize revenue when it is realized or realizable and earned. The Company considers revenue realized or realizable and earned when all of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) the product has been shipped or the services have been rendered to the customer, (iii) the sales price is fixed or determinable, and (iv) collectability is reasonably assured.

#### Income taxes

The Company follows Section 740-10-30 of the FASB Accounting Standards Codification, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the fiscal year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the fiscal years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Statements of Income in the period that includes the enactment date.

The Company adopted section 740-10-25 of the FASB Accounting Standards Codification ("Section 740-10-25") with regards to uncertainty income taxes. Section 740-10-25 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under Section 740-10-25, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent (50%) likelihood of being realized upon ultimate settlement. Section 740-10-25 also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. The Company had no material adjustments to its liabilities for unrecognized income tax benefits according to the provisions of Section 740-10-25.

#### Stock-based Compensation

We account for equity-based transactions with nonemployees under the provisions of ASC Topic No. 505-50, *Equity-Based*

*Payments to Non-Employees* (“ASC 505-50”). ASC 505-50 establishes that equity-based payment transactions with nonemployees shall be measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. The fair value of common stock issued for payments to nonemployees is measured at the market price on the date of grant. The fair value of equity instruments, other than common stock, is estimated using the Black-Scholes option valuation model. In general, we recognize the fair value of the equity instruments issued as deferred stock compensation and amortize the cost over the term of the contract.

We account for employee stock-based compensation in accordance with the guidance of FASB ASC Topic 718, *Compensation—Stock Compensation*, which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. The fair value of the equity instrument is charged directly to compensation expense and credited to additional paid-in capital over the period during which services are rendered.

#### Net income (loss) per common share

Net income (loss) per common share is computed pursuant to section 260-10-45 of the FASB Accounting Standards Codification. Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of shares of common stock and potentially outstanding shares of common stock during the period. The weighted average number of common shares outstanding and potentially outstanding common shares assumes that the Company incorporated as of the beginning of the first period presented.

The Company’s diluted loss per share is the same as the basic loss per share for the years ended December 31, 2015 and 2014, as the inclusion of any potential shares would have had an anti-dilutive effect due to the Company generating a loss.

#### Advertising Costs

The Company expenses the cost of advertising and promotional materials when incurred. For the years ended December 31, 2015 and 2014 advertising costs were \$584,061 and \$152,831, respectively.

#### Reclassifications

Certain reclassifications have been made to the prior year financial information to conform to the presentation used in the financial statements for the year ended December 31, 2015.

#### Recently issued accounting pronouncements

In August 2014, the FASB issued Accounting Standards Update “ASU” 2014-15 on “Presentation of Financial Statements Going Concern (Subtopic 205-40) – Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern”. Currently, there is no guidance in U.S. GAAP about management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern or to provide related footnote disclosures. The amendments in this Update provide that guidance. In doing so, the amendments are intended to reduce diversity in the timing and content of footnote disclosures. The amendments require management to assess an entity’s ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. Specifically, the amendments (1) provide a definition of the term *substantial doubt*, (2) require an evaluation every reporting period including interim periods, (3) provide principles for considering the mitigating effect of management’s plans, (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management’s plans, (5) require an express statement and other disclosures when substantial doubt is not alleviated, and (6) require an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). The amendments in this Update are effective for public and nonpublic entities for annual periods ending after December 15, 2016. Early adoption is permitted.

The Company has implemented all new accounting pronouncements that are in effect. These pronouncements did not have any material impact on the financial statements unless otherwise disclosed, and the Company does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

### **NOTE 3 – INVENTORY**

As of December 31, 2015 and 2014, the Company has \$131,759 and \$144,893, respectively of finished goods inventory. And \$372,187 and \$0 of work in process inventory, respectively. Inventory is carried at the lower of cost or market.

During the year ended December 31, 2015 the Company determined that it was in its best interest to no longer pursue the marketing and production of two of its initial products. As of December 31, 2015, the Company impaired the remaining \$42,232 of inventory to cost of goods.

#### NOTE 4 – PROPERTY AND EQUIPMENT

Furniture fixtures and equipment, stated at cost, less accumulated depreciation at December 31 consisted of the following:

	December 31, 2015		December 31, 2014	
Equipment	\$	35,202	\$	35,202
Furniture		37,276		37,276
Computers & Hardware		5,187		5,187
Leasehold improvements		-		12,230
Moldings		59,955		86,455
Less: accumulated depreciation		(102,320)		(85,585)
Fixed assets, net	\$	35,300	\$	90,765

During the year ended December 31, 2015, the Company ceased using the office space for which it had capitalized prior leasehold improvement expense of \$12,230. Accordingly, the Company has determined that carrying amount of such asset is not recoverable and has written it down to \$0, resulting in a loss on disposal of \$7,148.

During the year ended December 31, 2015, the Company determined that it would no longer be using tooling that had been capitalized at \$26,500. Accordingly, the Company has determined that carrying amount of such asset is not recoverable and has written it down to \$0, resulting in a loss on disposal of \$9,886.

#### Depreciation expense

Depreciation expense for the years ended December 31, 2015 and 2014 was \$38,431 and \$41,786, respectively.

#### NOTE 5 – NOTES PAYABLE

During the year ended December 31, 2015, the Company executed multiple promissory notes with a creditor for total proceeds of \$298,000. The loans are uncollateralized, bear interest at 3% and mature in six months. As of December 31, 2015, the Company converted all principal and interest into 1,655,555 shares of common stock. The value of the shares was determined using the average of the most recent stock sales for cash, resulting in a loss on conversion of debt of \$226,811.

During the year ended December 31, 2015, the Company received short term loans from three creditors for a total of \$354,000. The loans are uncollateralized, non-interest bearing and are due on demand.

The Company also has financing loans for its product liability and Director and Officer Insurance. As of December 31, 2015 and December 31, 2014 the loans have a balance of \$16,671 and \$7,442, respectively, they bear interest at 5.99% and 6.7% and are due within one year.

#### NOTE 6 – CONVERTIBLE PROMISSORY NOTE

On January 16, 2015, the Company executed a convertible promissory note for \$69,000 with KBM Worldwide, Inc. The note bears interest at 8% per annum and is due on or before October 20, 2015. The note is convertible at a 42% discount any time during the period beginning 180 days following the date of the note. The Company recorded a debt discount in the amount of \$50,029 in connection with the initial valuation of the beneficial conversion feature of the note to be amortized utilizing the interest method of accretion over the term of the note. Further, the Company recognized an initial derivative liability of \$50,029 based on the Black Scholes Merton pricing model using the following inputs: stock price of \$3.50, conversion price of \$2.03, 0.75 years to maturity, 0.12% risk free rate, and volatility of 18.2%. On July 22, 2015, the Company repaid the \$69,000 principal, and an additional \$20,000 for all accrued interest and an early payment penalty. The remaining debt discount was expensed and the Company recognized a gain on derivative of \$53,071 for the year ended December 31, 2015.

Derivative liability at December 31, 2014	\$	-
Derivative liability at inception		50,029
Elimination of liability on conversion		(53,071)
Change in fair value		3,042
Derivative liability at December 31, 2015	\$	<u>-</u>

## NOTE 7 – COMMITMENTS & CONTIGENCIES

### Operating Lease

The Company currently occupies office space in Burbank, California. The Company signed a three-year lease starting January 1, 2016. Current lease payments are \$3,425 with yearly increases. The lease required a deposit of \$3,500 which was paid on December 10, 2015. Minimum lease payments over the next three years are as follows:

Year	Amount
2016	\$ 41,097
2017	42,330
2018	43,596
Total	\$ <u>127,023</u>

### Investment Agreement

On July 9, 2014, the Board of Directors approved an investment arrangement with an individual. Per the terms of the agreement the investor has transferred \$150,000 to the Company for which he is now entitled to the following. \$1 per unit sold through all retail outlets including online and retail shopping shows until the investment is paid back in full. Once the original investment is recouped the investor shall then receive a 2% royalty in perpetuity on all future retail sales of the fitness product. As of December 31, 2015, no units of the applicable product have been sold. The investment remains with the Company and is disclosed as an accrued liability on the balance sheet.

## NOTE 8 – RELATED PARTY TRANSACTIONS

As of December 31, 2014, the Company owed Sanford Lang, CEO \$4,100 for cash advances used to pay for general operating expenses. This amount was repaid in full during 2015. As of December 31, 2015, the Company owed Mr. Lang \$1,853 for expense reimbursement.

On May 15, 2015, the Company issued 25,000 shares of common stock to Rachel Boulds, CFO for services rendered. The shares were valued at \$0.317 per share for a total non-cash expense of \$7,925. Fair market value for the shares was determined by taking the average share price for each cash-for-stock purchase in the prior period.

On August 13, 2015, the Company, granted 15,000,000 warrants to purchase shares of common stock to Sanford Lang, CEO. The warrants will vest at 5,000,000 for each \$5 million in revenue realized by the Company over the next eighteen months. The warrants have an exercise price of \$0.23 and a term of ten years. The performance condition must be met for the award to vest; therefore, compensation costs will be recognized when those performance measures are met.

