

RESOLUTION NO. 10-697

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
BLACK DIAMOND, KING COUNTY, WASHINGTON
AUTHORIZING THE MAYOR TO EXECUTE A LEASE
AGREEMENT WITH MODSPACE

WHEREAS, ModSpace has provided leased modular space to the City for two years; and

WHEREAS, our lease has expired and can be renewed at the same rate and conditions as the current lease;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF BLACK DIAMOND, WASHINGTON, DOES RESOLVE AS FOLLOWS:

Section 1. The Mayor is hereby authorized to execute a two year lease with Mod Space to provide work space for city employees at the monthly rate of \$3,111.40 for the community development building and \$ 1768.20 for the public works /fire department /conference building

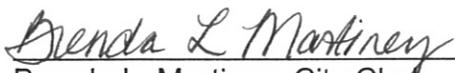
PASSED BY THE CITY COUNCIL OF THE CITY OF BLACK DIAMOND, WASHINGTON, AT A REGULAR MEETING THEREOF, THIS 1ST DAY OF JULY, 2010.

CITY OF BLACK DIAMOND:



Rebecca Olness, Mayor

Attest:



Brenda L. Martinez, City Clerk



LEASE AGREEMENT NO.: 383607
 RENEWAL AGREEMENT NO.: 001414
 ACCOUNT NO.: 111564
 CUSTOMER NO.: 166950

RETURN EQUIPMENT TO ModSpace:

SEATTLE
 19432 EAST VALLEY HIGHWAY
 KENT
 WA 98032
 Telephone: 253-395-0301
 1-800-523-7918
 Fax: 253-395-0235

7/1/10

Modular Space Corporation, a Delaware corporation ("ModSpace") hereby leases the equipment specified below (the "Equipment") to:

CITY OF BLACK DIAMOND
 PO Box 599
 BLACK DIAMOND
 WA 98010-0599
 Customer Contact: Kevin Esping
 Telephone: 253-261-0594
 Fax: 360-886-2592
 P.O. #:

The Equipment will be located at (subject to Section 4 on attached page):

TBD
 BLACK DIAMOND
 WA 98010

Customer hereby leases Equipment from ModSpace for a minimum period of 24 months (the "Minimum Lease Period") from the start of the lease term in accordance with the terms and conditions of this Lease Agreement including the terms and conditions set forth on the attached page (this "Lease"). Rental month is defined as a thirty-day period.

Customer agrees to pay ModSpace without demand and in advance the monthly rental and other charges on the due dates set forth in this Lease. This lease is hereby renewed as of the 1st day of July, 2010.

| Unit | Class | Width | Length | Serial No. | Monthly | Weekly | Daily | Insurance Value |
|--------|-------|-------|--------|--------------|----------|----------|---------|-----------------|
| 653591 | DBL | 12' | 60' | HER026151ORA | \$650.00 | \$149.59 | \$21.37 | \$48,519 |
| 653592 | DBL | 12' | 60' | HER026151ORB | \$650.00 | \$149.59 | \$21.37 | \$48,519 |

| ONE TIME CHARGES | | MONTHLY CHARGES | |
|------------------------------------|-------|----------------------------|------------|
| RETURN DELIVERY | | COMPLEX | \$1,300.00 |
| BUILDING RETURN* (Qty: 2) | '***' | RENTAL | |
| RETURN FUEL SURCHARGE* (Qty: 2) | '***' | STEPS (Qty: 1 at \$35.00) | \$35.00 |
| OPTIONAL EQUIPMENT* (Qty: 2) | '***' | RAMPS (Qty: 1 at \$390.00) | \$390.00 |
| DISMANTLING | | | |
| REMOVE ANCHORS/TIEDOWNS* (Qty: 1) | '***' | Total | \$1,725.00 |
| UNSKIRT* (Qty: 1) | '***' | Monthly Property Tax | \$43.20 |
| REMOVE RAMPS* (Qty: 1) | '***' | Grand Total(Monthly) | \$1,768.20 |
| TEAR DOWN COMPLEX* (Qty: 1) | '***' | | |
| REMOVE PARTITION (LABOR)* (Qty: 1) | '***' | DAILY: | \$42.74 |
| | | WEEKLY: | \$299.18 |
| | Total | | \$0.00 |

** Billed at Termination
 *** Billed at current rate at Termination

#Tax rates will vary with delivery address. Taxes are subject to change by tax authorities without notice.

No agent, employee or representative of ModSpace has any authority to make any representation or warranty concerning the Equipment that is not specifically included in this Lease. Unless specifically identified in this Lease, this Lease supersedes all prior negotiations, proposals and documents. This Lease will not be subject to any additional provision that may be contained in the Customer's purchase order, although Customer's purchase order number may be used by the parties as a convenient reference for invoicing purposes.

(012) Tax rates may vary dependent upon confirmation of final delivery address. Any adjustment to the Tax rate imposed by city, county, state, or federal government or other taxing authority subsequent to the date of ModSpace' quotation, proposal, or commencement date of the Lease will be reflected on Customer's invoice. Customer is responsible for the payment of any increase in Taxes and such obligation supersedes any conflicting language contained in any Customer document.

(013) Any Value Added Products or services (including but not limited to holding tanks, ramps, security services) are products provided by a third party vendor. ModSpace will not be held responsible for the maintenance or servicing of such products. Customer will be responsible for any and all of the third party vendor's terms and conditions that typically govern the leasing and servicing of the equipment. The Customer understands that for their convenience ModSpace will coordinate the product or service and act as a billing agent for the third party vendor.



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(Continued)

(014) ALL RIGHT, TITLE AND INTEREST OF MODULAR SPACE CORPORATION HEREUNDER HAS BEEN PLEDGED TO, AND IS SUBJECT TO THE SECURITY INTERESTS OF, BANK OF AMERICA, N.A., AS AGENT, PURSUANT TO THAT CERTAIN SECOND AMENDED AND RESTATED CREDIT AGREEMENT, DATED AS OF MARCH 30, 2007, AMONG MODULAR SPACE CORPORATION, CERTAIN OF ITS SUBSIDIARIES PARTY THERETO AS EITHER BORROWER OR GUARANTOR, BANK OF AMERICA, N.A., AS AGENT, AND THE LENDERS FROM TIME TO TIME PARTY THERETO, AS AMENDED, RESTATED OR OTHERWISE MODIFIED FROM TIME TO TIME. MODULAR SPACE CORPORATION SHALL HAVE NO RIGHT TO TRANSFER ITS RIGHT, TITLE OR INTEREST HEREUNDER TO ANY PARTY EXCEPT PURSUANT TO AND IN ACCORDANCE WITH THE PROVISIONS OF THE RELEVANT LOAN DOCUMENTS.

Comprehensive and Liability insurance coverage certificate must be received prior to delivery or Lessee will need to accept ModSpace Optional Insurance and/or Damage Waiver on ModSpace leases agreement prior to delivery.

Return delivery and dismantle will be billed at current rate at time of return unless otherwise quoted.

Pilot cars will be billed as required for 12' or 14' wide trailer @ 210.00 per unit on each delivery or return. Charges over a 25 mile radius will be charged on a per mile basis at \$1.75 per mile

Tiedowns/anchors not included and will be priced upon request.

Alterations will require an alteration permit through Washington State Department of Labor and Industries.

Set up is based on 1000psf soil bearing capacity.

Excessive cleaning and/or damage will be charged additionally at prevailing rates.

The Lessee is responsible for providing a level site that is accessible to standard mobile transport equipment.

Wait time or additional site time will be charged at \$75.00/hr. Additional charges may apply for labor time.

Property tax and sales tax will be charged additionally.

Customer is responsible for all taxes, permits, fees, licenses, utility connections, foundation engineering, and the preparation of a level, compact and accessible site.

Charges for return freight, dismantle, cleaning, damage repair, and non-returned keys will be charged at the then current rate at the time of lease termination.

Steps not returned will be billed at \$700.00 per landing. Keys not returned will be charged \$75.00 per door.

Used equipment is sold "as-is", no warranty expressed or implied.

The attached page contains Terms and Conditions that form an integral part of this Lease. Those terms and conditions include but are not limited to disclaimers of warranties of merchantability and fitness and limitations on damages. The only other documents that form a part of this lease are: US20021216.NONE

Signed by duly authorized agents, with the intent to be legally bound, this _____ day of _____, 20____.

