

## SECOND LEASE AMENDMENT

Lease No. 1146

This Second Lease Amendment ("Amendment"), dated for reference purposes only as of July 15, 2003 is by and between RAYMOND J. VERNAZZA and DIANA J. VERNAZZA, dba VERNAZZA PROPERTIES, ("Landlord"), as Lessor, and the COUNTY OF SAN MATEO, a political subdivision of the State of California ("County" or "Tenant"), as Lessee.

Recitals

A. As authorized by San Mateo County Resolution No. 62466, Landlord and Tenant entered into a lease agreement dated for reference purposes as of December 15, 1998 (the "Lease") for approximately 62,104 rentable square feet of building area at 550 Quarry Road, San Carlos, California, which premises consisted of approximately 41,568 rentable square feet of warehouse and workshop area, 2,140 square feet of cafeteria and kitchen, and 18,396 square feet of office and classroom space together with approximately 31 parking spaces at 591 Quarry Road.

B. As authorized by San Mateo County Resolution No. 63164, Landlord and Tenant entered into the First Amendment of Lease dated November 2, 1999. The First Amendment provided for the improvement by Landlord of approximately 4,200 square feet of warehouse and workshop space for use as office area. In addition, the First Amendment modified the base rent and established November 1, 1999 as the date of commencement for payments of adjusted base rent together Supplemental Monthly Rental representing the amortized cost of certain improvements.

C. County desires to lease from Landlord, and Landlord desires to lease to County, additional space which is to be constructed as an addition to the Building. Such area is to be constructed by Landlord as set forth in this Amendment, and is comprised of approximately 5,000 rentable square feet of second floor office area.

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and County hereby agree to amend the Lease as follows:

Agreement

- 1.
2. **Premises.** The first paragraph of Section 3 of the Amended Lease is further amended to read as follows:
3. **PREMISES.** Landlord does hereby lease to Tenant, and Tenant hereby leases from Landlord, a portion of that certain building and appurtenant improvements and common area ("Premises") located at 550 Quarry Road, Belmont, California, and shown on **Exhibit 2A**, attached hereto and incorporated by reference herein. Said

Exhibit 2A replaces Exhibit A to the Original Lease (as amended). The Premises consist of approximately 67,104 rentable square feet. The parties have agreed that landlord will construct certain improvements to the premises, which improvements are described in: 1) the work letter attached hereto, which letter is incorporated by reference herein, and referred to as Exhibit 2C, and 2) the Design Development Documents that are attachment to the Work Letter, which attachments are incorporated by reference herein and referred to as WL-1 and WL-2. **Monthly Rental:**

Commencing on the later of September 1, 2003 or the Substantial Completion of Improvements as set forth in Section 5 of Exhibit 2C, (the "Rent Commencement Date"), the monthly rent ("Base Rent") and Supplement to Monthly Rent as follows:

To Vernazza Properties:

Base Rent:	\$64,278.00
Supplement to Monthly Rent:	<u>\$7,033.18</u>
Total Monthly Payment to Vernazza Properties:	\$71,311.28

To Raymond E. Vernazza (by separate check):

Base Rent:	<u>\$7,500.00</u>
------------	-------------------

Combined Monthly Payment as of the Rent Commencement Date:	\$78,811.28
---	-------------

The Base Rent shall be in effect through November 30, 2003. The Base Rent shall thereafter be adjusted in accordance with Section 12 of the Lease [Cost of Living Rental Adjustments].

In addition to the Base Rent as set forth herein, County shall, throughout the initial Term of the Lease, continue to pay to Landlord the Supplement to Monthly Rent in the amount of \$7,033.18 as set forth in Section 11 of the Lease.

**4. Improvements by Landlord.**

Landlord, through its general contractor approved by County ("Contractor"), shall improve the Premises, perform the work and make the installations in the Premises as set forth in the Exhibit 2C. Said work shall be made at Landlord's sole cost, subject to the terms and limits set forth in Exhibit 2C. All work shall be performed pursuant to the Design Development Documents (as defined in Exhibit 2C) approved by County, and in accordance with the provisions of this Amendment and the Work Letter. Such work and installations are referred to as the "Improvement Work" and "Improvements."