On August 13, 2015, the Company, granted 1,000,000 warrants to purchase shares of common stock to Martin Goldrod, COO. The warrants will vest at 333,000 for each \$5 million in revenue realized by the Company over the next eighteen months. The warrants have an exercise price of \$0.23 and a term of ten years. The performance condition must be met for the award to vest; therefore, compensation costs will be recognized when those performance measures are met.

Pursuant to a binding Letter of Intent with Ross Sklar (“Sklar”), a related party, dated August 13, 2015, the Company granted warrants to purchase 35,000,000 shares of common stock to Sklar on September 15, 2015 for consideration of entering into the license agreement. The warrants have an exercise price of \$0.23 and a term of ten years.

During 2015 an officer advanced the Company \$5,000, \$3,600 of which was repaid. The advance was used to pay for general operating expenses. The advance is uncollateralized, non-interest bearing and due on demand.

#### NOTE 9 – STOCK OPTIONS

On January 29, 2014, the Company authorized the issuance of 1,000,000 stock options to Full Service Marketing. The aggregate fair value of the options totaled \$195,885 based on the Black Scholes Merton pricing model using the following estimates: exercise price of \$0.27, 0.71% risk free rate, 125% volatility and expected life of the options of three years. The Company has booked the \$195,885 to additional paid in capital and a deferred expense account, to be amortized over the term of the options. On July 20, 2015 the term of the options was reduced to two years accelerating the amortization of the deferred expense. For the years ended December 31, 2015 and 2014, \$119,707 and \$59,854 has been amortized to expense, respectively.

A summary of the status of the Company’s outstanding stock options and changes during the periods is presented below:

	Shares available to purchase with options	Weighted Average Price	Weighted Average Fair Value
Outstanding, December 31, 2014	1,000,000	\$ 0.27	\$ 0.20
		\$	
Issued	-	\$ -	\$ -
Exercised	-	\$ -	\$ -
Forfeited	-	\$ -	\$ -
Expired	-	\$ -	\$ -
Outstanding, December 31, 2015	<u>1,000,000</u>	\$ 0.27	\$ 0.20
Exercisable, December 31, 2015	<u>1,000,000</u>	\$ 0.27	\$ 0.20

Range of Exercise Prices	Number Outstanding at 12/31/15	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
\$0.27	1,000,000	1 month	\$ 0.20

#### NOTE 10 – STOCK WARRANTS

Pursuant to a binding Letter of Intent with Ross Sklar (“Sklar”), a related party, dated August 13, 2015, the Company granted warrants to purchase 35,000,000 shares of common stock to Sklar on September 15, 2015. The warrants have an exercise price of \$0.23 and a term of ten years. The aggregate fair value of the warrants totaled \$6,501,715 based on the Black Scholes Merton pricing model using the following estimates: exercise price of \$0.23, 2.28% risk free rate, 65.24% volatility and expected life of the options of 10 years. Mr. Sklar was also appointed to the Board of Directors designating him a related party.

A summary of the status of the Company’s outstanding stock warrants and changes during the periods is presented below:

	Shares available to purchase with warrants	Weighted Average Price	Weighted Average Fair Value
Outstanding, December 31, 2014	-	\$ -	\$ -
Issued	51,000,000	\$ 0.23	\$ 0.186
Exercised	-	\$ -	\$ -
Forfeited	-	\$ -	\$ -
Expired	-	\$ -	\$ -
Outstanding, December 31, 2015	<u>51,000,000</u>	\$ 0.23	\$ 0.186
Exercisable, December 31, 2015	<u>35,000,000</u>	\$ 0.23	\$ 0.186

Range of Exercise Prices	Number Outstanding 12/31/2015	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
\$0.23	51,000,000	9.62 years	\$ 0.23

#### NOTE 11 – STOCKHOLDERS' EQUITY (DEFICIT)

During the year ended December 31, 2015, the Company issued 41,500 shares of common stock for services to service providers. The shares were valued at \$0.317 per share for a total non-cash expense of \$13,156. Fair market value for the shares was determined by taking the average share price for each cash-for-stock purchase in the prior period.

During the year ended December 31, 2015, the Company converted loans due to a creditor totaling \$298,000 into 1,655,555 shares of common stock. The shares were valued at \$0.317 which was determined using the average of the most recent stock sales for cash.

#### NOTE 12 – INCOME TAX

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Net deferred tax assets consist of the following components as of December 31:

	2015	2014
<b>Deferred Tax Assets:</b>		
NOL Carryover	\$ 1,138,500	\$ 1,478,500
Related party accrual	1,300	1,600
Allowance for doubtful accounts	2,300	-
Payroll accrual	88,400	32,700
<b>Deferred tax liabilities:</b>		
Depreciation	3,600	(4,800)
Less valuation allowance	(1,234,100)	(1,508,000)
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

The income tax provision differs from the amount of income tax determined by applying the U.S. federal income tax rate to pretax income from continuing operations for the period ended December 31, due to the following:

	2015	2014
Book loss	\$ (3,278,100)	\$ (672,500)
Meals and entertainment	4,600	1,400
Depreciation	11,300	(7,400)
Allowance for Doubtful Accounts	2,500	-
Other nondeductible expenses	2,921,400	182,900
Related party accruals	(400)	(11,100)
Accrued payroll	58,900	(7,400)
Valuation allowance	279,800	514,100
	<u>\$ -</u>	<u>\$ -</u>

At December 31, 2015, the Company had net operating loss carry forwards of approximately \$2,919,000 that may be offset against future taxable income from the year 2016 to 2035. No tax benefit has been reported in the December 31, 2015 financial statements since the potential tax benefit is offset by a valuation allowance of the same amount.

Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carry forwards for Federal Income tax reporting purposes are subject to annual limitations. Should a change in ownership occur net operating loss carry forwards may be limited as to use in future years.

#### **NOTE 13 – GOING CONCERN**

As reflected in the accompanying financial statements, the Company has an accumulated deficit of \$14,069,367 at December 31, 2015, had a net loss of \$7,651,985 and net cash used in operating activities of \$620,092 for year ended December 31, 2015. This raises substantial doubt about the Company's ability to continue as a going concern.

While the Company is attempting to increase operations and revenues, the Company's cash position may not be significant enough to support the Company's daily operations. Management intends to raise additional funds by way of debt and equity financing. Management believes that the actions presently being taken to further implement its business plan and generate increased revenues provide the opportunity for the Company to continue as a going concern. While the Company believes in the viability of its strategy to generate increased revenues and in its ability to raise additional funds, there can be no assurances to that effect. The ability of the Company to continue as a going concern is dependent upon the Company's ability to further implement its business plan and generate increased revenues. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

#### **NOTE 14– SUBSEQUENT EVENTS**

Management has evaluated subsequent events pursuant to the requirements of ASC Topic 855, from the balance sheet date through the date the financial statement were issued, and has determined that no material subsequent events exist.

## **Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

As reported in our Form 8-K filed January 7, 2016, HJ & Associates & Consultants, LLP, resigned as our independent registered public accounting firm due to its combination with Haynie & Company, effective January 1, 2016. As a result, Haynie & Company became the Company's independent registered public accounting firm.

### **Item 9A. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including the Chief Executive Officer who also acts as our principal financial officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act) as of the end of the period covered by this report. The disclosure controls and procedures ensure that all information required to be disclosed by us in the reports that we file or submit under the Exchange Act is: (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rule and forms; and (ii) accumulated and communicated to our management, including our Chief Executive Officer as appropriate to allow timely decisions regarding required disclosure. Based on that evaluation, the Chief Executive Officer concluded that, as of December 31, 2015, these disclosure controls and procedures were not effective.

#### **Management's Annual Report on Internal Control over Financial Reporting**

Our management is responsible to establish and maintain adequate internal control over financial reporting. Our Chief Executive Officer is responsible to design or supervise a process that provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The policies and procedures include:

- maintenance of records in reasonable detail to accurately and fairly reflect the transactions and dispositions of assets,
- reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and directors, and
- reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our internal control over financial reporting as of the end of the period December 31, 2015. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control – Integrated Framework. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the fiscal year December 31, 2015, our internal control over financial reporting were not effective at that reasonable assurance level. The following aspects of the Company were noted as potential material weaknesses:

- timely and accurate reconciliation of accounts
- lack of timely document preparation
- lack of segregation of duties
- complex accounting transaction expertise
- lack of corporate documentation

## Changes in Internal Controls over Financial Reporting

Our management has determined that there were no changes made in the implementation of our internal controls over financial reporting during the fourth quarter of the year ended December 31, 2015.

## Attestation Report of Independent Public Accounting Firm

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting because as a smaller reporting company we are not subject to attestation by our independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

## Item 9B. OTHER INFORMATION

None.

## PART III

## Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

### Directors and Executive Officers

The following table sets forth the names and ages of our current directors and executive officers. Also the principal offices and positions with us held by each person and the date such person became our director, executive officer. Our bylaws require at least four directors to serve until the earlier occurrence of the election of his or her successor at the next meeting of stockholders, death, resignation or removal by the Board of Directors. Our executive officers are appointed by our board of directors and serve at its discretion. There are no family relationships among our directors, executive officers, director nominees.