By *Rhonda Banghart*
 Modular Space Corporation AUTHORIZED AGENT

By *Rebecca Olness*
 CUSTOMER OR AUTHORIZED AGENT

Name RHONDA BANGHART

Name Rebecca Olness
 (please print)

Accepted and Del. By: _____
 Freight Vendor

Date: _____

Remarks: _____

Received and Accepted By: _____
 Name: _____
 (please print)

Date: _____



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| DISMANTLING | |
| REMOVE ANCHORS/TIEDOWNS* (Qty: 1) | *** |
| UNSKIRT* (Qty: 1) | *** |
| REMOVE RAMPS* (Qty: 1) | *** |
| TEAR DOWN COMPLEX* (Qty: 1) | *** |
| REMOVE PARTITION (LABOR)* (Qty: 1) | *** |
| Total | \$0.00 |
| Sales Tax(One Time) | \$0.00 |
| Grand Total(OneTime) | \$0.00 |

| MONTHLY CHARGES | |
|----------------------------|------------|
| COMPLEX | \$1,300.00 |
| RENTAL | |
| STEPS (Qty: 1 at \$35.00) | \$35.00 |
| RAMPS (Qty: 1 at \$390.00) | \$390.00 |

| | |
|--------------------------------|------------|
| Total | \$1,725.00 |
| Monthly Property Tax | \$43.20 |
| Sales Tax(Monthly Lease Items) | \$152.07 |
| Grand Total(Monthly) | \$1,920.27 |

DAILY: \$42.74
 WEEKLY: \$299.18

** Billed at Termination
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US20021216.NONE

Signed by duly authorized agents, with the intent to be legally bound, this _____ day of _____, 20____.

By _____
 Modular Space Corporation AUTHORIZED AGENT

By _____
 CUSTOMER OR AUTHORIZED AGENT

Name RHONDA BANGHART

Name _____
 (please print)



**TERMS AND CONDITIONS OF LEASE AGREEMENT****1. Lease**

This transaction is a lease as defined by the Uniform Commercial Code and not a sale. Customer does not acquire through this Lease or by payment of rental under this Lease any right, title or interest in or to the Equipment (individually, a "Unit"), except the right to possess and use the Equipment so long as Customer is not in default under this Lease. Customer acknowledges that the Equipment is personal property and shall not, at any time, constitute real property, an improvement thereon or a fixture.

2. Rent and Other Payments

(a) The term begins on the date that ModSpace substantially completes its scope of work for installation ("Substantial Completion"). Monthly rent accrues through and including the later of the month in which the term (as may have been renewed on a month-to-month basis or otherwise) expires or the Equipment is made available for removal and returned to ModSpace in accordance with the terms of this Lease. Teardown and return charges are due and payable at the expiration or earlier termination of the term. All sums payable by Customer under this Lease, including rent, delivery, installation, Equipment modification and change orders, are due and payable in accordance without demand and are not subject to or contingent upon Customer's prior receipt of payment from its customer under any prime contract. This Lease Agreement is a net lease and Customer's obligation to pay Rent under this Agreement shall be absolute and unconditional under all circumstances, notwithstanding: (i) any setoff, abatement, reduction, counterclaim, recoupment, defense or other right which Customer may have against ModSpace, its assignees, the manufacturer or seller of the Equipment, or any other person for any reason whatsoever; (ii) any defect in operation, or any damage to, or destruction of the Equipment; (iii) any interruption or cessation of use or possession of the real property or project site where the Equipment is or is to be installed; or (iv) any insolvency, bankruptcy, reorganization or similar proceedings instituted by or against Customer.

(b) Unless a proper tax exemption certificate is approved by ModSpace Risk Management, Customer will pay or reimburse ModSpace, for all sales, use taxes, personal property and other taxes, fees or assessments related directly or indirectly to the Equipment, its use or value, excluding taxes relating to income ("Taxes"). Customer's obligations under this subsection will survive the termination of this Lease.

(c) Invoices issued by ModSpace are solely for Customer's convenience. Any amount not paid within twenty (20) days of the due date set forth on the invoice will be subject to a late charge of one and one-half percent (1-1/2%) per month (or the highest rate permitted by law), with a minimum charge of fifteen dollars (\$15.00) per month, until such invoice is paid in full.

(d) If applicable, Customer shall pay the amount specified on the first page hereof as a security deposit (the "Security Deposit"), to be held by ModSpace without liability to Customer for interest, as security for Customer's performance of the terms and conditions of this Agreement; and in furtherance thereof, Customer hereby grants to ModSpace a security interest in the cash from time to time comprising the Security Deposit and all proceeds thereof. In the event of Customer's default, ModSpace may apply the Security Deposit in payment of its cost, expenses and attorney fees in enforcing the terms of this Agreement and to indemnify ModSpace against any damages sustained by ModSpace, provided however, nothing herein contained shall be construed to mean that the recovery of damages by ModSpace shall be limited to the amount of the Security Deposit. In the event all or any portion of the Security Deposit is applied as aforesaid, upon demand Customer shall deposit additional amounts with ModSpace so that the Security Deposit shall always be maintained at its original amount.

3. Delivery and Installation

(a) Customer will provide clear access for delivery and installation of the Equipment by standard mobile transport vehicles at the site on which the Equipment is to be used (the "Site"). Unless otherwise set forth in this Lease, Customer is solely responsible, at its cost, for Site preparation, including, without limitation, structural or grade alterations, snow and water removal, identification and relocation of utility lines. Customer will provide firm and level ground with no more than a six-inch slope, from one end to the other, for safe and unobstructed installation for the Equipment. Customer is solely responsible for Site selection and subsurface conditions, including environmental conditions. MODSPACE ASSUMES NO LIABILITY NOR OFFERS ANY WARRANTY FOR THE FITNESS OR ADEQUACY OF THE SITE OR UTILITIES AVAILABLE AT THE SITE. Customer will schedule its operations at the Site so that the installation of the Equipment by ModSpace can be carried out in one continuous operation and in proper sequence. ModSpace operations will be subject to ModSpace safety guidelines and operating instructions. Unless otherwise agreed to in writing by ModSpace, for Site services including, but not limited to, Equipment anchoring, utility runs, footings, and foundations, the Customer will verify and demonstrate to ModSpace the presence or absence of any underground utilities in the designated building location via "mark-out" or other accepted means prior to ModSpace installation of the building. Should this physical verification and identification not be completed prior to delivery of the Equipment, ModSpace may choose to perform this verification at Customer's cost or reschedule its operation, as appropriate, at Customer's cost.

(b) Unless otherwise set forth in this Lease, Customer is solely responsible, at its cost, for obtaining all licenses, building and other permits, approvals and certificates as may be required for the installation of the Equipment and its lawful operation or occupancy. All certificates applicable to the Equipment will reflect ModSpace ownership thereof. Customer represents and warrants to ModSpace that, prior to delivery of the Equipment, Customer shall have obtained all necessary approvals and permits required for the installation of the Equipment at the Site.

(c) Substantial Completion and Equipment removal are subject to delay due to weather, fire, riot, civil disobedience, strike or other labor actions, acts of God, or any circumstances beyond ModSpace's control (including but not limited to breaches by ModSpace subcontractors or manufacturers) which delay the manufacture or modification of products or the making of deliveries in the normal course of business.

(d) Prices for delivery, installation, teardown, return delivery and other "one-time" charges, the due dates of such charges and the Substantial Completion target date assume accuracy of the information given to ModSpace with respect to Site conditions, are subject to adjustment to the extent that the timing of or physical nature of access to the Site is or becomes limited, the Site does not have adequate load bearing or topographic qualities or is otherwise not properly prepared, utilities are not correctly located, provision of utilities is not timely, applicable licenses or permits are not provided in a timely manner or Customer otherwise delays completion of ModSpace's scope of work. In the event that any act or omission by Customer (including the failure of Customer to complete any work or obtain any permits for which it is responsible) or Customer's failure to make the Site available and ready causes a delay in Substantial Completion ("Customer Delay") or causes ModSpace to redeliver Equipment, Customer will be liable for applicable redelivery set up charges and additional costs incurred by ModSpace to the extent caused by such delay. ModSpace may start the term and commence billing prior to Substantial Completion in the event Customer Delay exceeds fourteen (14) days.

(e) ModSpace may suspend work at the Site if ModSpace deems the Site to be unsafe. If, in ModSpace's opinion, anchor straps are required for the safe installation of the Equipment, ModSpace may install anchor straps at an additional cost to Customer.

(f) ModSpace will not be obligated to modify the scope of work prior to execution of a mutually acceptable written change order.

(g) Customer will not interfere or allow others to interfere with the progress of ModSpace's work. Customer will not occupy or allow others to work on or in any portion of the Equipment prior to Substantial Completion without ModSpace's permission and Customer will be responsible for and indemnify and hold ModSpace harmless from and against any damage to the Equipment or other property, or injury or death arising in connection to such occupancy or work.