**5. Real Property Taxes, Insurance.**

Other provisions of the Lease notwithstanding, the County shall, during the term of the Lease, pay to Landlord the amount of any increase in real property taxes or

insurance that is the direct result of construction of the Improvements set forth herein.

6. **Effective Date; Approval.** This Second Amendment shall become effective (the "Effective Date") when the County Board of Supervisors, adopts a resolution authorizing the execution of this Second Amendment, and the Second Amendment is duly executed by the County and delivered to landlord. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LEASE AMENDMENT, LANDLORD ACKNOWLEDGES AND AGREES THAT NO OFFICER OR EMPLOYEE OF COUNTY HAS AUTHORITY TO COMMIT COUNTY HERETO UNLESS AND UNTIL THE COUNTY BOARD OF SUPERVISORS HAS Y ADOPTED A RESOLUTION AUTHORIZING THE EXECUTION OF THIS SECOND AMENDMENT TO THE AGREEMENT. THEREFORE, ANY OBLIGATIONS OR LIABILITIES OF COUNTY HEREUNDER ARE CONTINGENT UPON ADOPTION OF SUCH A RESOLUTION, AND THIS AMENDMENT SHALL BE NULL AND VOID UNLESS THE BOARD OF SUPERVISORS ADOPTS A RESOLUTION AUTHORIZING THE EXECUTION OF THIS SECOND AMENDMENT. APPROVAL OF THIS AMENDMENT BY ANY DEPARTMENT, COMMISSION OR AGENCY OF COUNTY SHALL NOT BE DEEMED TO IMPLY THAT SUCH RESOLUTION WILL BE ADOPTED, NOR WILL ANY SUCH APPROVAL CREATE ANY BINDING OBLIGATIONS ON COUNTY.
7. **Counterparts.** This Lease Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.
8. **No Further Amendments; Conflicts.** All the terms and conditions of the Lease remain in full force and effect except as expressly amended herein. The Lease as amended by this Amendment constitutes the entire agreement between Landlord and County and may not be modified except by an instrument in writing duly executed by the parties hereto. In the event of any conflict between the terms of the Lease and the terms of this Second Amendment, the terms of this Second Amendment shall control.

Landlord and County have executed this Lease Amendment as of the date first written above.

**LANDLORD:**  
VERNAZZA PROPERTIES

By: \_\_\_\_\_  
Raymond J. Vernazza

By: \_\_\_\_\_  
Diana J. Vernazza

**COUNTY:**  
COUNTY OF SAN MATEO,  
a political subdivision of the State of  
California

By: \_\_\_\_\_  
Rose Jacobs Gibson  
President, Board of Supervisors

Attest:

\_\_\_\_\_  
Clerk of the Board

Resolution No.: \_\_\_\_\_

**DRAFT**

**EXHIBIT 2A**  
**PREMISES PLAN**

**DRAFT**

**EXHIBIT 2C**  
**WORK LETTER**  
550 Quarry Road  
San Carlos, CA

This Work Letter is part of the Second Lease Amendment dated as of July 1, 2003 (the "Amendment"), executed concurrently herewith, by and between Ray J. Vernazza and Diana J Vernazza, dba VERNAZZA PROPERTIES, as Landlord, and the COUNTY OF SAN MATEO, as Tenant, covering certain premises described in the Amendment. Landlord, at its sole cost and expense, and through its general contractor approved by County (the "Contractor"), shall furnish and install within the Premises the improvements shown on the Construction Documents approved by County pursuant to Paragraph 1 below in accordance with the provisions of this Work Letter.

**1. Plans and Specifications**

Before the reference date of this Amendment, Tenant has caused its architect to prepare and submit to Landlord for its approval an architectural plan for the Improvements, based on County's program requirements for use of the Premises, and in form and detail sufficient for purposes of contractor pricing. Landlord and County hereby approve the plans and specifications dated April 9, 2003 (the "Phase 1 Pricing Plans") as prepared by Walters Architects.