Name	Age	Position
Sanford Lang	70	Chief Executive Officer, Director & Chairman
Martin Goldrod	74	Director, President, & COO
Rachel Boulds	46	Chief Financial Officer
Ross Sklar	40	Director

Sanford Lang is a co-founder of Insynergy and has served as its Chief Executive Officer and as Chairman of its Board of Directors from January 2010 when the Company was incorporated, to the present. From January 2007 to October 2009, Mr. Lang was President of Xstatic Corporation, a company involved in the development, marketing and sale of retail products designed to improve strength, balance and flexibility. Mr. Lang was responsible for planning and implementation of all marketing for products, including the scripting and shooting of video campaigns for the Products. Mr. Lang was previously for approximately 30 years an executive in the movie industry.

Martin Goldrod is a co-founder of Insynergy, and has served as its President and Chief Operating Officer, as well as on the Board of Directors, from January 2010 when the Company was incorporated, to the present. From January 2010 until March 2015 he served as the Company's Chief Financial Officer. From January 2007 to October 2009, Mr. Goldrod was Vice President of Xstatic Corporation, a company involved in the development, marketing and sale of retail products designed to improve strength, balance and flexibility. Mr. Goldrod was responsible for accounting and budgeting for Xstatic Corporation. Mr. Goldrod has an Associate of Arts degree from City College of San Francisco along with a certificate in Financial Planning from UCLA Extension. For approximately 30 years Mr. Goldrod was an executive in the music industry.

Rachel Boulds was appointed as Chief Financial Officer of the Company on March 6, 2015. She has been a Certified Public Accountant since September 2005. Since July 2009 to the present she has been the independent owner-operator of a Utah Professional Limited Liability Company that provides accounting services to companies. Her firm provides contract Chief Financial Officer, controllership, financial reporting, audit consulting, bookkeeping, and business operation consulting services to various public and private companies. Typical services include preparation of period-end financial statements, footnotes and Management Discussion and Analysis in conformity with US GAAP and SEC reporting rules, as well as consultation on complex accounting matters and working closely with client staff, auditors and legal counsel to prepare, review and file periodic public financial information, including Forms 10-K and 10-Q.

Ross Sklar was appointed to fill a vacancy on our Board on August 13, 2015. Mr. Sklar is 40 years old and is the founder and current Chief Executive Officer of The Starco Group, located in Los Angeles, California. He started The Starco Group in January 2010. The Starco Group is a coating and adhesive aerosol producer and one of only two companies in the U.S. that produces aerosols and janitor and food service chemicals all under one roof. For over 15 years Mr. Sklar has developed technology in the chemical, coatings, oil and gas, construction and consumer markets. He holds a Bachelor's degree in Political Science with a minor in Economics from the University of Manitoba.

### **Involvement in Certain Legal Proceedings**

None of our officer nor directors, promoters or control persons have been involved in the past ten years in any of the following:

- (1) Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- (2) Any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- (3) Being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, or any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or
- (4) Being found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

### **Compliance with Section 16(a) of the Exchange Act**

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and persons who own more than ten percent of our common stock, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock. Officers, directors and ten-percent or greater beneficial owners are required by SEC regulations to furnish us with copies of all Section 16(a) reports they file. Based upon a review of those forms and representations regarding the need for filing for the year ended December 31, 2015, we believe Sanford Lang filed late one Form 4 related to one transaction; Martin Goldrod filed late two Forms 4 each related to one transaction; Rachel Boulds filed late one Form 4 related to one transaction and Ross Sklar filed late one Form 3.

### **Corporate Governance**

We do not have a standing nominating committee for directors, nor do we have an audit committee with an audit committee financial expert serving on that committee. Our entire board of directors, including Messrs. Sanford, Goldrod and Sklar, act as our nominating and audit committee.

### **Code of Ethics**

The Company has not adopted a Code of Ethics.

## Item 11. EXECUTIVE COMPENSATION

The following table provides information as to cash compensation of all executive officers of the Company, for each of the Company's last two fiscal years.

### SUMMARY COMPENSATION TABLE

#### SUMMARY COMPENSATION TABLE

Name and principal position	Year	Salary (\$)(1)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Sanford Lang, CEO	2015	\$42,905	\$0	\$0	\$0	\$0	\$0	\$0	\$42,905
	2014	\$7,762	\$0	\$0	\$0	\$0	\$0	\$0	\$7,762
Martin Goldrod, COO	2015	\$19,140	\$0	\$0	\$0	\$0	\$0	\$0	\$19,140
	2014	\$4,650	\$0	\$0	\$0	\$0	\$0	\$0	\$4,650
Rachel Boulds, CFO	2015	\$8,500	\$0	\$7,925	\$0	\$0	\$0	\$0	\$8,500
	2014	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(1) Amounts indicated are cash payments. All officers also have accrued unpaid salary.

### Employment Agreements

We have separate employment agreements with our three principle officers as follows:

On February 5, 2010, the Company entered into a five-year employment contract with Sanford Lang, providing for his services as Chief Executive Officer of the Company. The employment Agreement provides for a salary of \$120,000 per year, and for additional bonus compensation each year at the discretion of the Board of Directors. It also provides for a car allowance of \$900 per month, reimbursement for all business expenses, and for participation in all employee benefit programs offered to other employees from time to time to other employees of the Company. Effective July 1, 2015, the Board approved an increase of the yearly salary to \$180,000.

On February 5, 2010, the Company entered into a five-year employment contract with Martin Goldrod, providing for his services as President and Chief Operating Officer of the Company. The employment Agreement provides for a salary of \$60,000 per year, and for additional bonus compensation each year at the discretion of the Board of Directors. It also provides for reimbursement for all business expenses, and for participation in all employee benefit programs offered to other employees from time to time to other employees of the Company. Effective July 1, 2015, the Board approved an increase of the yearly salary to \$65,000.

The Company appointed Rachel Boulds as its CFO on March 6, 2015. The Company and Ms. Boulds have not entered into any formal written compensation agreement for the position of Chief Financial Officer of the Company.

## DIRECTOR COMPENSATION

The following table provides information concerning the compensation of the current and former directors of the Company for the past fiscal year:

Name	Fees Earned or Paid in Cash	Stock Awards	All Other Compensation	Total
Sanford Lang	\$0	\$0	\$0	\$0
Martin Goldrod	\$0	\$0	\$0	\$0
Ross Sklar	\$0	\$0	\$0	\$0
Spallucci (former)	\$0	\$0	\$0	\$0

## Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

### Securities Under Equity Compensation Plans

The following table lists the securities authorized for issuance under any equity compensation plans approved by our shareholders and any equity compensation plans not approved by our shareholders as of December 31, 2015. This chart includes individual compensation arrangements as described below.

#### EQUITY COMPENSATION PLAN INFORMATION

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	0	\$ 0.00	0
Equity compensation plans not approved by security holders	52,000,000	\$ 0.27	0
Total	52,000,000	\$ 0.27	0

On January 29, 2014, the Company entered into an individual compensation agreement with Full Service Marketing. The Company authorized the issuance of 1,000,000 stock options to Full Service Marketing for marketing and other related services. The options have an exercise price of \$0.27, are exercisable immediately and expire January 29, 2017.

## Equity Awards to Officers and Directors

On August 13, 2015, the Company granted 15,000,000 warrants to purchase shares of common stock to Sanford Lang, CEO. The warrants will vest at 5,000,000 for each \$5 million in revenue realized by the Company over the next eighteen months. The warrants have an exercise price of \$0.23 and a term of ten years. The warrants were issued in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933.

On August 13, 2015, the Company, granted 1,000,000 warrants to purchase shares of common stock to Martin Goldrod, COO. The warrants will vest at 333,000 for each \$5 million in revenue realized by the Company over the next eighteen months. The warrants have an exercise price of \$0.23 and a term of ten years. The warrants were issued in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933.

On September 15, 2015, the Company granted warrants to purchase 35,000,000 shares of common stock to Ross Sklar in consideration for licensing rights to a series of products. The warrants have an exercise price of \$0.23 and a term of ten years. The warrants were issued in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933.

## Beneficial Ownership

The following table lists the beneficial ownership of our outstanding common stock by our management and each person or group known to us to own beneficially more than 5% of our voting common stock. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Based on these rules, two or more persons may be deemed to be the beneficial owners of the same securities. Except as indicated by footnote, the persons named in the table below have sole voting power and investment power with respect to the shares of common stock shown as beneficially owned by them. The percentage of beneficial ownership is based on 26,296,868 shares of common stock outstanding as of March 25, 2016, plus an aggregate of 35,000,000 shares which the following persons may acquire within 60 days by the exercise of rights, warrants and/or options.