No charge for labor or material furnished by Customer shall be allowed as a credit under this Lease.

TERMS AND CONDITIONS OF LEASE AGREEMENT**4. Maintenance**

(a) Customer will not move or in any way modify the Equipment without prior written consent from ModSpace. Notwithstanding any such consent, Customer is liable, upon termination of the Lease, for the cost of restoration of the Equipment to its original specification and building code compliance. ModSpace may place its name on the Equipment, and Customer will assure that such name is not removed or concealed in whole or in part.

(b) This is an absolute net lease. Customer is solely responsible for routine maintenance including, but not limited to, janitorial services, changing of HVAC filters, light bulbs and ballasts, minor repairs of the Equipment and removal of snow from and about the Equipment. At its sole cost, Customer will keep the Equipment at all times, until removed from the Site, in good repair and operating condition, subject to ordinary wear and tear, free of any and all liens and encumbrances and will maintain Site grading to ensure proper water diversion from the Equipment. Customer is solely responsible for damage due to settling. ModSpace may inspect the Equipment at any time and, if ModSpace believes the Equipment to be misused, abused or neglected, ModSpace may, with written notice, summarily remove and repossess the Equipment at Customer's cost.

(c) Customer will perform, execute and comply with all Laws that in any way affect the use, operation, maintenance or storage of the Equipment. "Laws" means all laws, rules, regulations, orders, writs and decrees that now exist or hereafter arise (including without limitation the Americans with Disabilities Act).

(d) Customer will not: use or store any hazardous, toxic, radioactive or bio-hazardous substances or petroleum products ("Hazardous Materials") in the Equipment, except for such household cleaning products in quantities as would be normal in the operation of a commercial office; locate the Equipment at a remediation, decontamination or nuclear site or at or adjacent to any site at which any biological, chemical or nuclear agent is believed to have been released; or use the Equipment as a medical laboratory or for Hazardous Materials testing or remediation. Ordinary wear and tear does not include contamination. ModSpace may, at Customer's sole cost, have the Equipment inspected for and decontaminated of Hazardous Materials. In addition to any other remedy available to ModSpace, in its sole discretion ModSpace may require Customer to purchase the contaminated Equipment at the stated Insurance Value absent contamination or at the full Replacement Cost at time of loss for identical new Equipment (whichever is greater), or convey to Customer title for any Equipment used in breach of this section and Customer hereby appoints ModSpace as attorney-in-fact for such purpose.

(e) Customer agrees that the Equipment leased hereunder will not be occupied by any person other than Customer or its agents, employees or invitees or used for residential or dormitory purposes.

5. Warranties

Excepting for the repair of structural or mechanical defects in the Equipment not caused by Customer abuse, misuse, neglect, or excessive wear and tear, **THERE ARE NO WARRANTIES, EXPRESS OR IMPLIED, AND ALL WARRANTIES OF ANY KIND, INCLUDING ANY EXPRESS OR IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR PURPOSE ARE HEREBY EXCLUDED.** ModSpace will have no liability for the repair of any defect or condition resulting from Customer's relocation of the Equipment, utility connections, alterations or use of the Equipment for a purpose for which it was not intended, vandalism. ModSpace will not be liable for loss of use of the Equipment or other damages arising from use of the Equipment.

(a) Damage or contamination of the Equipment due to water infiltration or exposure is not considered ordinary wear and tear. If any returned Equipment is found to be damaged or contaminated by water infiltration or exposure, ModSpace will charge the Customer for the remediation or require Customer to purchase the Equipment at the current market price charged for a similar undamaged Unit.

(b) The Equipment made part of this Lease is manufactured and coded for commercial use and occupancy only. **MODSPACE MAKES NO REPRESENTATIONS, EXPRESS OR IMPLIED, AND SHALL HAVE NO LIABILITY OF ANY NATURE WHATSOEVER, AS TO THE SUITABILITY, STRUCTURAL OR OTHERWISE, FOR THE USE OF THE EQUIPMENT.**

6. Limitation of Damages

Customer and ModSpace do expressly waive against each other all claims and demands for loss of profits and other consequential, incidental or punitive damages arising in connection with this Lease. ModSpace is not liable for any loss or damage to any property stored, located or transported in, upon, under or around any Equipment, and Customer does hereby waive any and all claims and demands for any such loss or damage.

7. Termination and Equipment Return

(a) Subsequent to the delivery of the Equipment, Customer has no right to terminate this Lease prior to the expiration of the Minimum Lease Period or any renewal or extension thereof. Acceptance of Equipment return before expiry of the Minimum Lease Period or any renewal or extension does not constitute a release of Customer's rental obligations. In the event of such termination, Customer must provide ModSpace ninety (90) days prior written notice of the date on which the Equipment is to be returned. Customer unconditionally agrees to pay a Lease cancellation charge equal to the remaining payments for the unfulfilled Minimum Lease Period, any applicable charges for services or modifications performed by ModSpace, any applicable charges related to Value Added Products including, but not limited to, steps, ramps, furniture, generators, holding tanks, third party storage, plus return delivery and tear down charges. In the event Customer terminates this Lease prior to the delivery of the Equipment, Customer further unconditionally agrees to pay cancellation charges in accordance with the following: (i) for in-fleet Equipment, a cancellation charge equal to three (3) months rent plus any applicable charges for modifications performed on the Equipment and other services completed by ModSpace, (ii) for new or custom built Equipment, a cancellation charge equal to all payments for the unfulfilled Minimum Lease Period plus any charges for services completed by ModSpace. All such charges will be billed on a lump sum basis unless other payment options are agreed to in writing by ModSpace.

(b) If Customer continues to possess or occupy the Equipment after the expiration of the initial and any Lease renewal term, with or without consent of ModSpace, Customer will be deemed to have renewed this Lease on a month-to-month basis at its then-current monthly rental rate plus 10% and further subject to the terms and conditions hereof. Customer or ModSpace may terminate any such month-to-month renewal upon thirty (30) days written notice. ModSpace may adjust teardown and return charges if any renewal or month-to-month term exceeds three (3) months.

(c) Prior to Equipment return, Customer will, at its sole cost, disconnect all utilities, remove all personal property and vacate the Equipment. ModSpace will not be liable for any personal property left in or on the Equipment, and such property shall be deemed abandoned. Any accessories and additions to the Equipment shall, at ModSpace's option, be deemed property of ModSpace upon Equipment return.

(d) At its sole cost, Customer will provide clear access to the Equipment for teardown and removal by standard mobile transport vehicles upon the expiration or termination of the term or, if ModSpace elects to terminate a month-to-month renewal, upon fifteen (15) days prior notice, and Customer irrevocably grants ModSpace authority to enter the Site for such purpose. The Equipment shall be returned to ModSpace broom clean and in the same condition as delivered, ordinary wear and tear excepted. Customer will pay ModSpace for all missing or damaged tires, axles and hitches. The Equipment will be deemed returned to ModSpace upon removal from the Site. Termination of this Lease will become effective only when the Equipment has been returned to ModSpace in accordance with this Lease and Customer has paid to ModSpace all rent and other charges.

TERMS AND CONDITIONS OF LEASE AGREEMENT**8. Indemnification**

Except to the extent of the negligence or willful misconduct of ModSpace, its employees, subcontractors and agents, Customer shall indemnify, defend and hold harmless ModSpace, its employees and agents from any and all loss, claims, liabilities, damages, fines, forfeitures, seizures, penalties and expenses (including attorneys' fees and investigative costs) (collectively "Losses") that may arise from or in connection with any of the following:

- (a) The loss of or damage to the Equipment following delivery and prior to removal from the Site by ModSpace due to any and all perils or casualty including, without limitation, flood and earthquake;
- (b) The death of or injury to any person or damage to the property of any person as a result of, in whole or in part, the use or condition of the Equipment following delivery and prior to removal from the Site by ModSpace;
- (c) Any act or omission of Customer in violation of this Lease;
- (d) The use or possession of the Equipment following delivery and prior to removal from the Site by ModSpace; and
- (e) Any damage to Customer's property or the property of any third parties incurred during or in connection with the Equipment following delivery and prior to removal from the Site by ModSpace.

The obligations contained in this Section 8 will survive expiration or termination of this Lease and removal from the Site by ModSpace.

