

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

Lifeloc Technologies, Inc

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File No.: 000-54319

LIFELOC TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Colorado

(State or other jurisdiction of incorporation or organization)

84-1053680

(I.R.S. Employer Identification No.)

12441 W 49th Ave., Wheat Ridge, Colorado

(Address of principal executive offices)

80033

(Zip Code)

Registrant's telephone number, including area code: **(303) 431-9500**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Stock, no par value

Name of each exchange on which registered
None

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

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting

company ☒

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

As of June 30, 2014 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of 273,367 shares of common stock held by non-affiliates of the issuer on such date was \$1,298,493.

The number of shares outstanding of each of the issuer's classes of common equity, as of March 10, 2015:

Common Stock, no par value	2,454,116
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Documents Incorporated by Reference: Part III is incorporated by reference from portions of the registrant's Definitive Proxy Statement for the 2015 Annual Shareholders' Meeting, expected to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year ended December 31, 2014.

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Forward-Looking Statements

Statements contained in this Annual Report on Form 10-K (this "Annual Report") include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and involve substantial risks and uncertainties that may cause actual results to differ materially from those indicated by the forward-looking statements. All forward-looking statements in this Annual Report on Form 10-K, including statements about our strategies, expectations about new and existing products, market demand, acceptance of new and existing products, technologies and opportunities, market size and growth, and return on investments in products and market, are based on information available to us on the date of this document, and we assume no obligation to update such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "could", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" or the negative of such terms or other comparable terminology. Readers of this Annual Report on Form 10-K are strongly encouraged to review the section entitled "*Risk Factors*".

PART I

Item 1. Business

Overview

Lifeloc Technologies, Inc., a Colorado corporation ("Lifeloc" or the "Company"), is a Colorado-based developer, manufacturer and marketer of portable hand-held and fixed station breathalyzers and related accessories, supplies and education. We design, produce and sell fuel-cell based breath alcohol testing equipment. We compete in all major segments of the portable breath alcohol testing instrument market, including law enforcement, workplace, corrections, original equipment manufacturing ("OEM") and consumer markets. In addition, we offer a line of supplies, accessories, services, and training to support customers' alcohol testing programs. We sell globally through distributors as well as directly to users.

We define our business as providing "near and remote sensing" products and solutions. Today, the majority of our revenues are derived from products and services for alcohol detection and measurement. We remain committed to growing our breath alcohol testing business. In the future, we anticipate the commercialization of new sensing and measurement products that may allow Lifeloc to successfully expand our business into new growth areas where we do not presently compete or where no satisfactory product solutions exist today.

In addition, with the October 2014 purchase of our corporate headquarters and certain adjacent property, we added a new reporting segment focused on the ownership and rental of real property through existing commercial leases.

Lifeloc incorporated in Colorado in December 1983. We filed a registration statement on Form 10 with the Securities and Exchange Commission, which became effective on May 31, 2011. Our fiscal year end is December 31. Our principal executive offices are located at 12441 West 49th Avenue, Unit 4, Wheat Ridge, Colorado 80033-3338. Our telephone number is (303) 431-9500. Our websites are www.lifeloc.com, www.lifeguardbreathtester.com, stsfirst.com and www.lifeloc.fr. Information contained on our websites does not constitute part of this Form 10-K.

Principal Products and Services and Methods of Distribution

In 1989, we introduced our first breath alcohol tester, the PBA3000. Our Phoenix Classic was completed and released for sale in 1998, superseding the PBA3000. In turn, the Phoenix Classic has been superseded by our FC Series and Workplace Series of portable breath alcohol testers, which are discussed below. Neither the PBA3000 nor the Phoenix Classic is actively sold today.

In 2001, we completed and released for sale an additional product line, our new FC Series, designed specifically for domestic and international law enforcement and corrections markets. The portable breath alcohol testers comprising our FC Series are currently being sold worldwide, having contributed to our growth since their introduction. The FC Series is designed to meet the needs of domestic and international law enforcement for roadside drink/drive testing and alcohol offender monitoring. The FC Series is approved by the U.S. Department of Transportation ("DOT") as an evidential breath tester, making it suitable for sale to state law enforcement agencies for preliminary roadside breath alcohol testing. The FC Series is routinely updated with firmware, software and component improvements as they become available. It is readily adaptable to the specific requirements and regulations of domestic and international markets.