### MANAGEMENT

Title of Class	Name of Beneficial Owner	Amount of Beneficial Ownership	Percent of Class
Common Stock	Sanford Lang	7,540,320 (1)	12.3%
Common Stock	Martin Goldrod	1,362,500	2.2%
Common Stock	Rachel Boulds	25,000	0%
Common Stock	Ross Sklar	35,000,000 (2)	57.1%
	Directors and executive officers as a group (4 persons)	43,927,820	71.7%

(1) Represents 7,540,320 shares by Mr. Lang, 500,000 shares held by his spouse and 10,000 shares held by a child living with him.

(2) Represents warrants to purchase 35,000,000 common shares exercisable within the next 60 days.

### **Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

#### **Related Party Transactions**

*The following information summarizes transactions we have either engaged in for the past two fiscal years or propose to engage in, involving our executive officers, directors, more than 5% stockholders, or immediate family members of these persons. These transactions were negotiated between related parties without "arm's length" bargaining and, as a result, the terms of these transactions may be different than transactions negotiated between unrelated persons.*

As of December 31, 2014, the Company owed Sanford Lang, CEO, \$4,100 for cash advances used to pay for general operating expenses. This amount was repaid in full during 2015. As of December 31, 2015, the Company owed Mr. Lang \$1,853 for expense reimbursement.

On September 30, 2014, Sanford Lang, CEO and Martin Goldrod, CFO, agreed to forgive all of their accrued compensation. As a result the Company credited \$149,970 to additional paid in capital.

On December 31, 2014, Sanford Lang, CEO and Martin Goldrod, CFO, agreed to forgive all of their accrued compensation. As a result the Company credited \$39,350 to additional paid in capital.

During 2014, Rachel Boulds, our new Chief Financial Officer, provided accounting services to the Company. Her firm provided contract Chief Financial Officer, controllership, financial reporting, audit consulting, bookkeeping, and business operation consulting services to various public and private companies. Her firm also prepared the Company's period-end financial statements, footnotes and Management Discussion and Analysis in conformity with US GAAP and SEC reporting rules, as well as consultation on complex accounting matters. For the year ended December 31, 2014 her firm billed the Company \$6,500, per the terms of their agreement.

On May 15, 2015, the Company issued 25,000 shares of common stock to Rachel Boulds, CFO for services rendered. The shares were valued at \$0.317 per share for a total non-cash expense of \$7,925. Fair market value for the shares was determined by taking the average share price for each cash-for-stock purchase in the prior period.

On August 13, 2015, the Company, granted 15,000,000 warrants to purchase shares of common stock to Sanford Lang, CEO. The warrants will vest at 5,000,000 for each \$5 million in revenue realized by the Company over the next eighteen months. The warrants have an exercise price of \$0.23 and a term of ten years. The performance condition must be met for the award to vest; therefore, compensation costs will be recognized when those performance measures are met.

On August 13, 2015, the Company, granted 1,000,000 warrants to purchase shares of common stock to Martin Goldrod, COO. The warrants will vest at 333,000 for each \$5 million in revenue realized by the Company over the next eighteen months. The warrants have an exercise price of \$0.23 and a term of ten years. The performance condition must be met for the award to vest; therefore, compensation costs will be recognized when those performance measures are met.

During 2015 Martin Goldrod, COO advanced the Company \$5,000, \$3,600 of which was repaid. The advance was used to pay for general operating expenses. The advance is uncollateralized, non-interest bearing and due on demand.

Pursuant to a binding Letter of Intent with Ross Sklar ("Sklar"), dated August 13, 2015, the Company granted warrants to purchase 35,000,000 shares of common stock Sklar on September 15, 2015. The warrants were granted in consideration for licensing rights to a series of products owned by The Starco Group. The warrants have an exercise price of \$0.23 and a term of ten years. Pursuant to the Letter of Intent, the Company appointed Mr. Sklar as a member of its Board of Directors on August 13, 2015.

On February 5, 2010, the Company entered into a five-year employment contract with Sanford Lang, providing for his services as Chief Executive Officer of the Company. The employment Agreement provides for a salary of \$120,000 per year. Effective July 1, 2015, the Board approved an increase of the yearly salary to \$180,000.

On February 5, 2010, the Company entered into a five-year employment contract with Martin Goldrod, providing for his services as President and Chief Operating Officer of the Company. The employment Agreement provides for a salary of \$60,000 per year. Effective July 1, 2015, the Board approved an increase of the yearly salary to \$65,000.

## **Director Independence**

At this time the Company does not have a policy that its directors or a majority be independent of management. The Company has at this time only three directors. It is the intention of the Company to implement a policy in the future that a majority of the Board member be independent of the Company's management as the members of the board of director's increases after implementation of the Company's business plan.

## **Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

### **Audit Fees**

The following table presents the aggregate fees billed for each of the last two fiscal years by our accounting firms, Haynie & Company and HJ Associates & Consultants, LLP, in connection with the audit of our financial statements and other professional services rendered by those accounting firms.

	Haynie & Company 2015	HJ & Assoc. 2014
Audit fees	\$ 52,000	\$ 32,700
Audit-related fees	\$ -	\$ -
Tax fees	\$ 2,400	\$ 2,163
All other fees	\$ -	\$ -

Audit fees represent fees for professional services rendered by our principal accountants for the audit of our annual financial statements and review of the financial statements included in our Forms 10-Q or services that are normally provided by our principal accountants in connection with statutory and regulatory filings or engagements.

Audit-related fees represent professional services rendered for assurance and related services by the accounting firm that are reasonably related to the performance of the audit or review of our financial statements that are not reported under audit fees.

Tax fees represent professional services rendered by the accounting firm for tax compliance, tax advice, and tax planning.

All other fees represent fees billed for products and services provided by the accounting firm, other than the services reported for the other three categories.

### **Pre-Approval Policies**

Our audit committee makes recommendations to our board of directors regarding the engagement of an auditor. Our board of directors approves the engagement of the auditor before the firm renders audit and non-audit services. Our audit committee does not rely on pre-approval policies and procedures.

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

#### *(a)(1) Financial Statements*

The audited financial statements of Insynergy Products, Inc., are included in this report under Item 8 on pages 16 to 30.

#### *(a)(2) Financial Statement Schedules*

All financial statement schedules are included in the footnotes to the financial statements or are inapplicable or not required.

#### *(a)(3) Exhibits*

The following documents have been filed as part of this report.

#### **Exhibit**

<u>No.</u>	<u>Description</u>
3(i)	Articles of Incorporation (incorporated by reference to exhibit 3.0 Form S-1 file No. 333-179262, filed January 31, 2012)
3(ii)	By-laws of Insynergy Products, Inc., as amended August 13, 2015 (incorporated by reference to exhibit 3(ii) Form 8-K filed August 20, 2015)
4.1	Warrant Agreement between Ross Sklar and Insynergy, dated September 15, 2015 (incorporated by reference to exhibit 10.3 Form 10-Q, filed November 23, 2015)
10.1	Lease agreement between Burbank Commercial Properties, L.P. and Insynergy, dated December 9, 2015
10.2	Letter of Intent with Ross Sklar, dated August 13, 2015 (incorporated by reference to exhibit 10.1 to Form 8-K, filed August 20, 2015)
31.1	Chief Executive Officer Certification
31.2	Chief Financial Officer Certification
32.1	Section 1350 Certification
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Label Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document

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### **SIGNATURES**

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

#### **Insynergy Products, Inc.**

By: /s/ Sanford Lang  
Sanford Lang  
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Sanford Lang</u> Sanford Lang	Chief Executive Officer, Chairman of the Board and Director	April 14, 2016
<u>/s/ Martin Goldrod</u> Martin Goldrod	President, COO and Director	April 14, 2016
<u>/s/ Rachel Boulds</u>	Chief Financial Officer	

Rachel Boulds

April 14, 2016

/s/ Ross Sklar  
Ross Sklar

Director

April 14, 2016

**CHIEF EXECUTIVE OFFICER CERTIFICATION**

I, Sanford Lang, hereby certify that:

- (1) I have reviewed this annual report on Form 10-K for the year ended December 31, 2015 (the "report") of Insynergy Products, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 14, 2016

*/s/Sanford Lang*  
Chief Executive Officer

**CHIEF FINANCIAL OFFICER CERTIFICATION**

I, Rachel Boulds, hereby certify that:

- (1) I have reviewed this annual report on Form 10-K for the year ended December 31, 2015 (the "report") of Insynergy Products, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 14, 2016

*/s/ Rachel Boulds*  
Chief Financial Officer

**INSYNERGY PRODUCTS, INC.**

**CERTIFICATION OF PERIODIC REPORT**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  
18 U.S.C. Section 1350

The undersigned executive officers of Insynergy Products, Inc. certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

- the annual report on Form 10-K of the Company for the year ended December 31, 2015, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 14, 2016

/s/Sanford Lang  
Sanford Lang  
Chief Executive Officer

/s/ Rachel Boulds  
Rachel Boulds  
Chief Financial Officer

# STANDARD MULTI-TENANT OFFICE LEASE - GROSS

## 1. Basic Provisions ("Basic Provisions").

1.1 **Parties:** This Lease ("Lease"), dated for reference purposes only December 9, 2015, is made by and between Burbank Commercial Properties, a California limited partnership ("Lessor") and Insynergy Products, Inc. ("Lessee"), (collectively the "Parties", or individually a "Party").