9. Insurance

(a) At its sole expense, Customer will procure and keep in full force and effect, from the initial delivery date until the removal of all Equipment the following policies of insurance satisfactory to ModSpace as to the insurer and as to the form and amount of coverage, with premiums prepaid:

- (i) Commercial General Liability Insurance with a minimum combined single limit of \$1,000,000 per occurrence and \$2,000,000 annual aggregate, written on an Occurrence Form, including coverage for premises, operations, contractual liability, broad form property damage and independent contractors, naming ModSpace as an additional insured.
- (ii) Commercial Property Insurance protecting against all loss and damages, at the full Insurance Value, sustained or suffered due to the loss of or damage to the Equipment as a result of any peril or casualty, including flood, naming ModSpace and Bank of America, NA as a loss payee. In the event the Equipment is new or custom built to Customer's specifications, the Commercial Property Insurance shall cover all loss and damages at the full Replacement Cost at time of loss for identical new Equipment. Customer may self-insure the obligations contained herein with ModSpace Risk Department approval.

(b) Customer will deliver certificates evidencing all such insurance to ModSpace prior to delivery of the Equipment except to the extent not required pursuant to Section 10 below. Each certificate will state that such insurance will not terminate or be materially changed without thirty (30) days' prior written notice to ModSpace.

(c) Obtaining insurance as described herein, including Section 10 below, will not affect Customer's obligations and indemnities under this Lease, and the loss, damage to or destruction of any of the Equipment will neither terminate this Lease nor, except to the extent that ModSpace is actually compensated by insurance paid for by Customer, relieve Customer of any of Customer's liability under this Lease. Until the Property is removed from the Site, Customer assumes all risk of loss or damage to the Equipment and agrees to indemnify and hold ModSpace harmless from any loss resulting from theft, destruction or damage to the Equipment.

(d) For Special Event transactions, the insurance limits required in Section 9(a) are to be adjusted to reflect a minimum combined single limit of \$5,000,000 per occurrence and \$10,000,000 annual aggregate.

(e) Upon request, ModSpace will furnish its standard insurance certificate evidencing Workman's Compensation, General Liability and Auto Liability, each to be effective for ModSpace's performance of delivery, installation, removal and maintenance work on the Site. ModSpace's insurance will be primary with respect to its scope of work only. Waivers of subrogation and policy endorsements will not be provided.

10. Optional Insurance and Damage Waiver

(a) In certain circumstances, Customer may choose (i) to enroll in an Optional Insurance Program to cover general liability risks (the "Optional Insurance Program") and/or (ii) to accept a Damage Waiver Option to cover damage to the Equipment (the "Damage Waiver Option").

(b) The Optional Insurance Program is provided through an independent insurance carrier and provides the following coverage: bodily injury and property damage arising out of the use and occupancy of the Equipment while under lease from ModSpace on a per occurrence basis, with a combined single limit of \$1,000,000 per occurrence and \$2,000,000 annual aggregate, and medical coverage in the amounts of \$5,000 per person per occurrence, subject to a limit of \$1,000 per person for classrooms. If Customer has elected the Optional Insurance Program, so long as such coverage is still in full force and effect and Customer timely pays the additional fee, Customer will not be required, under this Lease, to carry additional commercial liability insurance as required by Section 9(a)(i). The Optional Insurance Program is not offered in all geographic areas, at all times during the year or for Special Event transactions.

(c) If Customer has elected the Damage Waiver Option, so long as Customer timely pays the additional fee specified therefor, Customer will not be required to carry the additional commercial property insurance required by Section 9(a)(ii) and Customer will not be liable to ModSpace in excess of \$1000 per Unit for loss or damage resulting from: lightning, theft, windstorm, hail, flood, explosion, fire or resulting smoke damage, or damage caused by vehicle or aircraft, except Customer will not be relieved of liability if Customer violates any other provision of this Lease. THE DAMAGE WAIVER IS NOT INSURANCE COVERAGE.

(d) Customer's coverage under the Optional Insurance Program is subject to the terms and conditions (including cancellation provisions) of that policy, which is not underwritten by ModSpace. Acceptance of the Damage Waiver Option may be cancelled by either party and rates and fees may be changed upon thirty (30) days' prior written notice. If the Optional Insurance Program or Damage Waiver Option is cancelled for any reason, Customer will provide to ModSpace evidence of policies of insurance as set forth in Sections 9(a)(i) or 9(a)(ii), as appropriate, within ten (10) days prior to the effective date of such cancellation.

(e) The coverage provided under the Optional Insurance Program and the limitation of liability under the Damage Waiver Option does not extend to the transportation of the Equipment or its contents and only extends to Equipment installed on ground level. The Optional Insurance Program and Damage Waiver Option may not be offered or available in certain geographic areas at certain times of the year.

(f) The Damage Waiver Option will not be binding upon ModSpace unless any loss, damage, injury or claim is reported to ModSpace in writing within seventy-two (72) hours of the occurrence of any such event. Customer will also provide any information regarding such event that ModSpace reasonably requests.



LEASE AGREEMENT NO.: 358159
 RENEWAL AGREEMENT NO.: 001413
 ACCOUNT NO.: 111564
 CUSTOMER NO.: 166950

RETURN EQUIPMENT TO ModSpace:

SEATTLE
 19432 EAST VALLEY HIGHWAY
 KENT
 WA 98032
 Telephone: 253-395-0301
 1-800-523-7918
 Fax: 253-395-0235

7/1/10
 7/1/10

Modular Space Corporation, a Delaware corporation ("ModSpace") hereby leases the equipment specified below (the "Equipment") to:

CITY OF BLACK DIAMOND
 PO Box 599
 BLACK DIAMOND
 WA 98010-0599
 Customer Contact: Kevin Esping
 Telephone: 253-261-0594
 Fax: 360-886-2592
 P.O. #:

The Equipment will be located at (subject to Section 4 on attached page):

TBD
 BLACK DIAMOND
 WA 98010

Customer hereby leases Equipment from ModSpace for a minimum period of 24 months (the "Minimum Lease Period") from the start of the lease term in accordance with the terms and conditions of this Lease Agreement including the terms and conditions set forth on the attached page (this "Lease"). Rental month is defined as a thirty-day period.

Customer agrees to pay ModSpace without demand and in advance the monthly rental and other charges on the due dates set forth in this Lease. This lease is hereby renewed as of the 1st day of July, 2010.

| Unit | Class | Width | Length | Serial No. | Monthly | Weekly | Daily | Insurance Value |
|--------|-------|-------|--------|--------------|----------|----------|---------|-----------------|
| 653523 | QUAD | 12' | 60' | HER026156ORA | \$650.00 | \$149.59 | \$21.37 | \$48,519 |
| 653524 | QUAD | 12' | 60' | HER026156ORB | \$650.00 | \$149.59 | \$21.37 | \$48,519 |
| 653525 | QUAD | 12' | 60' | HER026156ORC | \$650.00 | \$149.59 | \$21.37 | \$48,519 |
| 653526 | QUAD | 12' | 60' | HER026156ORD | \$650.00 | \$149.59 | \$21.37 | \$48,519 |

| ONE TIME CHARGES | | MONTHLY CHARGES | |
|--|--|----------------------------------|----------|
| MODIFICATIONS | | COMPLEX \$2,600.00 | |
| REMOVE CUSTOM MODIFICATIONS* (Qty: 1) '***' | | RENTAL | |
| Kitchenette, change door back to original swing. | | STEPS (Qty: 1 at \$35.00) | \$35.00 |
| RETURN DELIVERY | | RAMPS (Qty: 1 at \$390.00) | \$390.00 |
| BUILDING RETURN* (Qty: 4) '***' | | Total \$3,025.00 | |
| RETURN FUEL SURCHARGE* (Qty: 4) '***' | | Monthly Property Tax \$86.40 | |
| OPTIONAL EQUIPMENT* (Qty: 4) '***' | | Grand Total (Monthly) \$3,111.40 | |
| DISMANTLING | | DAILY: | \$85.48 |
| INSTALL HITCH* (Qty: 4) '***' | | WEEKLY: | \$598.36 |
| REMOVE ANCHORS/TIEDOWNS* (Qty: 1) '***' | | | |
| UNSKIRT* (Qty: 1) '***' | | | |
| REMOVE RAMPS* (Qty: 1) '***' | | | |
| TEAR DOWN COMPLEX* (Qty: 1) '***' | | | |
| REMOVE PARTITION (LABOR)* (Qty: 1) '***' | | | |
| Total \$0.00 | | | |

*** Billed at Termination

*** Billed at current rate at Termination

#Tax rates will vary with delivery address. Taxes are subject to change by tax authorities without notice.

No agent, employee or representative of ModSpace has any authority to make any representation or warranty concerning the Equipment that is not specifically included in this Lease. Unless specifically identified in this Lease, this Lease supersedes all prior negotiations, proposals and documents. This Lease will not be subject to any additional provision that may be contained in the Customer's purchase order, although Customer's purchase order number may be used by the parties as a convenient reference for invoicing purposes.