In 2005 and 2006, we introduced two new models, the EV30 and Phoenix 6.0 Evidential Breath Tester ("Phoenix 6.0"), which constitute our Workplace Series of testing devices. Like their predecessor, the Phoenix Classic, these instruments are also DOT approved. The DOT's specifications support the DOT's workplace alcohol testing programs, including those applicable to workplace alcohol testing for the federally regulated transportation industry. We also sell component parts used in alcohol testing devices, such as mouthpieces used by our breathalyzers, as well as forms and labels used for record keeping, and calibration products for user re-

calibration of our devices. We offer optional service agreements on our equipment, re-calibration services, and spare parts, and we sell supporting instrument training and user certification training to our workplace customers.

In 2006, we commenced selling breath alcohol equipment components that we manufacture to other original equipment manufacturers ("OEMs") for inclusion as subassemblies or components in their breath alcohol testing devices.

In late 2009, Lifeloc released the LifeGuard Personal Breathalyzer ("LifeGuard"), a personal alcohol breath tester that incorporates the same fuel-cell technology used in our professional devices. Intended for the global consumer breathalyzer market, LifeGuard is primarily sold directly to consumers in the U.S. and marketed internationally through global distributors.

In 2011 and 2012 Lifeloc introduced Bluetooth wireless keyboard and printer communication options for our popular Phoenix 6.0 along with a series of web based workplace training courses. We believe these two product innovations have been key to our success and leadership in workplace breath testing.

In 2013 Lifeloc expanded our FC Series of professional breath alcohol testers targeted at domestic and international law enforcement and corrections markets with the addition of the FC5 Hornet (the "FC5"). The FC5 is a passive (no mouthpieces required) portable handheld alcohol screening device that competes directly with passive alcohol screeners from our competitors in the education, law enforcement, workplace and corrections markets. In 2013 we also introduced the Sentinel zero tolerance alcohol screening station, a fully automated wall mounted screening station for use in safety sensitive industries such as oil and gas and mining. Both devices expand Lifeloc's products for passive alcohol screening.

In the third quarter of 2014 we received approval from DOT for our EASYCAL automatic calibration station for use with Lifeloc Evidential Breath Testers, and we began shipments of the EASYCAL to our law enforcement, corrections, workplace and international customers. The EASYCAL is a first of its kind device that automatically performs breath tester instrument calibration, calibration verification and gas management. As compared to manual instrument calibration, the EASYCAL reduces the opportunity for human error, saves time and reduces operating costs.

In October 2014 we were awarded a \$250,000 grant from the Colorado Office of Economic Development to accelerate development of a marijuana breathalyzer. Terms of the grant require us to submit invoices as work is performed, with an anticipated completion date of August 31, 2017. There is no assurance that this effort to develop a marijuana breathalyzer will be successful or that significant sales will result from such development if successful.

In December 2014, we acquired substantially all of the assets of Superior Training Solutions, Inc. ("STS"), a company that develops and sells online drug and alcohol training and refresher courses. The assets we acquired from STS complement our existing drug and alcohol training courses.

Additional Areas of Interest

Consistent with our business goal of providing "near and remote sensing" products and solutions, our acquisition strategy involves purchasing companies, development resources and assets that are aligned with our areas of interest and that can further aid in our entering additional markets. We expect to actively research and engage in the acquisition of resources that can expedite our entrance into new markets or strengthen our position in existing ones.

Competition and Markets

We sell our products in a highly competitive market and we compete for business with both foreign and domestic manufacturers. Most of our competitors are larger and have substantially greater resources than we do. In addition, there is an ongoing risk that other domestic or foreign companies who do not currently service or manufacture products for our target markets may seek to produce products or services that compete directly with ours.

We believe that competition for sales of our alcohol monitoring products and services is based on regulatory approvals, product performance, product delivery, quality, service, training, price, device reliability, ease of use and speed. We sell certain of our components to customers for incorporation into their own product lines and for resale under their own name. We believe that, while our resources are more limited than those of our competitors, we will continue to compete successfully on the basis of product innovation, quality, reputation and continued customer service excellence.

One leading competitor is Intoximeters, Inc. of St. Louis, Missouri, a long-established company with strong name recognition in the field of alcohol testing. It has well established sales channels, a large customer base, and a broad product line. CMI, Inc. of Owensboro, Kentucky, another major competitor, also has a well established name, strong position in stationary units used in police work, and international market coverage. Drägerwerk AG & Co. KGaA ("Dräger"), based in Germany, manufactures safety and gas testing equipment. Its breath alcohol testers are respected for their quality and performance.