1.2(a) **Premises:** That certain portion of the Project (as defined below), known as Suite 201, second floor, consisting of approximately 1,957 rentable square feet, the ("Premises"). The Premises are located at: 2501 West Burbank Blvd. in the City of Burbank, County of Los Angeles, State of California, with zip code 91505. In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Areas (as defined in Paragraph 2.7 below) as hereinafter specified, but shall not have any rights to the roof, the exterior walls, the area above the dropped ceilings, or the utility raceways of the building containing the Premises ("**Building**") or to any other buildings in the Project. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the "**Project**". The Project consists of approximately 32,000 rentable square feet. (See also Paragraph 2)

1.2(b) **Parking:** Four (4) reserved vehicle parking spaces at a monthly cost of \$30.00 per reserved space. (See Paragraph 2.6)

1.3 **Term:** Three (3) years ~~months~~ ("**Original Term**") commencing January 1, 2016 ("**Commencement Date**") and ending December 31, 2018 ("**Expiration Date**"). (See also Paragraph 3)

1.4 **Early Possession:** N/A ("**Early Possession Date**"). (See also Paragraphs 3.2 and 3.3)

1.5 **Base Rent:** \$3,424.75 per month ("**Base Rent**"), payable on the first day of each month commencing January 1, 2016.

On January 1, 2017 the Base Rent shall increase to \$3,527.49 per month.

On January 1, 2018 the Base Rent shall increase to \$3,633.32 per month.

(See also Paragraph 4)

1.6 **Deleted**

1.7 **Base Rent and Other Monies Paid Upon Execution:**

(a) **Base Rent:** \$3,424.75 for the period January 2016.

(b) **Security Deposit:** \$3,500.00 ("**Security Deposit**"). (See also Paragraph 5)

(c) **Parking:** \$120.00 for the period January 2016.

(d) **Total Due Upon Execution of this Lease:** \$7,044.75.

1.8 **Agreed Use:** General Office. (See also Paragraph 6)

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

1.10 **Real Estate Brokers:** (See also Paragraph 15)

(a) **Representation:** The following real estate brokers (the "**Brokers**") and brokerage relationships exist in this transaction (check applicable boxes):

- \_\_\_\_\_ represents Lessor exclusively ("**Lessor's Broker**");
- \_\_\_\_\_ represents Lessee exclusively ("**Lessee's Broker**"); or
- \_\_\_\_\_ represents both Lessor and Lessee ("**Dual Agency**").

(b) **Payment to Brokers:** Upon execution and delivery of this Lease by both Parties and upon the Lessee taking occupancy of the Premises, Lessor shall pay to the Brokers the brokerage fee agreed to in a separate written agreement.

1.11 **Guarantor.** The obligations of the Lessee under this Lease shall be guaranteed by Sandy Allan Lang ("**Guarantor**"). (See also Paragraph 37)

1.12 **Business Hours for the Building:** 8:00 a.m. to 6:00 p.m., Mondays through Fridays (except Building Holidays). "Building Holidays" shall mean the dates of observation of New Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day, and any other national holiday.

1.13 **Lessor Supplied Services.** Notwithstanding the provisions of Paragraph 11.1, Lessor is NOT obligated to provide the following:

- Janitorial services
- Electricity
- Other (specify): Any other services ordered or delivered to the Premises by the Lessee.

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

- Exhibit A, current set of the Rules and Regulations;
- Exhibit B, Guaranty of Lease;

## 2. Premises.

2.1 **Letting.** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of size set forth in this Lease, or that may have been used in calculating Rent, is an approximation which the Parties agree is reasonable and any payments based thereon are not subject to revision whether or not the actual size is more or less. **Note: Lessee is advised to verify the actual size prior to executing this Lease.**

2.2 **Condition.** Lessor shall deliver the Premises to Lessee in a clean "as condition" (except for the improvements described in Paragraph 52) on the Commencement Date or the Early Possession Date, whichever first occurs ("Start Date"), and warrants that the existing electrical,

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plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems ("HVAC"), and all other items which the Lessor is obligated to construct pursuant to the Work Letter attached hereto, if any, other than those constructed by Lessee, shall be in good operating condition on said date.

**2.3 Compliance.** Lessor warrants that the improvements comprising the Premises and the Common Areas comply with the building codes that were in effect at the time that each such improvement, or portion thereof, was constructed, and also with all applicable laws, covenants or restrictions of record, regulations, and ordinances ("Applicable Requirements") in effect on the Start Date. Said warranty does not apply to the use to which Lessee will put the Premises, modifications which may be required by the Americans with Disabilities Act or any similar laws as a result of Lessee's use (see Paragraph 50), or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a)) made or to be made by Lessee. NOTE: Lessee is responsible for determining whether or not the zoning and other Applicable Requirements are appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed. If the Premises do not comply with said warranty, Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same. If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Premises, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Premises ("Capital Expenditure"), Lessor and Lessee shall allocate the cost of such work as follows:

(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof, provided, however that if such Capital Expenditure is required during the last 6 months of this Lease and the cost thereof exceeds 3 months' Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within 10 days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and the amount equal to 6 months' Base Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least 90 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor and Lessee shall allocate the cost of such Capital Expenditure as follows: Lessor shall advance the funds necessary for such Capital Expenditure but Lessee shall be obligated to pay, each month during the remainder of the term of this Lease, on the date on which Base Rent is due, an amount equal to the product of multiplying Lessee's share of the cost of such Capital Expenditure (the percentage specified in Paragraph 1.6 by a fraction, the numerator of which is one, and the denominator of which is 144 (ie. 1/144th of the cost per month). Lessee shall pay interest on the unamortized balance of Lessee's share at a rate that is commercially reasonable in the judgment of Lessor's accountants. Lessee may, however, prepay its obligation at any time. Provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor.

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to nonvoluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall be fully responsible for the cost thereof, and Lessee shall not have any right to terminate this Lease.

**2.4 Acknowledgements.** Lessee acknowledges that: (a) Lessee has been advised by Lessor and/or Brokers to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler systems, security, environmental aspects, and compliance with Applicable Requirements), and their suitability for Lessee's intended use, (b) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefor as the same relate to its occupancy of the Premises, and (c) neither Lessor, Lessor's agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease.

**2.5 Deleted**

**2.6 Vehicle Parking.** So long as Lessee is not in default, and subject to the Rules and Regulations attached hereto, and as established by Lessor from time to time, Lessee shall rent the number of parking spaces specified in Paragraph 1.2(b) at the rental rate applicable from time to time for monthly parking as set by Lessor and/or its licensee. Lessee's parking rights shall be Monday through Friday from 7:00 a.m. to 6:00 p.m. Parking spaces may not conform to city size constraints. Vehicle parking shall be located on site or in lots or structures located within 500 feet of the Building.

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

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

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

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

**2.9 Common Areas - Rules and Regulations.** Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to adopt, modify, amend and enforce reasonable rules and regulations ("Rules and Regulations") for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Project and their invitees. The Lessee agrees to abide by and conform to all such Rules and Regulations, and to cause its employees, suppliers, shippers, customers, contractors and invitees

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to so abide and conform. Lessor shall not be responsible to Lessee for the noncompliance with said Rules and Regulations by other tenants of the Project.

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

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

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

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

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

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

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

3. **Term.**

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

3.2 **Early Possession.** If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early possession. All other terms of this Lease (including but not limited to the obligations to pay Lessee's Share of the Operating Expense Increase) shall, however, be in effect during such period. Any such early possession shall not affect the Expiration Date.

3.3 **Delay In Possession.** Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession by such date, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until Lessor delivers possession of the Premises and any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession is not delivered within 60 days after the Commencement Date, as the same may be extended under the terms of any Work Letter executed by Parties, Lessee may, at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10 day period, Lessee's right to cancel shall terminate. If possession of the Premises is not delivered within 120 days after the Commencement Date, this Lease shall terminate unless other agreements are reached between Lessor and Lessee, in writing. Lessee shall work diligently with Lessor in completing plans, delivering specifications and cooperating with Lessor during the construction of the improvements, if any. There shall be no delay in the Commencement Date or for Lessee's obligation to pay Base Rent for any Lessee Delays. "Lessee Delay" is any action or inaction, change or modification of the space plan or working drawings, failure to approve or disapprove plans, specifications, color or material boards, change of materials or color selections or any other such event or request by Lessee that delays the Lessor from delivering the Premises to Lessee.

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

4. **Rent.**

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

4.2 **Deleted**

5. **Security Deposit.** Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease, Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of the Security Deposit, Lessee shall within 10 days after written request therefor, deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional moneys with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sublessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, in Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within 14 days after the expiration or termination of this Lease, if Lessor elects to apply the Security Deposit only to unpaid Rent, and otherwise within 30 days after the Premises have been vacated pursuant to Paragraph 7.4(c) below, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease.