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RETURN EQUIPMENT TO ModSpace:

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 KENT
 WA 98032
 Telephone: 253-395-0301
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 Fax: 253-395-0235

(Continued)

(012) Tax rates may vary dependent upon confirmation of final delivery address. Any adjustment to the Tax rate imposed by city, county, state, or federal government or other taxing authority subsequent to the date of ModSpace' quotation, proposal, or commencement date of the Lease will be reflected on Customer's invoice. Customer is responsible for the payment of any increase in Taxes and such obligation supersedes any conflicting language contained in any Customer document.

(013) Any Value Added Products or services (including but not limited to holding tanks, ramps, security services) are products provided by a third party vendor. ModSpace will not be held responsible for the maintenance or servicing of such products. Customer will be responsible for any and all of the third party vendor's terms and conditions that typically govern the leasing and servicing of the equipment. The Customer understands that for their convenience ModSpace will coordinate the product or service and act as a billing agent for the third party vendor.

(014) ALL RIGHT, TITLE AND INTEREST OF MODULAR SPACE CORPORATION HEREUNDER HAS BEEN PLEDGED TO, AND IS SUBJECT TO THE SECURITY INTERESTS OF, BANK OF AMERICA, N.A., AS AGENT, PURSUANT TO THAT CERTAIN SECOND AMENDED AND RESTATED CREDIT AGREEMENT, DATED AS OF MARCH 30, 2007, AMONG MODULAR SPACE CORPORATION, CERTAIN OF ITS SUBSIDIARIES PARTY THERETO AS EITHER BORROWER OR GUARANTOR, BANK OF AMERICA, N.A. AS AGENT, AND THE LENDERS FROM TIME TO TIME PARTY THERETO, AS AMENDED, RESTATED OR OTHERWISE MODIFIED FROM TIME TO TIME. MODULAR SPACE CORPORATION SHALL HAVE NO RIGHT TO TRANSFER ITS RIGHT, TITLE OR INTEREST HEREUNDER TO ANY PARTY EXCEPT PURSUANT TO AND IN ACCORDANCE WITH THE PROVISIONS OF THE RELEVANT LOAN DOCUMENTS.

Comprehensive and Liability insurance coverage certificate must be received prior to delivery or Lessee will need to accept ModSpace Optional Insurance and/or Damage Waiver on ModSpace leases agreement prior to delivery.

Return delivery and dismantle will be billed at current rate at time of return unless otherwise quoted.

Pilot cars will be billed as required for 12' or 14' wide trailer @ 210.00 per unit on each delivery or return. Charges over a 25 mile radius will be charged on a per mile basis at \$1.75 per mile

Tiedowns/anchors not included and will be priced upon request.

Alterations will require an alteration permit through Washington State Department of Labor and Industries.

Set up is based on 1000psf soil bearing capacity.

Excessive cleaning and/or damage will be charged additionally at prevailing rates.

The Lessee is responsible for providing a level site that is accessible to standard mobile transport equipment.

Wait time or additional site time will be charged at \$75.00/hr. Additional charges may apply for labor time.

Property tax and sales tax will be charged additionally.

Customer is responsible for all taxes, permits, fees, licenses, utility connections, foundation engineering, and the preparation of a level, compact and accessible site.

Charges for return freight, dismantle, cleaning, damage repair, and non-returned keys will be charged at the then current rate at the time of lease termination.

Steps not returned will be billed at \$700.00 per landing. Keys not returned will be charged \$75.00 per door.

Used equipment is sold "as-is", no warranty expressed or implied.

The attached page contains Terms and Conditions that form an integral part of this Lease. Those terms and conditions include but are not limited to disclaimers of warranties of merchantability and fitness and limitations on damages. The only other documents that form a part of this lease are:

US20021216.NONE

Signed by duly authorized agents, with the intent to be legally bound, this _____ day of _____, 20____.

By Rhonda Banghart
 Modular Space Corporation AUTHORIZED AGENT

By Rebecca Olness
 CUSTOMER OR AUTHORIZED AGENT

Name RHONDA BANGHART

Name Rebecca Olness
 (please print)

TERMS AND CONDITIONS OF LEASE AGREEMENT**1. Lease**

This transaction is a lease as defined by the Uniform Commercial Code as enacted in Pennsylvania and not a sale. Customer does not acquire through this Lease or by payment of rental under this Lease any right, title or interest in or to the Equipment, except the right to possess and use the Equipment so long as Customer is not in default under this Lease.

2. Rental and Other Payments

(a) The start of the lease term is the date on which ModSpace substantially completes its scope of work for installation, unless otherwise agreed to among the parties. Monthly rental will accrue through and including the month in which the later of the Return Date or End of the Term occurs. The "Return Date" is the date on which the Equipment is returned to ModSpace in accordance with the terms of this Lease. The "End of the Term" is the date on which the term of this Lease is to expire, either originally, under a renewal term or under month-to-month renewals as contemplated by this Lease. Rental and such other charges will be prorated on a daily basis where necessary. Unless otherwise specified in this Lease, charges for delivery and installation, initial month's rent and any applicable initial charges for the Optional Insurance Program and Damage Waiver will be due and payable at the start of the lease term, and charges for teardown and return will be due and payable at the earlier of the Return Date or the End of Term. After payment of the initial month's rent, each month's rent thereafter is due and payable without demand and in advance (i) at the end of each thirty (30) day period following the commencement of the lease term, if a rental month is defined on the first page of this Lease as a thirty-day period or (ii) on the first of each month immediately following the month in which this lease commences, if a rental month is defined on the first page of this Lease as a calendar month. All other sums payable by Customer under this Lease are due and payable when invoiced. Unless agreed otherwise, all payments made under this Lease will be made by Customer's check drawn on its regular bank checking account or such other form of payment as is acceptable to ModSpace. All payments by Customer will be made without setoff or deduction of any kind.

(b) Customer will pay ModSpace for any and all sales and use taxes, other direct taxes and registration fees imposed by any city, county, state, or federal government or other taxing authorities and related directly or indirectly to the Equipment or its use, excluding federal or state taxes relating to income (all of the foregoing that Customer is to pay, "Taxes"). Taxes may be allocated by ModSpace on either an individual or prorated basis for any item of Equipment based on purchase price, value, possession, use, location, rentals, delivery or operation of such Equipment. Taxes may include an allocation (b) Customer will pay ModSpace for any and all sales and use taxes, other direct taxes and registration fees imposed by any city, county, state, or federal government or other taxing authorities and related directly or indirectly to the Equipment or its use, excluding federal or state taxes relating to income (all of the foregoing that Customer is to pay, "Taxes"). Taxes may be allocated by ModSpace on either an individual or prorated basis for any item of Equipment based on purchase price, value, possession, use, location, rentals, delivery or operation of such Equipment. Taxes may include an allocation on a statewide basis of locally imposed taxes. Customer's obligations under this Subsection will survive the termination of this Lease.

(c) For Customer's convenience, ModSpace intends to issue invoices for amounts due under this Lease. If Customer fails to pay any amount due within twenty (20) days of the due date, ModSpace may impose a charge on such amount at one and one-half percent (1-1/2%) per month or the highest rate permitted by law, whichever is lower, from the due date until payment in full is received by ModSpace.

(d) When the Lease term exceeds eleven (11) months, the rental charge may, at ModSpace's option, be adjusted upward, based upon the Consumer Price Index, All Urban Consumers, U.S. City Average, All Items ("CPI") (United States Bureau of Labor Statistics or such other index as may succeed the CPI), as follows: For each change of one percent (1%) in the CPI from the CPI as available immediately prior to the start date of this Lease, the rental rate will be adjusted by a factor of one percent (1%). Any adjustments will take effect at six (6) months following the start date of this Lease and will be further adjusted each six (6) months thereafter. The adjustment will be based on the most recent CPI indices available prior to the invoice in which an adjustment is made.

(e) From time to time, at ModSpace's option, ModSpace may add additional costs and expenses, including but not limited to increases in fuel costs and/or other operating costs and expenses ("Additional Operating Costs") to the rental charges and other payments that Customer must pay to ModSpace under this Lease, said Additional Operating Costs will be calculated by ModSpace, in its sole discretion, as a result of increases in ModSpace's costs and expenses.

3. Delivery and Installation

(a) Customer will provide free and clear access for delivery of the Equipment by standard mobile transport vehicles. Customer will be solely responsible, at its cost, for preparation of the site on which the Equipment is to be used (the "Site"), including any required structural or grade alterations and identification of utility lines. Customer will provide firm and level ground on no more than a six-inch (6") slope from one end to the other for safe and unobstructed installation for the Equipment. Site selection is the sole responsibility of Customer. ModSpace ASSUMES NO LIABILITY NOR OFFERS ANY WARRANTY FOR THE FITNESS OR ADEQUACY OF, OR THE UTILITIES AVAILABLE AT THE SITE.