Based on the Phase 1 Pricing Plans, Landlord has caused its Contractor to prepare and submit a bid to perform the corresponding Improvement Work ("Phase 1 Bid") and a schedule to complete such Improvement Work ("Construction Schedule"). Landlord and County hereby approve the Phase 1 Bid and the Construction Schedule. Copies of the approved Phase 1 Pricing Plans, and Phase 1 Bid are attached hereto as **Exhibit WL-1**, and shall be referred to as the "Design Development Documents". Landlord and Tenant acknowledge that the rent set forth in this Second Amendment is based on expenditure by Landlord the amount set forth in the Phase 1 Bid, and that any additional costs that result from a County Change Order as hereinafter defined shall be at the sole cost and expense of the County.

Immediately following the delivery of a fully executed copy of this Amendment, based on the approved Design Development Documents and any adjustments authorized by County, Landlord and County shall cooperate to cause final plans, specifications and working drawings for the Improvements to be prepared in conformity with the requirements hereof within ten (10) days after the Effective Date. Such final working drawings and specifications shall be subject to County's approval, which approval shall not be unreasonably withheld or delayed. If County disapproves such final working drawings and specifications, or any portion thereof; County shall promptly notify Landlord thereof and of the revisions that County reasonably requires in order to obtain County's approval. As soon as reasonably possible thereafter, but in no event later than ten (10) days after County's notice, Landlord shall submit to County final plans, specifications and working drawings

incorporating the revisions required by County. Such revisions shall be subject to County's approval, which shall not be unreasonably withheld or delayed. The final plans, specifications and working drawings for the Improvements approved by County shall be referred to as the "Construction Documents."

The Construction Documents shall show, without limitation, the following:

- i. location of all demolition;
- ii. location and type of all partitions;
- iii. location and type of all doors, with door hardware specifications;
- iv. location and type of all special electrical and cooling requirements;
- v. location and type of all electrical outlets, switches, telephone outlets and lights;
- vi. location and type of all computer and other equipment requiring special electrical requirements;
- vii. requirements for special air conditioning or ventilation for the Premises;
- viii. location of all heating and air conditioning ducts;
- ix. location, type and color of floor covering;
- x. location, type and color of all window treatment;
- xi. ceiling plans including light fixtures;
- xii. location of sprinklers;
- xiii. location, type and color of wall covering;
- xiv. location, type and color of paint or finishing;
- xv. location and type of plumbing;
- xvi. location and type of any kitchen equipment;
- xvii. disabled accessibility standards, including any improvements to the lobbies, corridors, drinking fountains, telephone banks, stairs, stair vestibules and restrooms for the area of the Improvements;
- xviii. location, capacity and type of chilling equipment or air conditioning equipment;
- xix. critical dimensions for construction; and
- xx. other interior improvement work required by County.

Such Construction Documents shall be subject to approval by County in accordance with Paragraph 1b below.

b. County's Approval of Plans. The Construction Documents (and any Landlord Change Orders thereto, as described below) shall be subject to approval by



County, which approval shall not be unreasonably withheld or delayed, in accordance with the following procedure. After submission of the Construction Documents or a proposed Change Order by Landlord to County, County shall have five (5) days to disapprove any element thereof. If County does so, then County shall notify Landlord within such period of its disapproval and of the revisions that County reasonably requires in order to obtain approval consistent with the terms of this Work Letter. As soon as reasonably possible thereafter, but in no event later than five (5) days after receipt of such notice, Landlord shall submit to County documents incorporating the required revisions. Such revisions shall be subject to approval by County, which shall not be unreasonably withheld or delayed. Such revisions shall be deemed approved by County if County fails to notify Landlord of any objection within five (5) days after receipt of the revision.

c. Payment for Plans. The costs of preparing the Construction Documents shall be paid by Tenant.

d. Changes to Approved Design Development Documents.

i. County Change Orders. If County requests any change, addition or alteration relating to the design or specifications of the Improvement Work as set forth in the Design Development Documents ("County Change Order"), Landlord shall cause the Architect or Engineer, as applicable, to prepare plans and specifications with respect to such change, addition or alteration. Within five (5) days of County's request, Landlord shall notify County of the cost that would be incurred by reason of such proposed County Change Order and any delay in the anticipated date of Substantial Completion that would result from such County Change Order. If County approves the cost of the County Change Order within five (5) days of receipt from Landlord, then Landlord's Contractor shall proceed with such County Change Order as soon as reasonably practical thereafter. If County does not approve such cost within the above-mentioned five (5) day period, construction of the Premises shall proceed in accordance with the original completed and approved Design Development Documents. County shall be responsible for the reasonable cost actually incurred by Landlord in the preparation of the plans and specifications relating to any County Change Order, as evidenced by invoices or other substantiation reasonably required by County. It is expressly understood and agreed that for the purpose of representing or authorizing change orders, the County's representative is the Assistant County Manager or his designee.