6. **Use.**

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

6.2 **Hazardous Substances.**

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

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

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

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

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

(e) Lessor Indemnification. Lessor and its successors and assigns shall indemnify, defend and hold Lessee harmless from and against any and all environmental damages, including the cost of remediation, which result from Hazardous Substances which existed on the Premises prior to Lessee's occupancy or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

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

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

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

6.4 **Inspection; Compliance.** Lessor and Lessor's "Lender" (as defined in Paragraph 30) and consultants shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a Hazardous Substance Condition (see paragraph 9.1 e) is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination.

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

**7.1 Lessee's Obligations.** Notwithstanding Lessor's obligation to keep the Premises in good condition and repair, Lessee shall be responsible for payment of the cost thereof to Lessor as additional rent for that portion of the cost of any maintenance and repair of the Premises, or any equipment (wherever located) that serves only Lessee or the Premises. Lessee shall be responsible for the cost of painting, repairing or replacing wall coverings and carpet or other flooring, and to repair or replace any improvements with the Premises. Lessor may, at its option, upon reasonable notice, elect to have Lessee perform any particular such maintenance or repairs the cost of which is otherwise Lessee's responsibility hereunder.

**7.2 Lessor's Obligations.** Subject to the provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler system, fire alarm and/or smoke detection systems, fire hydrants, and the Common Areas if any. Lessee expressly waives the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease.

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

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

(b) **Consent.** Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof, ceilings, floors or any existing walls, will not affect the electrical, plumbing, HVAC, and/or life safety systems, and the cumulative cost thereof during this Lease as extended does not exceed \$2000. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as built plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor.

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

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

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

(b) **Removal.** By delivery to Lessee of written notice from Lessor, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent or within 30 days after the lease expiration date.

(c) **Surrender; Restoration.** Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing, if this Lease is for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures, Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall also completely remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Project) even if such removal would require Lessee to perform or pay for work that exceeds statutory requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. Notwithstanding the foregoing, Lessee will remove any signs referring to Lessee and patch and restore any damage caused by such removal where the signs were affixed to the Building or Premises. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below.

**8. Insurance; Indemnity.**

**8.1 Deleted.**

**8.2 Liability Insurance.**

(a) **Carried by Lessee.** Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than \$1,000,000 per occurrence with an annual aggregate of not less than \$2,000,000, an "Additional Insured-Managers or Lessors of Premises Endorsement" and contain the "Amendment of the Pollution Exclusion Endorsement" for damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Lessee's indemnity obligations under this Lease. The

  
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limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance carried by Lessee shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only.

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

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

(a) **Building and Improvements.** Lessor shall obtain and keep in force a policy or policies of insurance in the name of Lessor, with loss payable to Lessor, any ground-lessor, and to any Lender insuring loss or damage to the Building and/or Project. The amount of such insurance shall be equal to the full replacement cost of the Building and/or Project, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available insurable value thereof. Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee under Paragraph 8.4. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed \$25,000.00 per occurrence.

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

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

(d) **Lessee's Improvements.** Since Lessor is the Insuring Party, Lessor shall not be required to insure Lessee Owned Alterations and Utility Installations.

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

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

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

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

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

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

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

**8.8 Exemption of Lessor from Liability.** Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the Building, or from other sources or places. Lessor shall not be liable for any damages arising from any act or neglect of any other tenant of Lessor nor from the failure of Lessor to enforce the provisions of any other lease in the Project. Notwithstanding Lessor's gross negligence or breach of this Lease, Lessor shall under no circumstances be liable for injury to Lessee's business or for any loss of income or profit therefrom.

**9. Damage or Destruction.**

**9.1 Definitions.**

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

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

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damage or destruction as to whether or not the damage is Partial or Total.

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

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

(e) "**Hazardous Substance Condition**" shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises which requires repair, remediation, or restoration.

**9.2 Partial Damage - Insured Loss.** If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is \$5,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said 10 day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

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

**9.4 Total Destruction.** Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, Lessor may at Lessor's option either: (i) repair damage or destruction as soon as reasonable possible at Lessor's expense (to the extent the required material are readily available through usual commercial channels) to its condition existing at the time of the damage, but not Lessee's fixtures, equipment or tenant improvements, and this Lease shall continue in full force and effect, or (ii) give written notice to Lessee within sixty (60) days after the date of occurrence of such damage of Lessor's intention to cancel and terminate this Lease, in which case this Lease shall terminate as of the date of the occurrence of such damage. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee.

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

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

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

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

**9.7 Termination; Advance Payments.** Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

**9.8 Waive Statutes.** Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent

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herewith.

10. **Real Property Taxes.**

10.1 **Definitions.** As used herein, the term "Real Property Taxes" shall include any form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Project, Lessor's right to other income therefrom, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Project address and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Project is located. "Real Property Taxes" shall also include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Project or any portion thereof or a change in the improvements thereon.

10.2 **Payment of Taxes.** Except as otherwise provided in Paragraph 10.3, Lessor shall pay the Real Property Taxes applicable to the Project.

10.3 **Additional Improvements.** Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Project by other lessees or by Lessor for the exclusive enjoyment of such other lessees. Notwithstanding Paragraph 10.2 hereof, Lessee shall, however, pay to Lessor when due, the entirety of any increase in Real Property Taxes if assessed solely by reason of Alterations, Trade Fixtures or Utility Installations placed upon the Premises by Lessee or at Lessee's request.

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

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

11. **Utilities and Services.**

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

11.2 **Services Exclusive to Lessee.** Lessee shall pay for all water, gas, heat, light, power, telephone and other utilities and services specially or exclusively supplied and/or metered exclusively to the Premises or to Lessee, together with any taxes thereon. If a service is deleted by Paragraph 1.13 and such service is not separately metered to the Premises, Lessee shall pay at Lessor's option, either Lessee's Share or a reasonable proportion to be determined by Lessor of all charges for such jointly metered service.

11.3 **Hours of Service.** Said services and utilities shall be provided during times set forth in Paragraph 1.12. Utilities and services required for computer rooms, supplemental or after hours HVAC shall be subject to advance request and reimbursement by Lessee to Lessor of the cost thereof.

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

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

12. **Assignment and Subletting.**

12.1 **Lessor's Consent Required.**

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

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

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

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

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

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

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

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

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

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

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

(f) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment or entering into such sublease, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

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

(h) Each request for consent to an assignment or sublet shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of \$1,000 or ten percent (10%) of the current monthly Base Rent applicable to the portion of the Premises which is the subject of the proposed assignment or sublease, whichever is greater, as consideration for Lessor's considering the processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested.

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

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

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

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

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

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

(f) In the event Lessee shall assign or sublet the Premises or request the consent of the Lessor to any assignment or subletting or if Lessee shall request the consent of Lessor for any act Lessee proposed to do then Lessee shall pay Lessor's reasonable attorneys fees and/or other cost incurred in connection therewith.

(g) Lessee shall not sublease or assign this Lease to any entity whose use of the Premises violates any exclusive use rights from any other tenant in the Building or Project.

### **13. Default; Breach; Remedies.**

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

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of 3 business days following written notice to Lessee.

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

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

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

      
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force or effect, and not affect the validity of the remaining provisions.

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

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

**13.2 Remedies.** If Lessee fails to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. The costs and expenses of any such performance by Lessor shall be due and payable by Lessee upon receipt of invoice therefor. If any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor, at its option, may require all future payments to be made by Lessee to be by cashier's check. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover damages under Paragraph 13. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

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

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

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

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

**13.5 Interest.** Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due as to scheduled payments (such as Base Rent) or within 30 days following the date on which it was due for nonscheduled payment, shall bear interest from the date when due, as to scheduled payments, or the 31st day after it was due as to nonscheduled payments. The interest ("Interest") charged shall be computed at the rate of 10% per annum but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

**13.6 Breach by Lessor.**

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

(b) **Performance by Lessee on Behalf of Lessor.** Lessee expressly waives the benefits of any statute now or hereafter in effect which would otherwise afford Lessee the right to make repairs at Lessor's expense or to terminate this Lease because of Lessor's failure to keep the Premise in good order, condition, and repair.

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

15. **Brokerage Fees.**

15.1 **Commission.** Upon full execution of this Lease by both parties and upon the Lessee taking occupancy of the Premises, Lessor shall pay Broker a fee as set forth in a separate agreement between Lessor and Broker.

15.2 **Assumption of Obligations.** Any buyer or transferee of Lessor's interest in this Lease shall be deemed to have assumed Lessor's obligation hereunder. Brokers shall be third party beneficiaries of the provisions of Paragraphs 1.10, 15 and 22. If Lessor fails to pay to Brokers any amounts due as and for brokerage fees pertaining to this Lease when due, then such amounts shall accrue Interest.

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

16. **Estoppel Certificates.**

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

(b) If the Responding Party shall fail to execute or deliver the Estoppel Certificate within such 10 day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance. Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate.

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

17. **Definition of Lessor.** The term "**Lessor**" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Except as provided in Paragraph 5, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined.

