

May 1, 2004

RE: 27422 Portola Parkway

Dear Gentlemen:

Tenant Advisors has been authorized as the exclusive real estate broker for _____ ("Tenant") to submit the following proposal to _____ ("Landlord") for space in the 27422 Portola Parkway building.

A. SPACE

- | | |
|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. BUILDING & LOCATION | 27422 Portola Parkway
Foothill Ranch, CA 92610 |
| 2. PREMISES | 2nd Floor |
| 3. RENTABLE SQUARE FEET | Approximately 10,000 |
| 4. METHOD OF MEASUREMENT | The exact square footage in the Premises to be leased is subject to a verification of the final space plan and a subsequent field check by Tenant. Further, the exact square footage shall be pursuant to the most current BOMA ANSI/BOMA Z 65.1-1996 definition that shall be included in the lease. |

B. LEASE TERM

- | | |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. COMMENCEMENT DATE | The Commencement Date for the Lease shall be defined as the later of October 1, 2004 or that date on which (i) a Certificate of Occupancy (C of O) is issued by the appropriate municipality and (ii) the Landlord delivers the space substantially completed ready for Tenant's occupancy where substantially complete means the completion of all items of construction except certain "Punch List" items. In either case, the Tenant's occupancy is conditioned by the completion of Punch List Items, which shall be done by Landlord or Landlord's contractor within fifteen (15) days after Landlord receives such list as prepared by Tenant. |
| 2. TERM | Five (5) years, subject to the right to cancel after the 36 th month as addressed below. |

3. OPTION TO RENEW:

Tenant shall have one (1) Renewal Option for the same Term length as the original Lease. The rental rate for such Renewal shall be at 95% of market rate as determined by a mutually agreed definition to be included in the Lease. Tenant shall not be obligated to exercise its Renewal Option until the market rent has been agreed to by the Tenant. The Base Year for the Renewal Option shall be the first year of the option period. Tenant shall be provided an improvement allowance for the Renewal Option equal to no than the mutually agreed cost of painting and re-carpeting of the Premises.

4. RIGHT OF FIRST REFUSAL

Tenant shall hold a Right of First Refusal on contiguous space of up to 2,000 rentable square feet as available on the 2nd floor (the "Refusal Space") for the first six (6) months of the Lease. Tenant shall have five (5) business days to respond to written notice by the Landlord of the proposed terms and conditions of any such third party offers for said Refusal Space. Tenant shall be afforded a tenant improvement allowance for such Refusal Space not less than that offered by the Landlord to a third party and/or as otherwise agreed for said Refusal Space. The term of the Lease covering the Refusal Space shall be coterminous with the original Lease and a sufficient time for build-out shall be extended to Tenant prior to rent commencement.

5. EARLY OCCUPANCY

Upon receipt of notice from Landlord that the Premises are Substantially Completed, Tenant shall have the right to access the Premises, without having to pay rent for up to seven (7) days, for the purposes of installing furniture, fixtures and equipment, provided the lease is mutually executed and there is no interference with tenant improvement work.

6. RIGHT TO CANCEL

Tenant shall have the one time right to cancel the lease effective at the end of the thirty-sixth (36th) month of the lease, by first providing Landlord with written notice no later than the first day of the thirty-third (33rd) month of the Lease, and paying a cancellation penalty equal to the unamortized costs of the transaction including moving allowance, free rent, tenant improvements, and leasing

commissions at the date rent is due for the 36th month.

C. RENT

1. **GROSS RENTAL RATE** Months 1-30: \$1.70 per rentable square foot
Months 31-60: \$2.00 per rentable square foot
2. **RENTAL ABATEMENT** Tenant shall not pay rent for months 2, 3 and 4 of the lease.
3. **MOVING ALLOWANCE** Tenant shall be reimbursed for moving expenses up to an amount equal to one (1) month's rent, provided that invoice copies or receipts for said moving expenses are submitted to Landlord within thirty (30) days from the Commencement Date.
4. **OPERATING EXPENSES** Tenant shall be responsible for paying any increases in the Operating Expenses or CAM's and Real Estate Taxes (hereinafter "Operating Expenses") for the Building (as applied proportionally) over a 2005 base year for said expenses.

The following items shall be excluded from such Operating Expenses: (i) capital expenditures including capital replacements, capital repairs, and capital improvements, (ii) all original costs including development, ground rent, depreciation and amortization of the building, its components, and operating systems, (iii) insurable casualties, (iv) new tenant expenses including marketing costs and leasing commissions, (v) all financing costs, bad debt loss, rent loss or reserves for such losses, (vi) expenses incurred for necessary replacement under warranty, (vii) any cost associated with business income of the building including accounting and legal fees related to ownership, construction, leasing, sales or litigation, (viii) the costs of correcting defects in the construction of the building or building systems, (ix) salaries, fees and expenses for individuals beyond the level of building manager and Landlord's general overhead expenses not exclusively related to the building, (x) costs in excess of supplying services exceeding those obtainable through competitive bidding, (xi) costs to remove or abate hazardous materials

present in the building or grounds, (xii) costs of services or benefits provided exclusively to other tenants, but not Tenant.

5. HOLDOVER RENT

In the event Tenant finds it necessary to holdover after the expiration of the Initial Term or applicable Renewal Option period, Tenant shall pay rent equal to the Base Rent paid during the last month of the Tenant's Initial Term or applicable Renewal Option period, times One Hundred Twenty Five Percent (125%).

D. LANDLORD OBLIGATIONS

1. TENANT IMPROVEMENTS

Landlord shall be responsible for providing a turnkey build out of the Tenant's improvements, at Landlord's sole cost and expense, including all hard and soft construction costs, pursuant to a mutually acceptable scope of work. Said scope of work shall be governed by a detailed plan that specifies all finishes and materials to be used in the improvements construction process, and shall be attached to the Lease as an exhibit. For the Landlord's preliminary budgeting purposes you will find attached a preliminary space program that outlines the Tenant's needs.