ii. Landlord Change Orders. If following County's approval of the Design Development Documents, Landlord requests or is required to make any change, addition or alteration thereto relating to the design or specifications of the Improvement Work ("Landlord Change Order"), Landlord shall provide County with proposed plans and specifications with respect to such change, addition or alteration, together with notice of any delay in the anticipated date of Substantial Completion that would result from such Landlord Change Order. Any such Landlord Change Order shall be subject to County's prior written approval, in accordance with Paragraph 1e above. No approval by County of any such Landlord Change Order shall relieve or modify Landlord's obligations hereunder to complete the construction of the Improvements in accordance with the approved Construction Schedule, nor shall any such approval limit any of County's rights or remedies

hereunder or under the Lease. Landlord shall be solely responsible for the cost of the Landlord Change Order, including, without limitation, the costs of preparing the plans and specifications relating thereto, and no such amount shall be paid or deducted from the Allowance.

iii. Appointment of Representatives. County and Landlord shall each designate and maintain at all times during the design and construction period a project representative ("Representative"), and an alternate for such Representative ("Alternate"), each of whom shall be authorized to confer and attend meetings and represent such party on any matter relating to this Work Letter. Landlord and County shall not make any inquiries of or requests to, and shall not give any instructions or authorizations to, any other employee or agent of the other party, including without limitation, the other party's architect, engineers, consultants and contractors or any of their agents or employees, with regard to matters associated with this Work Letter. The initial Representatives and Alternates shall be:

County:	Representative -	Robert Manchia
	Alternate -	Phil Naylor
Landlord:	Representative -	Ray E. Vernazza
	Alternate -	_____

Each party may at any time and from time to time change its Representative or Alternate by written notice to the other party. Each party's Representative or Alternate shall be available during ordinary business hours so that questions and problems may be quickly resolved and so that the Improvements may be completed economically and in accordance with the Construction Schedule. All approvals made by County's Representative or Alternate shall be made in writing.

Notwithstanding any other provision of this Work Letter or Second Amendment, it is expressly understood and agreed that for the purpose of representing or authorizing change orders, the County's representative is the Assistant County Manager or his designee.

**2. Permits**

Responsibility for Obtaining Permits. Landlord shall have the responsibility for obtaining all governmental permits and approvals required to commence and complete the Improvement Work, and promptly upon receipt thereof shall deliver copies of all of such permits and approvals to County. Landlord shall use its best efforts to obtain all such approvals and permits as soon as reasonably possible after the Effective Date. Landlord shall have the responsibility of calling for all required inspections.

**3. Construction**

a. Construction of Improvements. Following County's approval of the Construction Documents, Landlord shall cause the Improvements to be constructed and

installed in a good and professional manner in accordance with sound building practice and in conformity with the Construction Documents, as revised by any Change Orders, and the terms of this Work Letter. County shall not have any obligation with respect to any such work other than as provided herein.

b. Construction Schedule. Landlord shall commence construction of the Improvements within seven (7) days after approval of all required permits for construction in accordance with the approved Construction Documents, and shall diligently pursue construction to completion, all in accordance with the construction schedule attached hereto as **Exhibit WL-2** (the "Construction Schedule").

c. Status Reports; Inspections. Landlord shall keep County apprised of the status of permit approval and the progress of construction. Landlord or its Contractor shall furnish County with weekly reports on construction. From time to time during the design and construction of the Improvements, County shall have the right upon reasonable advance oral or written notice to Landlord to enter the area of the Premises that is under construction at reasonable times to inspect the work in progress, provided such inspections do not unreasonably interfere with the construction. Landlord or its representative may accompany County during any such inspection.