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

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

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

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

22. **No Prior or Other Agreements; Broker Disclaimer.** This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the use, nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees) of any Broker with respect to negotiation, execution, delivery or performance by either Lessor or Lessee under this Lease or any amendment or modification hereto shall be limited to an amount up to the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

23. **Notices.**

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

23.2 **Date of Notice.** Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery

  
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shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 48 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices transmitted by facsimile transmission or similar means shall be deemed delivered upon telephone confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

24. **Waivers.** No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of moneys or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

25. **Disclosures Regarding The Nature of a Real Estate Agency Relationship.**

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

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

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

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

Lessor and Lessee should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

(b) Brokers have no responsibility with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees), of any Broker with respect to any breach of duty, error or omission relating to this Lease shall not exceed the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

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

26. **No Right To Holdover.** Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 200% of the Base Rent applicable immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

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

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

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

30. **Subordination; Attornment; Non-Disturbance.**

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

30.2 **Attornment.** In the event that Lessor transfers title to the Premises, or the Premises are acquired by another upon the foreclosure or termination of a Security Device to which this Lease is subordinated (i) Lessee shall, subject to the nondisturbance provisions of Paragraph 30.3, attorn to such new owner, and upon request, enter into a new lease, containing all of the terms and provisions of this Lease, with such new owner for the remainder of the term hereof, or, at the election of such new owner, this Lease shall automatically become a new Lease between Lessee and such new owner, upon all of the terms and conditions hereof, for the remainder of the term hereof, and (ii) Lessor shall thereafter be relieved of any further

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obligations hereunder and such new owner shall assume all of Lessor's obligations hereunder, except that such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (b) be subject to any offsets or defenses which Lessee might have against any prior lessor, (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor.

30.3 **Non-Disturbance.** With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall not be subject to receiving the lenders standard non-disturbance agreement or other similar document (a "**Non-Disturbance Agreement**") from the Lender, except in the event that Lessor requires such Non-Disturbance Agreement, in which case Lessee shall execute Lessor's lenders standard Subordination, Non-Disturbance and Attornment Agreement ("SNDA").

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

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

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

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

34. **Signs.** Lessee shall not place any sign upon the Project without Lessor's prior written consent which shall be at the Lessor's sole and absolute discretion. All door, directory or monument signs if any, shall be at Lessee's expense.

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

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

37. **Guarantor.**

37.1 **Execution.** The Guarantors, if any, shall each execute a guaranty in the form most recently published by the American Industrial Real Estate Association. If Lessee has not been in default of the Lease or has not been late making any Rent payment during the first 12 months of the Lease, then the Guaranty of Lease shall be no longer be in effect.

37.2 **Default.** It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantor's behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect.

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

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

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

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

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

39.4 **Effect of Default on Options.**

(a) Lessee shall have no right to exercise an Option: (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii)

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during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

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

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

40. **Security Measures.** Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties. In the event, however, that Lessor should elect to provide security services, then the cost thereof shall be an Operating Expense.

41. **Reservations.**

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

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

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

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

43. **Authority.**

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

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

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

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

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

47. **Multiple Parties.** If more than one person or entity is named herein as either Lessor or Lessee, such multiple Parties shall have joint and several responsibility to comply with the terms of this Lease.

48. **Waiver of Jury Trial:** THE LESSEE HEREBY WAIVES ITS RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING INVOLVING THE PROPERTY OR ARISING OUT OF THIS AGREEMENT.

49. **Mediation and Arbitration of Disputes.** An Addendum requiring the Mediation and/or the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease is not attached to this Lease.

50. **Americans with Disabilities Act.** In the event that as a result of Lessee's use, or intended use, of the Premises the Americans with Disabilities Act or any similar law requires modifications or the construction or installation of improvements in or to the Premises, Building, Project and/or Common Areas, the Parties agree that such modifications, construction or improvements shall be made at Lessee's expense.

51. **Agency Disclosure:** Gem Realty and/or Bur-Cal Management Corp/ and/or First Street Capital Corp. and/or Charles Cusumano Corp. and/or Cusumano Real Estate Group and it's Brokers and/or salespeople, maybe limited partners, general partners, or managing partners in Lessor or may be affiliated directly or indirectly thereto.

52. **Tenant Improvements:** Lessor shall at Lessor's expense construct the following improvements:

- Install new ceiling tiles (subject to Lessor's approval) not to exceed \$3.25 per foot;
- Remove one (1) door and frame and drywall the opening, paint the wall of said modification;
- Install two (2) dead bolt locks on interior doors as directed by Lessee;
- Install an electronic door buzzer and key pad lock on the front door;
- Install new window blinds as needed;
- Paint selected walls (one per room, two coats) an accent color.

53. **Option to Extend:**

Lessor hereby grants to Lessee the option to extend the term of this Lease for one (1) additional three (3) year periods commencing when the prior term expires upon each, and all of the following terms and conditions:

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(i) In order to exercise an option to extend, Lessee must give written notice of such election to Lessor and Lessor must receive the same at least nine (9) months prior to the date that the option period would commence, time being of the essence. If proper notification of the exercise of an option is not given and/or received, such option shall automatically expire. Options (if there are more than one) may only be exercised consecutively.

(ii) The provisions of paragraph 39, including those relating to Lessee's Default set forth in paragraph 39.4 of this Lease, are conditions of this Option.

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

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

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

**Fixed Rental Adjustments (FRA)**

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

On (Fill in FRA Adjustments Dates):	The New Base Rent shall be:
January 1, 2019	\$ 3,742.32
January 1, 2020	\$ 3,854.59
January 1, 2021	\$ 3,970.23

THE PARTIES AGREE THERE SHALL BE NO BINDING LEASE AGREEMENT UNTIL SUCH TIME AS THIS STANDARD MULTI-TENANT OFFICE LEASE – GROSS BETWEEN THE PARTIES IS EXECUTED IN WRITING, AND BOTH PARTIES UNDERSTANDING THAT ANY LEASE AGREEMENT IS SUBJECT TO THE DISCRETIONARY APPROVAL OF THE LESSOR. IT IS FURTHER UNDERSTOOD THAT THE LESSOR WILL CONTINUE TO MARKET THE PREMISES FOR LEASE, AND NEGOTIATE WITH OTHER PARTIES FOR THE LEASE OF THE PREMISES, AND MAY ENTER INTO A LEASE AGREEMENT WITH OTHER PARTIES FOR THE PREMISES WITHOUT NOTICE ANYTIME.

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

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE LESSOR OR BY ANY OF LESSOR'S REPRESENTATIVES, OR BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

- SEEK ADVICE OF COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE.
- RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING AND SIZE OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

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

Executed at: Burbank, CA

Executed at: \_\_\_\_\_

On: December , 2015

On: 12/10/15.

By LESSOR: Burbank Commercial Properties, a California limited partnership

By LESSEE: Insynergy Products, Inc.

By: [Signature]

By: [Signature]

Name Printed: Charles Cusumano

Name Printed: SANDY LANG

Title: Manager

Title: CHAIRMAN

Address: 101 South First Street, Suite 400  
Burbank, CA 91502

Address: \_\_\_\_\_

Telephone: 818.841.5800

Telephone: 818-760-1644 (cell) (818-635-9414)

Fax: 818.845.8945

Fax: \_\_\_\_\_

Federal ID No. 271781753

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**Exhibit A**  
**RULES AND REGULATIONS FOR STANDARD OFFICE LEASE**

Dated: December 9, 2015

By and Between Insynergy Products, Inc. as Lessor and Collectors Universe, Inc. as Lessee.

**GENERAL RULES**

1. Lessee shall not suffer or permit the obstruction of any Common Areas, including driveways, walkways and stairways.
2. Lessor reserves the right to refuse access to any persons Lessor in good faith judges to be a threat to the safety and reputation of the Project and its occupants.
3. Lessee shall not make or permit any noise or odors that annoy or interfere with other lessees or persons having business within the Project.
4. Lessee shall not keep animals or birds within the Project, and shall not bring bicycles, motorcycles or other vehicles into areas not designated as authorized for same.
5. Lessee shall not make, suffer or permit litter except in appropriate receptacles for that purpose.
6. Lessee shall not alter any lock or install new or additional locks or bolts.
7. Lessee shall be responsible for the inappropriate use of any toilet rooms, plumbing or other utilities. No foreign substances of any kind are to be inserted therein.
8. Lessee shall not deface the walls, partitions or other surfaces of the Premises or Project.
9. Lessee shall not suffer or permit anything in or around the Premises or Building that causes excessive vibration or floor loading in any part of the Project.
10. Furniture, significant freight and equipment shall be moved into or out of the building only with the Lessor's knowledge and consent, and subject to such reasonable limitations, techniques and timing, as may be designated by Lessor. Lessee shall be responsible for any damage to the Office Building Project arising from any such activity.
11. Lessee shall not employ any service or contractor for services or work to be performed in the Building, except as approved by Lessor.
12. Lessor reserves the right to close and lock the Building on Saturdays, Sundays and Building Holidays, and on other days between the hours of 6:00 P.M. and 8:00 A.M. of the following day. If Lessee uses the Premises during such periods, Lessee shall be responsible for securely locking any doors it may have opened for entry.
13. Lessee shall return all keys at the termination of its tenancy and shall be responsible for the cost of replacing any keys that are lost.
14. No window coverings, shades or awnings shall be installed or used by Lessee.
15. No Lessee, employee or invitee shall go upon the roof of the Building.
16. Lessee shall not suffer or permit smoking or carrying of lighted cigars or cigarettes in areas reasonably designated by Lessor or by applicable governmental agencies as non-smoking areas.
17. Lessee shall not use any method of heating or air conditioning other than as provided by Lessor.
18. Lessee shall not install, maintain or operate any vending machines upon the Premises without Lessor's written consent.
19. The Premises shall not be used for lodging or manufacturing, cooking or food preparation except for normal microwave and food preparation for office staff.
20. Lessee shall comply with all safety, fire protection and evacuation regulations established by Lessor or any applicable governmental agency.
21. Lessor reserves the right to waive anyone of these rules or regulations, and/or as to any particular lessee, and any such waiver shall not constitute a waiver of any other rule or regulation or any subsequent application thereof to such Lessee.
22. Lessee assumes all risks from theft or vandalism and agrees to keep its Premises locked as may be required.
23. Lessor reserves the right to make such other reasonable rules and regulations as it may from time to time deem necessary for the appropriate operation and safety of the Project and its occupants. Lessee agrees to abide by these and such rules and regulations.