(b) Customer will have sole responsibility, at Customer's cost, to obtain any and all licenses, titles, building and other permits and any other approvals and certificates as may be required by law or otherwise for the installation and placement of the Equipment and Customer's lawful operation, possession or occupancy of the Equipment. Customer agrees that all certificates of title or registration applicable to the Equipment will reflect ModSpace's ownership of the Equipment.

(c) ModSpace's delivery of the Equipment is subject to delays in manufacturing, modification, delivery or installation due (c) ModSpace's delivery of the Equipment is subject to delays in manufacturing, modification, delivery or installation due to fire, flood, windstorm, riot, civil disobedience, strike or other labor actions, acts of God, or any circumstances beyond ModSpace's control (including but not limited to breaches by ModSpace's sub-contractors or manufacturers) which delay the manufacture or modification of products or the making of deliveries in the normal course of business.

(d) The prices for delivery, installation, teardown, return delivery and other "one-time" charges, the due dates of such charges and the start date of this Lease assume accuracy of the information given to ModSpace with respect to Site conditions and locations and are subject to adjustment to the extent that the timing of or physical nature of access to the Site is or becomes limited, the Site does not have adequate load bearing or topographic qualities or is otherwise not properly prepared, utilities are not correctly located, provision of utilities is not timely or applicable licenses or permits are not provided in a timely manner or Customer otherwise delays completion of ModSpace's scope of work.

(e) ModSpace may suspend work at the Site if ModSpace deems the Site to be unsafe.

4. Maintenance of Equipment

(a) Customer will not move or in any way modify the Equipment without written consent of ModSpace. Notwithstanding ModSpace's consent to Customer's modification of the Equipment, Customer is liable for the cost of the removal of such modification or restoration of the Equipment upon the termination of this Lease for the modified Equipment. ModSpace may place its name on the Equipment, and Customer will assure that such name is not removed or concealed in whole or in part.

(b) Customer, at Customer's sole cost, will keep the Equipment at all times until the Return Date in good repair and operating condition, subject to ordinary wear and tear, and free of any and all liens and encumbrances. ModSpace will have the right to inspect the Equipment from time to time until the Return Date and if ModSpace believes the Equipment to be misused, abused or neglected, ModSpace may summarily remove and repossess the Equipment at Customer's cost.

(c) Customer will perform, execute and comply with all Laws which in any way affect the use, operation, maintenance, or storage of the Equipment. "Laws" means all laws, rules, regulations or orders of any governmental agency or instrumentality of the United States, Canada, any state, province, municipality or other local government and all orders, writs and decrees of any court, tribunal or administrative agency, in any case which now exist or hereafter arise (including but not limited to laws governing Hazardous Substances and other environmental risks and the Americans with Disabilities Act). Customer will not make or permit any unlawful use or handling of the Equipment.

(d) HAZARDOUS SUBSTANCES. (i) "Hazardous Substances" means hazardous, toxic, radioactive or bio-hazardous substances or petroleum products. (ii) Customer will not use or store Hazardous Substances in the Equipment, except such substances and in such quantities as would be normal in the operation of a commercial office. Customer will not locate the Equipment at a remediation or nuclear site or use the Equipment for medical laboratory testing. (iii) Ordinary wear and tear does not include contamination by Hazardous Substances. If any returned Equipment is found to have been contaminated by Hazardous Substances during Customer's possession, ModSpace may charge Customer for the clean up or may require Customer to purchase the Equipment at the then current market price charged for an uncontaminated unit.

(e) Customer agrees that the Equipment leased hereunder will not be occupied by any person other than Customer or its agents, employees or invitees. The Equipment will not be used for residential or dormitory purposes.

5. NO WARRANTY FOR MERCHANTABILITY OR FITNESS

THERE ARE NO WARRANTIES, EXPRESS OR IMPLIED, AND ALL WARRANTIES OF ANY KIND, INCLUDING ANY EXPRESS OR IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR PURPOSE, ARE HEREBY EXCLUDED BOTH AS TO THE EQUIPMENT AND AS TO ANY INSTALLATION, MAINTENANCE OR REPAIR WORK PERFORMED BY ModSpace ON THE EQUIPMENT.

TERMS AND CONDITIONS OF LEASE AGREEMENT**6. Limitation of Damages**

Customer does hereby expressly waive any and all claims and demands for loss of profits or other alleged consequential, incidental or punitive damages arising out of or in connection with this Lease. ModSpace is not liable for any loss or damage to any property stored, located or transported in, upon, under or around any Equipment and Customer does hereby waive any and all claims and demands for any such loss or damage.

7. End of Lease

- (a) Unless specified otherwise, Customer must give ModSpace sixty (60) days' prior written notice of the date on which the Equipment is to be returned.
- (b) If Customer, without any further written agreement, continues to possess or occupy the Equipment after the expiration of the initial and any renewal term of Lease, with or without consent of ModSpace, Customer will then be deemed to have renewed this Lease on a month-to-month basis subject to such rate as ModSpace declares to be in effect (and in the absence of such declaration at the last monthly rate applicable to the Equipment), and ModSpace may terminate such month-to-month extensions at any time.
- (c) If, at any time after the initial or any renewal term (or at ModSpace's request at any time this Lease is on a month-to-month basis), ModSpace requests the return of the Equipment, Customer will return the Equipment to ModSpace, within five (5) days, at ModSpace's designated address, at Customer's sole cost. Missing accessories, attachments or other items, repairs of any kind and restoration to original specifications whether due to Customer alterations or otherwise will remain the sole responsibility of Customer, normal wear and tear excepted.
- (d) Customer may terminate this Lease prior to the expiration of the Minimum Lease Period, subject to all terms and conditions of this Lease, and the Customer will pay (in addition to tear-down and return charges) the following termination charges:
 - i) If Customer is the first user of the Equipment: the remaining unpaid rental charges for the Minimum Lease Period;
 - ii) If Customer is not the first user: (A) if the remaining Minimum Lease Period ("MLP") is less than three (3) rental months, four (4) times the Adjusted Weekly Lease Charge ("AWLC"); (B) if the remaining MLP is between three (3) rental months and six (6) rental months, inclusive, eight (8) times the AWLC; if the remaining MLP is more than six (6) rental months but one (1) year or less, twelve (12) times the AWLC; if the remaining MLP exceeds one (1) year, fourteen (14) times the AWLC for each year, or portion thereof, of the portion of the remaining MLP cancelled.
 - iii) The "Adjusted Weekly Lease Charge" or "AWLC" means the Weekly Lease Charge less that portion representing amortization of any delivery, set-up, teardown, return or similar one-time charges and customer-requested modifications not provided as a separate charge under the terms of this Lease (the "Amortized One-Time Costs") In addition, Customer will pay in full the unpaid Amortized One-Time Costs. In no case will the termination charges be in excess of the rental charge for the remainder of MLP.

8. Indemnification

Customer hereby specifically indemnifies, agrees to defend and holds harmless ModSpace, its employees and agents from any and all loss, claims, liabilities, damages, fines, forfeitures, seizures, penalties and expenses (including attorneys' fees and investigative costs) (collectively "Losses") that may arise from or in connection with:

- (a) The loss of or damage to the Equipment prior to the Return Date because of (a) The loss of or damage to the Equipment prior to the Return Date because of collision, fire, lightning or theft, flood, windstorm or explosion, civil disturbance or riot or any other peril or casualty;
 - (b) The death of or injury to, including but not limited to, damage to the property of, any person (other than the Equipment) as a result of, in whole or in part, the use or condition prior to the Return Date of the Equipment;
 - (c) Any act or omission of Customer in violation of this Lease;
 - (d) The actual or alleged storage, maintenance, use, handling, repair, or operation of the Equipment, prior to the Return Date, including but not limited to any failure to use anchor straps, any work done on, or any materials supplied to or in connection with the operation, maintenance, possession or storage of the Equipment and any loss or damage to anything stored in any of the Equipment; and
 - (e) Any damage to Customer's property or the property of any third parties incurred during or in connection with the fulfillment of Customer's obligations by or on behalf of ModSpace or the repossession or return of Equipment by ModSpace in accordance with the terms of this Lease.
- The obligations contained in this Section 8 will survive expiration or termination of the term of this Lease and the Return Date. The indemnifications contained in this Section 8 will apply to any Losses whether they are asserted before or after the Return Date.