d. General Conditions. The performance of all Improvement Work by Landlord shall be subject to the following terms and conditions:

i. All of the Improvement Work shall be performed in compliance with all laws, codes, regulations and building requirements (collectively, "Laws") bearing on construction of the Improvements;

ii. Without limiting the foregoing, the construction of the Improvements shall comply with all requirements of the Americans With Disabilities Act of 1990 and Title 24 of the California Code of Regulations and all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements intended to provide equal accessibility for persons with disabilities (collectively, "Disabled Access Laws");

iii. Landlord and its Contractor shall be responsible for all required insurance; and

e. Cooperation. Landlord shall cooperate at all times with County in bringing about the timely completion of the Improvements. Landlord shall resolve any and all disputes arising out of the construction of the Improvements in a manner that allows work to proceed expeditiously.

f. Workstations, Telecommunications, Data and Computer Cabling Installation Work to be Performed by County. County, or its consultants and contractors shall, at County's cost, perform surveys and develop plans and specifications for the installation of furniture systems ("Workstations"), telecommunications, data and computer cabling for County's occupancy of the Premises. Such installation shall include, without limitation, any necessary distribution of electrical service from the Landlord-installed electrical sub-panel to such Workstations. Landlord shall cause the Contractor to

cooperate with County in the installation work and coordinate such work with the Improvement Work. County shall be responsible for providing the Workstations, telecommunications, data and computer cabling at its expense. Landlord agrees to cause Contractor to cooperate reasonably with County and its consultants, contractors and subcontractors during all surveying work and the installation of such telecommunications, data and computer cabling. The foregoing obligation shall include, without limitation, an obligation to give County and its consultants, contractors and subcontractors access and entry to the Premises and sufficient opportunity and time during each work day without separate charge therefor, to enable County to install such electrical distribution system, telecommunications, data and computer cabling. Such access shall include reasonable access to the elevator in the Building.

g. Asbestos Related Work. In the event that County, its consultants, contractors or subcontractors encounter any asbestos containing materials (ACM) in the Building in connection with the installation of County's telecommunications, data and computer cabling, Landlord agrees to be responsible for all legally required work or other work necessary relating to the proper containment, abatement, removal and disposal of such ACM and all costs thereof. In no event shall any such costs be deducted from the Tenant Improvement Allowance or otherwise be County's responsibility. Any delay due to the presence of unknown ACM in the Building shall be considered a Landlord Delay.

#### 4. Payment for Work

County's Cure Right. If Landlord does not make timely payment to Contractor or any of its subcontractors or material suppliers, County may, but shall not be obligated to, advance County's funds directly to such Contractor or its subcontractors or material suppliers to pay the cost of the Improvements, and any such advance shall be payable by Landlord to County immediately upon demand, with interest at a rate of the lesser of nine percent (9.0%) per annum or the maximum rate permitted by law.

#### 5. Substantial Completion

a. Construction Schedule. Landlord shall use its best efforts to complete the Improvement Work on or before the date that is one hundred twenty (120) days after the Effective Date in accordance with the Construction Schedule attached hereto with the target date for Substantial Completion being September 30, 2003. However, in no event shall construction of the Improvements be Substantially Complete later than November 30, 2003 except as extended by Tenant Delays and Unavoidable Delays (as such terms are defined in Paragraph 6 below). When construction progress so permits, but not less than fifteen (15) days in advance of completion, Landlord shall notify County of the approximate date on which the Improvement Work will be substantially completed in accordance with the approved Construction Documents and the provisions hereof. Landlord shall notify County when the Improvement Work is in fact Substantially Complete and the affected area of the Premises are ready for occupancy and installation of workstations and telecommunications by County, and County or its representatives shall be permitted to accompany Landlord or its architect on an inspection of the Premises on such date or other mutually agreeable date soon thereafter.

b. Substantial Completion. The Improvements shall be deemed to be "Substantially Complete" for purposes hereof when the Improvements are sufficiently complete in accordance with the Construction Documents and the terms of this Work Letter so that County can occupy the Premises and install the County-owned furniture systems and furnishings that are necessary for County to conduct its business and County shall have approved the Improvements after its inspection of the Premises. County may, at its option, approve the Improvements even though there remain minor details that would not interfere with County's furniture system installation and County's use. Landlord shall diligently pursue to completion all such details. Notwithstanding the foregoing, County shall have the right to present to Landlord within thirty (30) days after acceptance of the Premises, or as soon thereafter as practicable, a written list of any items that have not been finished in accordance with the Construction Documents and the terms of this Work Letter (the "Punchlist"). Landlord shall promptly complete all defective or incomplete items identified in such Punchlist, and in any event within thirty (30) days after the delivery thereof. County's failure to include any item on the Punchlist shall not alter Landlord's responsibility hereunder to complete all Improvement Work in accordance with the Construction Documents and the provisions hereof, nor constitute a waiver of any latent defects.