In addition, other technologies for the measurement of breath alcohol exist and are employed in other market and application segments where the technology may be more suitable or developed to specific requirements. These include:

- Infrared devices, which use infrared light absorption to detect breath alcohol. These devices generally lack portability, and are usually found in fixed locations, such as police stations, where subjects are brought for testing. This technology has the advantage of being mandated by law in most states for evidential use in breath testing.
- Semi-conductor breath testing technology, which is used primarily in consumer breathalyzers. Its primary advantage is low cost, but the technology is not widely accepted by professional users as being as accurate as fuel cell technology.
- Chemical tests, which are based on urine and saliva testing. This approach to alcohol testing is more invasive, less convenient than breath testing, and may require subsequent analysis for results.
- Blood alcohol tests, which require blood samples. These tests are widely believed to be the most accurate form of alcohol testing because they measure blood alcohol content directly from a sample of the subject's blood. However, the results are not instantaneous and the tests are more invasive and expensive than breath alcohol testing.

Marketing

Marketing activities associated with our business include the communication of our value proposition through direct mail, direct and indirect sales channels, trade shows and an information-rich online presence. We sell our products to the workplace and international markets primarily through distributors. We sell our law enforcement, corrections and consumer products directly to the end user and our OEM products directly to manufacturers. Leveraging our installed base is important, as is maintaining a well trained distributor network. In 2009, we revised our workplace distributor program to place additional emphasis on volume incentives for growth in the form of a rebate program. Under the program distributors receive a progressively greater percentage rebate based on the dollar sales they generate. We believe this program helps incentivize our distributors to achieve a higher level of sales than would otherwise be the case.

Domestic Distribution

The majority of our sales into the workplace market are made through distributors. Sales are made by these distributors pursuant to agreements that renew automatically each year unless terminated by either party with advance notice, and such agreements typically grant protected lead generation areas.

International Distribution

Over 90% of our international sales for all product lines are made by local distributors, who are given territories pursuant to agreements that renew automatically each year unless terminated by either party with advance notice. Based on reports from our international distributors, we believe that many countries around the world are instituting tougher alcohol abuse prevention laws, strengthening the enforcement of current laws, or both. These laws set limits on the amount of alcohol an individual may have in the blood at specific times (e.g., while driving or during safety-sensitive work activities), or at any time for certain parolees and probationers. Lifeloc has sold instruments to customers in over 60 countries on six continents worldwide.

Research and Development

Lifeloc defines its business broadly to include "hear and remote sensing" applications in markets outside of our traditional alcohol testing. We believe that our future success depends to a large degree on our ability to conceive and develop improved alcohol detection and measurement products, as well as to identify attractive opportunities for growth outside of breath alcohol testing. Accordingly, we expect to continue to invest in research and development. We spent \$1,000,266 and \$929,517 during 2014 and 2013, respectively, on research and development. The amount spent in 2014 was higher than the amount spent in 2013 because we initiated several new product development efforts in new markets.

Raw Materials and Principal Suppliers

A basic component of our instrument product line is the fuel cell, which we obtain from only a few suppliers. We believe that our demand for this component is small relative to the total supply, and that the materials and services required for the production of our products are currently available in sufficient quantities and will be available for the foreseeable future. However, there are relatively few suppliers of the high-quality fuel cells which our breathalyzers require. Any sudden disruption to the supply of our fuel cells would pose a significant risk to our business. New sources of fuel cells are uncertain at this time and changes to our fuel cells require approval by the DOT, which, if not received, could have a material effect on our revenues. While we have traditionally used only one supplier of fuel cells, we have recently developed fuel cells of our own manufacture, which we intend to submit to the Department of Transportation for approval in our Evidential Breath Testers. If our own fuel cells are approved, Lifeloc will pursue a two-supplier strategy as necessary to meet the needs of the Company.

Patents, Intellectual Property and Royalties

We rely, in part, upon patents, trade secrets and proprietary knowledge as well as personnel policies and employee confidentiality agreements concerning inventions and other creative efforts (collectively, "Lifeloc IP") to develop and to maintain our competitive position. We do not believe that our business is dependent upon any patent, patent pending or license, although we believe that trade secrets and confidential know-how may be important to our commercial success.

We file for patents, copyrights and trademarks to protect our intellectual property rights to the extent practicable. We hold the rights to five United States patents and have four patent applications pending. These patents have expiration dates ranging from October 2020 to September 2031. In 2014 we filed three utility patent applications related to our volatile substance testing equipment and methods. We are not aware of any infringements of our patents. We act to protect our patents from infringement in each instance where we determine that doing so would be economical in light of the expense involved and the level and availability of our financial resources. While we believe that each of our pending applications relate to a patentable device or concept, there is no guarantee that the patents will be issued.