Landlord shall make available an architect familiar with the Building to meet with the Tenant's representatives to perform preliminary space planning services, at Landlord's sole cost and expense.

Tenant shall have the right to use its own vendors for the installation of its computer and telecommunications needs.

In addition, the Landlord shall not be entitled to impose any charge of any kind for profit, overhead, or supervision in connection with the construction of the Tenant Improvements. Tenant, Tenant's contractor, and other Tenant vendors and installers will not be charged for utilities or other building services during the construction, move-in period(s) or during installation and fixturation periods.

- 2. HVAC / ELECTRICAL & PHONE SYSTEMS:** Landlord shall insure that the building has the necessary electrical capacity to meet Tenant's needs pursuant to the space plan Exhibit. If Tenant's needs indicate additional capacity is required, Landlord will be responsible for augmenting the Building's capacity.
- 3. PARKING** Landlord will extend to Tenant the rights to use up to four (4) parking spaces per 1,000 square feet leased, free of charge for the term of the lease and the Renewal Option. In addition, Tenant shall have rights to seven (7) "reserved" or designated parking spaces.
- 4. BUILDING ACCESS** Landlord shall allow Tenant access to the building and Suite twenty-four (24) hours, seven (7) days a week, during the term and any extension.
- 5. UTILITIES & JANITORIAL** Landlord shall be responsible for paying the costs of all utilities (gas, electricity, water) and janitorial services to the Premises and Building, under a Base Year concept.

E. OTHER PROVISIONS

- 1. USE PROVISION** General office.
- 2. SECURITY DEPOSIT** Tenant will not provide a security deposit due to its creditworthiness, as evidenced by the attached financial statements.
- 3. STOPPAGE OF SERVICE** If all or any portion of the Premises is rendered "untenantable" as a result of the interruption of elevator, lighting, ventilating, air-conditioning, power or water services and systems, and such condition shall continue for three (3) consecutive business days, or a total of ten (10) days in any one (1) year period, then the rent payable shall be proportionately abated for that portion of the Premises which is not reasonably usable or not occupied by Tenant during such period.
- 4. SUBLEASE/ASSIGNMENT** Landlord's express approval for such subleases or assignments as those to an affiliate, subsidiary,

parent, or surviving entity resulting from a merger, acquisition, or other change of ownership, shall not be required but permitted provided commercially reasonable notification is given. All other subleases or assignments shall be subject to the Landlord's consent, which shall not be unreasonably withheld, conditioned or delayed. Tenant shall be free to sublease or assign its interest under the Lease to another tenant in the Building or Vantis development. Landlord shall not have the right to terminate the Lease by virtue of Tenant making a request for approval of a sublease or assignment. Any sublease or assignment profits realized by Tenant shall be split 50-50 with the Landlord after deductions for costs of improvements, concessions, leasing commissions, marketing, advertising and all other reasonable expenses incurred in securing a subtenant or assignee.

- 5. HAZARDOUS MATERIALS** Landlord shall have the express responsibility to advise Tenant of any hazardous materials which are located in, or about the Premises, parking areas, or other parts of the Building. It shall be the responsibility of Landlord at its sole cost and expense to remove any and all hazardous materials prior to the commencement of tenant improvement construction, and to indemnify and hold Tenant harmless from any future action which might occur as a result of the presence of hazardous material(s). Further, Landlord's costs for the removal of hazardous material(s) in Tenant's Premises or in any other location in the Building and/or Building shall be excluded from Operating Expenses which would otherwise be passed through to the Tenant.
- 6. ADA REQUIREMENTS** Landlord shall, at its sole cost and expense, be responsible to modify the Building's common areas during the term of the Lease and Option Period, and to have completed the newly-installed improvements in Tenant's Premises, in order that both are in full compliance with all applicable ADA codes and requirements.
- 7. DIRECTORY BOARD** Tenant shall have the right to include the name of the firm and its top two (2) executives, on the

Building lobby directory board and/or on any electronic device that substitutes for a directory board, if any.

8. BUILDING SIGN RIGHTS

Tenant shall have the right, at Tenant's sole cost and expense of installation and removal, to "Building Top" signage on the Portola Parkway side of the exterior of the building in a location that is mutually acceptable to Tenant and Landlord. Landlord will assist Tenant in expediting approvals from any governmental agencies as required. The exact location, size, style, color, materials and lighting (if any) of Tenant's eyebrow signage shall be consistent and compatible with the Building's design, signage and graphics program and shall comply with all governmental laws, rules and regulations, and all covenants, conditions and restrictions encumbering the Building

In addition, Tenant shall have the right to place its name on the Building's monument sign(s) pursuant to the Landlord's and local municipality's applicable rules and regulations governing size, style, color, materials, etc. Tenant shall be responsible for the costs of installation and removal at the end of the Lease or Renewal Option Period.

9. BROKERAGE

Landlord shall pay a standard market commission pursuant to a separate agreement to Tenant Advisors ("Broker").

It would be appreciated if a written response could be transmitted within five (5) business days. This offer will expire at 5 p.m. Friday, May 8, 2004.

It is to be strictly understood and agreed that the terms and conditions encompassed in this proposal shall not be binding upon Landlord or Tenant until such time as the Lease and related documents have been fully executed and exchanged by and between by both parties. The terms of this proposal, and any subsequent proposals, letters of intent and leases, are subject to the final approval the Board of Directors and the bankruptcy court if applicable.

Sincerely,

Paul F. Meyer
President

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May 1, 2004
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