**6. Delays in Construction**

c. Unavoidable Delays. For purposes hereof, "Unavoidable Delays" shall mean any delays by reason of acts of God, accidents, breakage, repairs, strikes, lockouts, other labor disputes, inability to obtain labor or materials after using diligent and timely efforts, enemy action, civil commotion, protests, riots, demonstrations, or by any other reason without fault and beyond the reasonable control of the party obligated to perform. In the event of any such delay, the party affected by such delay shall give prompt written notice to the other of the occurrence of such event and the projected delay in performance, and thereafter shall keep the other party regularly informed of the status of such Unavoidable Delay.

d. Tenant Delays. Subject to any Unavoidable Delay, County shall be responsible for any delay in the construction of the Improvements due solely and directly to any of the following (collectively, "Tenant Delays"): (i) a delay in granting its reasonable approval of plans and specifications (beyond the period granted therefor), and (ii) County Change Orders to the Construction Documents, provided such delay shall be limited to the number of days acknowledged in writing in advance by County. Such Tenant Delays in the completion of construction of the Improvement Work shall extend the date for Substantial Completion hereunder. Notwithstanding the foregoing, County shall be responsible and the date for Substantial Completion shall be extended only to the extent any delays are actually and directly caused by Tenant Delays.

**7. General Provisions.**

e. Notices. Except as may be otherwise specifically provided herein, any notice given under this Work Letter shall be in writing and given by delivering the notice in person, by commercial courier or by sending it by first class mail, certified mail with a return

receipt requested, or Express Mail, return receipt requested, with postage prepaid, and addressed to the parties as follows:

County: Real Property Services Division  
455 County Center, 5<sup>th</sup> Floor  
Redwood City, CA 94063  
Attn: Real Property Services Manager

Landlord: Vernazza Properties  
140 Peralta Avenue  
San Francisco, CA 94110  
Attn: Ray Vernazza

or such other address as a party may designate to the others as its new address for such purpose by notice given to the others in accordance with the provisions of this paragraph. Any notice hereunder shall be deemed to have been given and received two (2) days after the date when it is mailed if sent by first class, certified mail, one day after the date when it is mailed if sent by overnight courier, or upon the date personal delivery is made. Neither party may give official or binding notice by facsimile.

f. Landlord's Duty to Notify County. Landlord shall promptly notify County in writing of (i) any written communication that Landlord may receive from any governmental, judicial or legal authority, giving notice of any claim or assertion that the Property, Building or Improvements fail in any respect to comply with applicable laws, rules and regulations; (b) any known material adverse change in the physical condition of the Property, including, without limitation, any damage suffered as a result of earthquakes; and (c) any known default by the Contractor or any subcontractor or material supplier, or any known material adverse change in the financial condition or business operations of any of them.

g. Days. Unless otherwise provided herein, all periods specified by a number of days shall refer to business days. Saturdays, Sundays and recognized County holidays shall not constitute business days.

h. Approvals. Landlord understands and agrees that County is entering into this Work Letter in its capacity as a tenant and not as a regulatory agency with certain police powers. Notwithstanding anything to the contrary herein, no approval by County of the plans for the Improvements (including the Design Development Documents or Construction Documents), completion of the Improvement Work nor any other approvals by County hereunder shall be deemed to constitute approval of any governmental or regulatory authority with jurisdiction over the Premises. All approvals or other determinations of County as tenant hereunder may be made by County's Assistant County Manager unless otherwise specified herein.

8. Time of the Essence.

Time is of the essence with respect to all provisions of this Work Letter in which a definite time for performance is specified, including, without limitation, the date for Substantial Completion.

**DRAFT**

**EXHIBIT WL-1**  
CONSISTING OF 3 PAGES



**DRAFT**

**EXHIBIT WL-2**  
CONSISTING OF 2 PAGES

F:\Quarry 2nd amend draft R1.doc