We also enter into royalty agreements from time to time. In 2012 we entered into a royalty agreement with an OEM customer which provides for the monthly payment of royalties to us on all products containing certain of our software sold by our customer. In 2013 we entered into a second royalty agreement with another customer which provides for the monthly payment of royalties to us on all products containing certain of our software sold by our customer.

Employees

As of December 31, 2014, we had 41 employees (38 full-time employees and 3 part-time employees). We are not a party to any collective bargaining agreements.

Customers

Revenues from our largest customers, as a percentage of total revenues, for 2014 and 2013 were as follows:

	2014	2013
Customer A	8%	7%
Customer B	6%	7%
Customer C	5%	4%
All Others	81%	82%
	100%	100%

Environmental Matters

Our operations are subject to a variety of federal, state and local laws and regulations relating to the discharge of materials into the environment or otherwise related to the protection of the environment. Lifeloc sells cylinders of ethanol in nitrogen (UN1956, Class 2.2) for use in calibrating breath alcohol testers. The gas mixture is a hazardous material as defined by the DOT (see 49 CFR 172). We believe we are in substantial compliance with the appropriate DOT regulations for the handling and shipment of dry gas containers, as well as all other state or local laws governing the transportation of hazardous materials. The DOT regulations include strict labeling and packaging requirements, as well as requirements pertaining to shipping papers and declaration forms that must be completed by the shipper. In addition, we provide a Material Safety Data Sheet ("MSDS") with every tank, and all employees involved in shipping hazardous materials are required to have appropriate certification. Failure to comply with these regulations could result in, among other things, revocation of required licenses, administrative enforcement actions, fines and civil and criminal liability, which could have a material impact on our business. The cost of complying with these regulations is considered as an ongoing cost of operations, and is not material.

Government Regulation of the Business

All breath testers sold in the United States explicitly for personal use are regulated as Class I medical devices by the Food and Drug Administration ("FDA"). These regulations apply to the manufacture and sale of our LifeGuard product, and we are subject to inspections by the FDA to determine our compliance with these regulations. FDA inspections are conducted periodically at the discretion of the FDA. As of December 31, 2014, we had not been inspected by the FDA; however, we believe we were in substantial compliance with applicable FDA regulations.

Lifeloc has trained on and is following the requirements of OSHA's Hazardous Communications Standard of 2012 (referred to as "HazCom 2012"). Compliance with HazCom 2012 requires providing employee information and training, labeling of chemicals used by Lifeloc and updating MSDS to the new harmonized Safety Data Sheets ("SDS") as they become available. It also requires us to prepare and implement a hazard communication program to follow for workers potentially exposed to hazardous chemicals.

See also Item 1A. Risk Factors – "We are subject to a high degree of regulatory oversight and, if we do not continue to receive the necessary regulatory approvals, our revenues may decline."

International Regulations

Many countries into which our products are sold recognize the United States DOT Conforming Product list in their selection criteria or have no regulations applicable to the sale of our products. In the case of sales into countries that do not recognize the United States DOT Conforming Product list in their selection criteria, our products conform to in-country developed specifications or are not subject to significant government regulation.

State and Local Regulations

Portable fuel-cell based technology has been used to show "probable cause" in many state jurisdictions, based on the individual device's DOT approval.

In certain states, the results of portable fuel -cell breath testers are admissible as evidence of intoxication in DUI prosecution. In other states, infra-red technology is considered the standard for evidence of intoxication, because of its ability to perform real-time analysis of the entire breath exhalation thereby giving it the ability to detect interference from mouth alcohol. In those states, portable fuel -cell based breath testers are not admissible as evidence of intoxication, although they may still be used to establish probable cause.

Insurance

We are covered under comprehensive general liability insurance policies, which have per occurrence and aggregate limits of \$1 million and \$2 million, respectively, and a \$5 million umbrella policy. We maintain customary property and casualty, workers' compensation, employer liability and other commercial insurance policies.

Item 1A. Risk Factors

You should carefully consider the risk factors described below. If any of the following risk factors actually occur, our business, prospects, financial condition or results of operations would likely suffer. In such case, the trading price of our common stock could fall, resulting in the loss of all or part of your investment. You should look at all these risk factors in total. Some risk factors may stand on their own. Some risk factors may affect (or be affected by) other risk factors. You should not assume we have identified these connections. You should not assume that we will always update these and future risk factors in a timely manner. We are not undertaking any obligation to update these risk factors to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events.