9. Insurance

- (a) Customer, at Customer's sole cost, will procure and keep in full force and effect, from the initial delivery date until the return of all Equipment the following policies of insurance satisfactory to ModSpace as to the insurer and as to the form and amount of coverage, with premiums prepaid:
 - i) Commercial General Liability Insurance with a minimum combined single limit of \$1,000,000 per occurrence, written on an occurrence form, including coverage for premises, operations, contractual liability, broad form property damage, independent contractors and personal injury liability, naming ModSpace as an additional insured.
 - ii) Commercial Property Insurance protecting against all loss and damages, at full replacement cost, sustained or suffered due to the loss of or damage to the Equipment as a result of collision, fire, lightning, theft, flood, windstorm, explosion or any other casualty, naming ModSpace and Bank of America, N.A. as a loss payee.
- (b) Customer will deliver certificates evidencing all such insurance to ModSpace within fourteen (14) days after delivery of the Equipment to Customer's site, time being of the essence; except that, if Customer elects to enroll in the Optional Insurance Program or the Damage Waiver Option, Customer will not have to deliver certificates of insurance to ModSpace for the type of risks covered by the Optional Insurance Program or Damage Waiver Option as elected by Customer. Each certificate will state that such insurance will not terminate or be materially changed without thirty (30) days' prior written notice to ModSpace.
- (c) If Customer fails to deliver the insurance certificate as required by paragraph (b) on the date required, Customer will be in default under this Lease. In addition to all the other remedies for default under this Lease, ModSpace may (i) impose upon Customer a one-time fee for insurance processing of One Hundred Dollars (\$100) and (ii) assess as additional rent an uninsured lessee fee of ten percent (10%) of the monthly rental from the start of the lease term until the required insurance certificate is delivered to ModSpace.
- (d) Obtaining insurance as described above, including the Optional Insurance Program, will not affect Customer's obligations and indemnities under this Lease, and the loss, damage to, or destruction of any of the Equipment will neither terminate this Lease nor, except to the extent that ModSpace is actually compensated by insurance paid for by Customer, relieve Customer of any of Customer's liability under this Lease.

TERMS AND CONDITIONS OF LEASE AGREEMENT**10. Optional Insurance and Damage Waiver**

- (a) In certain circumstances, Customer may choose (i) to enroll in an Optional Insurance Program to cover general liability risks (the "Optional Insurance Program") or (ii) to accept a Damage Waiver Option to cover damage to the Equipment (the "Damage Waiver Option") or (iii) to elect both options. If the Optional Insurance Program or the Damage Waiver Option is available and Customer, in writing prior to delivery of the Equipment to the site, elects to enroll in the Optional Insurance Program or accept the Damage Waiver Option, then, Section 10(b) will apply if Customer elects to enroll in the Optional Insurance Program and, Section 10(c) will apply if Customer accepts the Damage Waiver Option.
- (b) The Optional Insurance Program is fully described in an Outline of Coverage ("the "Outline of Coverage") which Customer has received and reviewed prior to any election to enroll in the Optional Insurance Program. All questions regarding the Optional Insurance Program will be answered by the qualified licensed insurance agent identified in the Outline of Coverage. If Customer properly elects to enroll in the Optional Insurance Program, so long as such coverage is still in full force and effect, Customer will not be required, under this Lease, to carry additional commercial liability insurance as required by Section 9(a)(i).
- (c) If the Damage Waiver Option is properly elected and so long as Customer timely pays the additional fee specified for such Damage Waiver Option, Customer will not be required, under the terms of this Lease, to carry any additional commercial property insurance as required by Section 9(a)(ii) and Customer will not be liable to ModSpace in excess of \$1,000 per unit of Equipment for loss or damage specified in Section 8(a), except Customer will not be relieved of liability if Customer violates any other provision of this Lease. **THE DAMAGE WAIVER IS NOT INSURANCE COVERAGE.**
- (d) Customer's coverage under the Optional Insurance Program or acceptance of the Damage Waiver Option may be cancelled by either party and rates for coverage under the Optional Insurance Program or fees for the Damage Waiver Option may be changed upon thirty (30) days' prior written notice. If the Optional Insurance Program or Damage Waiver Option is, for any reason, cancelled, Customer will provide to ModSpace evidence of policies of insurance as set forth in Sections 9(a)(i) or 9(a)(ii), as appropriate, within ten (10) days prior to the effective date of such cancellation.
- (e) The coverage provided under the Optional Insurance Program and the limitation of liability under the Damage Waiver Option does not extend to the transportation of Equipment or its contents and, only extends to Equipment installed on ground level.
- (f) The Damage Waiver Option will not be binding upon ModSpace unless any loss, damage, injury or claim is reported to ModSpace in writing within seventy-two (72) hours of the occurrence of any such event. Customer will also provide any information in regard to such event that ModSpace reasonably requests.

11. Default

The occurrence of one or more of the following in clauses (a) - (e) below will constitute an Event of Default under this Lease:

- (a) Customer fails to pay when due any rental payment or any other payment due under this Lease or fails to perform its obligations under Section 9 of this Lease;
- (b) Customer fails to perform or observe any other term or condition under this Lease and such failure remains unremedied for more than ten (10) days after such failure to perform or observe;
- (c) Customer or any person or entity which controls more than fifty percent (50%) of Customer's equity (a "Control Person") or any guarantor of any of Customer's obligations hereunder (a "Guarantor") (i) becomes insolvent, (ii) becomes subject to any voluntary or involuntary bankruptcy or reorganization proceedings, (iii) commits an act of bankruptcy, (iv) makes an assignment for the benefit of creditors, (v) appoints or submits to the appointment of a receiver for all or any of its assets, (vi) admits in writing its inability to pay its debts as they become due or (vii) enters into any type of voluntary or involuntary liquidation or dissolution;
- (d) Customer, any Control Person or any Guarantor defaults under any other agreement with ModSpace or any affiliate of ModSpace; and
- (e) Any letter of credit, guaranty or other security given to secure the performance of Customer's obligations under this Lease expires, terminates or in the reasonable opinion of ModSpace becomes worthless. Upon the occurrence of an Event of Default, ModSpace will have the option to declare the entire balance of rent for the remainder of the stated lease term immediately due and payable and to accelerate and make immediately due and payable any other amounts owing under this Lease. ModSpace will also have the option to retake and retain any or all of the Equipment free of all rights of Customer without any further liability or obligation to redeliver any of the Equipment to Customer, and Customer hereby grants ModSpace the right to enter upon any premises where all or any of the Equipment is located in order to take possession of and remove such Equipment. (Notwithstanding the foregoing, if an Event of Default occurs under clause (c) above, such accelerations will occur automatically without the need for declaration.) Customer will pay to ModSpace on demand all fees, costs and expenses incurred by ModSpace in enforcing its rights under this Lease, including without limitation reasonable attorneys' fees. The remedies provided in favor of ModSpace will be cumulative and in addition to all other remedies provided in this Lease or existing at law or in equity. No action taken by ModSpace pursuant to this Section 11 or Section 13 will release Customer from Customer's covenants, obligations and indemnities provided under this Lease, including but not limited to Customer's obligation for the payment of rentals provided in this Lease. If ModSpace retakes possession of the Equipment or any part of the Equipment and there is at the time of such retaking, in, upon or attached to such repossessed Equipment, any other property, goods or things of value owned by Customer or in the custody or control of Customer, ModSpace is authorized to take possession of such other property, goods or things and hold the same for Customer, at Customer's sole cost, either in ModSpace's possession or in public storage, at ModSpace's sole discretion.

12. ModSpace' Right To Cure

If Customer defaults in any of its obligations under this Lease, whether or not an Event of Default then exists, ModSpace may pay all amounts or perform or cause to be performed all obligations required to be paid or performed by Customer under this Lease and recover from Customer as additional rent all amounts so paid or the reasonable value of all services so performed.

13. Set-Off

Without limiting any other provision of this Lease, upon the occurrence of an Event of Default, ModSpace will have the immediate right, without notice, demand or other action, to set-off against Customer any amounts ModSpace may hold as prepayments or deposits for ModSpace liabilities to Customer whether or not then due to Customer. Unless otherwise prohibited by law, ModSpace will be deemed to have exercised such right to set-off and to have made a charge against any such sums immediately upon the occurrence of any Event of Default by Customer.

14. Assignment, Amendment, Modification, Miscellaneous

- (a) Customer will not have the right to assign this Lease or to sublet, rent or otherwise hire out or transfer possession of any of the Equipment to any person or entity other than ModSpace, without the prior written consent of ModSpace. ModSpace may assign this Lease and the rentals reserved under this Lease. If ModSpace makes such an assignment, the assignee will acquire all rights and remedies possessed by or available to ModSpace under this Lease.
- (b) This Lease contains the entire agreement between the parties pertaining to the subject matter of this Lease. No agreements, representation or understandings not specifically contained in this Lease will be binding upon any of the parties hereto unless reduced to writing and signed by the parties to be bound thereby. Any amendment, modification or addendum to this Lease will not be binding on ModSpace unless signed by an authorized officer of ModSpace. This Lease will be governed as to its construction, interpretation and effect by the laws of the Commonwealth of Pennsylvania without regard to principles of choice of laws.