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## PARKING RULES

1. Parking areas shall be used only for parking by vehicles no longer than full size, passenger automobiles herein called "Permitted Size Vehicles." Vehicles other than Permitted Size Vehicles are herein referred to as "Oversized Vehicles."
2. Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.
3. Parking stickers or identification devices shall be the property of Lessor and be returned to Lessor by the holder thereof upon termination of the holder's parking privileges. Lessee will pay such replacement charge as is reasonably established by Lessor for the loss of such devices.
4. Lessor reserves the right to refuse the sale of monthly identification devices to any person or entity that willfully refuses to comply with the applicable rules, regulations, laws and/or agreements.
5. Lessor reserves the right to relocate all or a part of parking spaces from floor to floor, within one floor, and/or to reasonably adjacent offsite location(s), and to reasonably allocate them between compact and standard size spaces, as long as the same complies with applicable laws, ordinances and regulations.
6. Users of the parking area will obey all posted signs and park only in the areas designated for vehicle parking.
7. Unless otherwise instructed, every person using the parking area is required to park and lock his own vehicle. Lessor will not be responsible for any damage to vehicles, injury to persons or loss of property, all of which risks are assumed by the party using the parking area.
8. Validation, if established, will be permissible only by such method or methods as Lessor and/or its licensee may establish at rates generally applicable to visitor parking.
9. The maintenance, washing, waxing or cleaning of vehicles in the parking structure or Common Areas is prohibited.
10. Lessee shall be responsible for seeing that all of its employees, agents and invitees comply with the applicable parking rules, regulations, laws and agreements.
11. Lessor reserves the right to modify these rules and/or adopt such other reasonable and non-discriminatory rules and regulations as it may deem necessary for the proper operation of the parking area.
12. Such parking use as is herein provided is intended merely as a license only and no bailment is intended or shall be created hereby.

  
Initials

  
Initials



## AIR COMMERCIAL REAL ESTATE ASSOCIATION GUARANTY OF LEASE

WHEREAS, Burbank Commercial Properties, L.P., hereinafter "Lessor", and Insynergy Products, Inc., hereinafter "Lessee", are about to execute a document entitled "Lease" dated December 9, 2015 concerning the premises commonly known as 2501 W. Burbank Blvd., Suite 201, Burbank, CA. 91505 wherein Lessor will lease the premises to Lessee, and

WHEREAS, Sandy Allan Lang hereinafter "Guarantors" have a financial interest in Lessee, and

WHEREAS, Lessor would not execute the Lease if Guarantors did not execute and deliver to Lessor this Guaranty of Lease.

NOW THEREFORE, in consideration of the execution of said Lease by Lessor and as a material inducement to Lessor to execute said Lease, Guarantors hereby jointly, severally, unconditionally and irrevocably guarantee the prompt payment by Lessee of all rents and all other sums payable by Lessee under said Lease and the faithful and prompt performance by Lessee of each and every one of the terms, conditions and covenants of said Lease to be kept and performed by Lessee.

It is specifically agreed by Lessor and Guarantors that: (i) the terms of the foregoing Lease may be modified by agreement between Lessor and Lessee, or by a course of conduct, and (ii) said Lease may be assigned by Lessor or any assignee of Lessor without consent or notice to Guarantors and that this Guaranty shall guarantee the performance of said Lease as so modified.

This Guaranty shall not be released, modified or affected by the failure or delay on the part of Lessor to enforce any of the rights or remedies of the Lessor under said Lease.

No notice of default by Lessee under the Lease need be given by Lessor to Guarantors, it being specifically agreed that the guarantee of the undersigned is a continuing guarantee under which Lessor may proceed immediately against Lessee and/or against Guarantors following any breach or default by Lessee or for the enforcement of any rights which Lessor may have as against Lessee under the terms of the Lease or at law or in equity.

Lessor shall have the right to proceed against Guarantors following any breach or default by Lessee under the Lease without first proceeding against Lessee and without previous notice to or demand upon either Lessee or Guarantors.

Guarantors hereby waive (a) notice of acceptance of this Guaranty, (b) demand of payment, presentation and protest, (c) all right to assert or plead any statute of limitations relating to this Guaranty or the Lease, (d) any right to require the Lessor to proceed against the Lessee or any other Guarantor or any other person or entity liable to Lessor, (e) any right to require Lessor to apply to any default any security deposit or other security it may hold under the Lease, (f) any right to require Lessor to proceed under any other remedy Lessor may have before proceeding against Guarantors, (g) any right of subrogation that Guarantors may have against Lessee.

Guarantors do hereby subordinate all existing or future indebtedness of Lessee to Guarantors to the obligations owed to Lessor under the Lease and this Guaranty.

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FORM GR-2-09/06E

Lec & Associates - LA North/Ventura, Inc., 15250 Ventura Blvd, Suite 100 Sherman Oaks, CA 91403  
Phone: (818) 933-0312 Fax: (818) 933-0412 Justin Cusumano

2501 Burbank

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If a Guarantor is married, such Guarantor expressly agrees that recourse may be had against his or her separate property for all of the obligations hereunder.

The obligations of Lessee under the Lease to execute and deliver estoppel statements and financial statements, as therein provided, shall be deemed to also require the Guarantors to do and provide the same to Lessor. The failure of the Guarantors to provide the same to Lessor shall constitute a default under the Lease.

The term "Lessor" refers to and means the Lessor named in the Lease and also Lessor's successors and assigns. So long as Lessor's interest in the Lease, the leased premises or the rents, issues and profits therefrom, are subject to any mortgage or deed of trust or assignment for security, no acquisition by Guarantors of the Lessor's interest shall affect the continuing obligation of Guarantors under this Guaranty which shall nevertheless continue in full force and effect for the benefit of the mortgagee, beneficiary, trustee or assignee under such mortgage, deed of trust or assignment and their successors and assigns.

The term "Lessee" refers to and means the Lessee named in the Lease and also Lessee's successors and assigns.

Any recovery by Lessor from any other guarantor or insurer shall first be credited to the portion of Lessee's indebtedness to Lessor which exceeds the maximum liability of Guarantors under this Guaranty.

No provision of this Guaranty or right of the Lessor can be waived, nor can the Guarantors be released from their obligations except in writing signed by the Lessor.

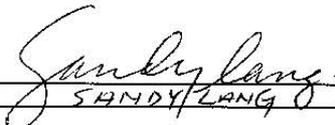
Any litigation concerning this Guaranty shall be initiated in a state court of competent jurisdiction in the county in which the leased premises are located and the Guarantors consent to the jurisdiction of such court. This Guaranty shall be governed by the laws of the State in which the leased premises are located and for the purposes of any rules regarding conflicts of law the parties shall be treated as if they were all residents or domiciles of such State.

In the event any action be brought by said Lessor against Guarantors hereunder to enforce the obligation of Guarantors hereunder, the unsuccessful party in such action shall pay to the prevailing party therein a reasonable attorney's fee. The attorney's fee award shall not be computed in accordance with any court fee schedule, but shall be such as to full reimburse all attorney's fees reasonably incurred.

If any Guarantor is a corporation, partnership, or limited liability company, each individual executing this Guaranty on said entity's behalf represents and warrants that he or she is duly authorized to execute this Guaranty on behalf of such entity.

**If this Form has been filled in, it has been prepared for submission to your attorney for his approval. No representation or recommendation is made by the AIR Commercial Real Estate Association, the real estate broker or its agents or employees as to the legal sufficiency, legal effect, or tax consequences of this Form or the transaction relating thereto.**

Executed at: \_\_\_\_\_  
On: 12-10-15  
Address: \_\_\_\_\_  
\_\_\_\_\_

  
\_\_\_\_\_  
SANDY LANG  
\_\_\_\_\_  
"GUARANTORS"