TERMS AND CONDITIONS OF LEASE AGREEMENT

11. Default

The occurrence of any of the following constitutes an Event of Default:

- (a) Customer fails to pay when due any rent or fails to perform its obligations under Section 9 hereof;
(b) Customer fails to pay when due any other amount due or perform or observe any other term or condition hereunder and such failure remains uncured more than ten (10) days after delivery of written notice;
(c) Customer or any person or entity which controls more than fifty percent (50%) of Customer's equity (a "Control Person") or any guarantor of any of Customer's obligations hereunder (a "Guarantor") becomes insolvent, becomes subject to any voluntary or involuntary bankruptcy or reorganization proceedings, makes an assignment for the benefit of creditors, becomes subject to a receiver, admits its inability to pay its debts as they become due or enters into any type of liquidation or dissolution;
(d) Customer, any Control Person or any Guarantor defaults under any other agreement with ModSpace or any affiliate of ModSpace; and
(e) Any letter of credit, guaranty or other security given to secure the performance of Customer's obligations under this Lease expires, terminates or in the reasonable opinion of ModSpace becomes worthless.

Upon an Event of Default, ModSpace may withhold delivery or declare the entire rent for the remainder of the term (as may have been renewed or extended) and teardown and return costs immediately due and payable and accelerate and make immediately due and payable any other amounts owing under this Lease. ModSpace may also retake and retain any of the Equipment free of all rights of Customer without any further liability or obligation to redeliver to Customer, and Customer hereby grants ModSpace the right to enter upon any premises where the Equipment is located in order to remove the same. If an Event of Default occurs under Section 11(c), such accelerations will occur automatically without the need for declaration. Customer will pay to ModSpace on demand all costs incurred by ModSpace in enforcing its rights under this Lease, including without limitation reasonable attorneys' fees.

The remedies provided in favor of ModSpace will be cumulative and in addition to all other remedies provided in this Lease or existing at law or in equity.

No action taken by ModSpace hereunder will release Customer from any of its obligations under this Lease.

If ModSpace retakes possession of the Equipment or any part of the Equipment and there is in, upon or attached to such repossessed Equipment any other property owned by Customer or in the custody of Customer, ModSpace may dispose or take possession thereof and hold the same for Customer, at Customer's sole cost.

12. ModSpace Right To Cure

If Customer defaults in any of its obligations under this Lease, whether or not an Event of Default then exists, ModSpace may pay all amounts or perform or cause to be performed all obligations required to be paid or performed by Customer under this Lease and recover from Customer as additional rent all amounts so paid and the reasonable value of all services so performed.

13. Notices

Any notice or demand under this Agreement shall be valid only if in writing and shall be deemed effective three (3) days following mailing if mailed by US certified mail, or upon receipt if given in any other manner, addressed to the attention of ModSpace at the branch location set forth on the face page hereof, and to Customer at the address set forth thereon, or at such other address as either may designate in writing.

14. Miscellaneous

(a) Customer may not assign this Lease or sublet, rent or otherwise hire out or transfer possession of any of the Equipment to any person or entity without the prior written consent of ModSpace. ModSpace may assign this Lease and the rentals reserved under this Lease. If ModSpace makes such an assignment, the assignee will acquire all rights and remedies possessed by or available to ModSpace under this Lease. ModSpace may subcontract any or all of its obligations under this Lease in the ordinary course of business.

(b) In the event the face page of the Lease omits specific Unit identification, the Equipment subject to this Lease will be the Equipment identified on the delivery receipt or, in the absence thereof, in fact delivered to the Site or identified on the invoice.

(c) If this Lease is executed in connection with a federal government transaction, the only prime contract flow down provisions applicable to this Lease and associated site services are those set forth in FAR 52.244-6 (1/2007).

(d) This Lease incorporates either by reference contained herein or attachment hereto the ModSpace quotation/proposal (as applicable). In the event of conflict between the terms contained in such quotation/proposal and the terms of this Lease, the terms of the quotation/proposal shall supersede and govern. This Lease contains the entire agreement between the parties pertaining to the subject matter of this Lease and, except as set forth herein, supersedes all prior negotiations, proposals and other documents. No other agreements, representations or understandings not specifically contained in this Lease will be binding upon any of the parties hereto irrespective of any signature by ModSpace. In the event that any of the terms and provisions hereof are in violation of or prohibited by any Law, such terms and provisions shall be deemed amended to conform thereto without invalidating any other provision of this Lease.

(e) The failure of ModSpace to insist at any time upon the strict performance of any of the terms, covenants or conditions of this Lease or to exercise any right or remedy herein, or the waiver by ModSpace of any breach thereof shall not be construed as thereafter waiving any such terms, covenants, conditions, rights or remedies. ModSpace shall not be in default under this Lease unless it has failed to cure a breach within thirty (30) days following receipt of written notice from Customer or, if such cure cannot reasonably be cured within such time, within such time as may be reasonable.

(f) This Lease may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Telecopied signatures shall be deemed as effective as originals. This Lease will be governed as to its construction, interpretation and effect by the laws of the Commonwealth of Pennsylvania without regard to principles of choice of laws. Customer hereby submits to jurisdiction and venue of any courts having situs in the Eastern District of Pennsylvania and Chester County, Pennsylvania. CUSTOMER HEREBY WAIVES ANY AND ALL RIGHTS TO A TRIAL BY JURY OF ANY CLAIM ARISING IN CONNECTION WITH THIS AGREEMENT. Section headings are for convenience only and shall not affect the construction or interpretation of this Lease.

IN WITNESS WHEREOF, the parties hereto have the authority and duly executed this Lease Agreement as of the _____ day of _____, 2010

LESSOR: Modular Space Corporation

Lessee: _____

By: _____

Print Name: _____

Title: _____

Email Address: _____

Jurisdiction of Organization: _____

Organizational Number or Tax Identification Number: _____



TERMS AND CONDITIONS OF LEASE AGREEMENT

11. Default

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(b) Customer fails to pay when due any other amount due or perform or observe any other term or condition hereunder and such failure remains uncured more than ten (10) days after delivery of written notice;
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(d) Customer, any Control Person or any Guarantor defaults under any other agreement with ModSpace or any affiliate of ModSpace; and
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Upon an Event of Default, ModSpace may withhold delivery or declare the entire rent for the remainder of the term (as may have been renewed or extended) and teardown and return costs immediately due and payable and accelerate and make immediately due and payable any other amounts owing under this Lease. ModSpace may also retake and retain any of the Equipment free of all rights of Customer without any further liability or obligation to redeliver to Customer, and Customer hereby grants ModSpace the right to enter upon any premises where the Equipment is located in order to remove the same. If an Event of Default occurs under Section 11(c), such accelerations will occur automatically without the need for declaration. Customer will pay to ModSpace on demand all costs incurred by ModSpace in enforcing its rights under this Lease, including without limitation reasonable attorneys' fees.

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14. Miscellaneous

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(e) The failure of ModSpace to insist at any time upon the strict performance of any of the terms, covenants or conditions of this Lease or to exercise any right or remedy herein, or the waiver by ModSpace of any breach thereof shall not be construed as thereafter waiving any such terms, covenants, conditions, rights or remedies. ModSpace shall not be in default under this Lease unless it has failed to cure a breach within thirty (30) days following receipt of written notice from Customer or, if such cure cannot reasonably be cured within such time, within such time as may be reasonable.

(f) This Lease may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Telecopied signatures shall be deemed as effective as originals. This Lease will be governed as to its construction, interpretation and effect by the laws of the Commonwealth of Pennsylvania without regard to principles of choice of laws. Customer hereby submits to jurisdiction and venue of any courts having situs in the Eastern District of Pennsylvania and Chester County, Pennsylvania. CUSTOMER HEREBY WAIVES ANY AND ALL RIGHTS TO A TRIAL BY JURY OF ANY CLAIM ARISING IN CONNECTION WITH THIS AGREEMENT. Section headings are for convenience only and shall not affect the construction or interpretation of this Lease.

IN WITNESS WHEREOF, the parties hereto have the authority and duly executed this Lease Agreement as of the _____ day of _____, 2010

LESSOR: Modular Space Corporation

Lessee: _____

By: _____

Print Name: _____

Title: _____

Email Address: _____

Jurisdiction of Organization: _____

Organizational Number of Tax Identification Number: _____