Risks Related to Our Business and Industry

Global economic conditions could have a negative impact on our business, operating results and financial condition.

Our business can be positively or negatively affected by fluctuations in exchange rates and country by country economic conditions.

Our international customers may increase, reduce, delay or cancel their purchases of our products if exchange rates are unfavorable to importation. Unfavorable economic and currency situations may force us to adjust prices downward to remain competitive. We could incur losses if a customer's business fails and the customer is unable to pay us, or pay us on a timely basis. Likewise, if our suppliers have difficulty in obtaining credit or in operating their businesses, they may not be able to provide us with the materials we use to manufacture our products. Our law enforcement business is dependent on the availability of federal and state grants to fund new equipment purchases. Should this funding not be available or delayed our volume may be negatively affected. Our workplace business may be affected by the health of industries with safety sensitive jobs such as oil and gas and transportation. Should these segments experience downturn, demand for our products may be reduced. These actions could result in reduced revenues and higher operating costs, and have an adverse effect on our results of operations and financial condition.

We rely on customers who may not consistently purchase our products in the future and if we lose any one of these customers, our revenues may decline.

Fourteen percent of our total sales in 2014 were attributable to two customers, with whom we do not have a long-term contract. If orders from those customers are not renewed, our revenues will be adversely affected. Furthermore, at December 31, 2014, our accounts receivable balance included approximately \$156,701 or 18% from one customer.

In the future, a small number of customers may continue to represent a significant portion of our total revenues in any given period. These customers may not consistently purchase our products at a particular rate over any subsequent period. A loss of any of these customers could adversely affect our revenues.

We rely heavily upon the talents of our Chief Executive Officer, the loss of whom could severely damage our business.

Our performance depends to a large extent on a small number of key managerial personnel. In particular, we believe our success is highly dependent upon the services and reputation of our Chief Executive Officer, Mr. Barry R. Knott. Loss of Mr. Knott's services could severely damage our business.

We must continue to be able to attract employees with the scientific and technical skills that our business requires, and if we are unable to attract and retain such individuals, our business could be severely damaged.

Our ability to attract employees with a high degree of scientific and technical talent is crucial to the success of our business. There is intense competition for the services of such persons, and we cannot guarantee that we will continue to be able to attract and retain individuals possessing the necessary qualifications. If we cannot attract such individuals, we may not be able to keep our products current, bring new innovation to market or produce our products. As a result, our business could be damaged.

We are subject to a high degree of regulatory oversight and, if we do not continue to receive the necessary regulatory approvals, our revenues may decline.

We are subject to regulation by the United States Department of Transportation ("DOT") and by various state departments of transportation. The Omnibus Transportation Employee Testing Act of 1991 requires drug and alcohol testing of safety-sensitive transportation employees in aviation, trucking, railroads, mass transit, pipelines, and other transportation industries. The DOT Office of Drug & Alcohol Policy & Compliance ("ODAPC") publishes, implements, and provides authoritative interpretations of these rules. These regulations cover all transportation employers, safety-sensitive transportation employees, and service agents. Manufacturers submit devices to the DOT for testing and approval. Instruments are tested according to their model specifications and, if passed, included on the Conforming Products List of Evidential Devices published periodically in the Federal Register. Law enforcement applications also require that portable breath testing instruments be included on the DOT Conforming Products List. Lifeloc's FC10, FC20, EV30, Phoenix and Phoenix 6.0 are included on the conforming products list. We believe that we were in substantial compliance with the regulations described above as of December 31, 2014 for our products sold into these markets and states. In addition, our LifeGuard product is regulated as a Class I medical device by the Food and Drug Administration ("FDA").

The FDA and the DOT have cleared us to market the alcohol monitoring products we currently sell in the United States. However, further FDA or DOT approval will be required before we can domestically market additional alcohol monitoring products that we may develop in the future. We may also seek to sell current or future medical or drug-related products that require us to obtain FDA or DOT clearance to market such products. We may also be required to obtain regulatory approvals or licenses from other federal, state or local agencies or comparable agencies in other countries.

We may not continue to receive FDA or DOT clearance to market our current products or we may not obtain the necessary regulatory clearance, approvals or licenses for the marketing of any of our future products. Also, we cannot predict the impact on our business of FDA or DOT regulations or determinations arising from future legislation or administrative action. If we lose FDA or DOT permission to market our current products or we do not obtain regulatory permission to market our future products, our revenues may decline and our business may be harmed.

Our business in the domestic law enforcement area is susceptible to changes in state policies and DUI laws.

Portable breath testers ("PBTs") are not used to the same degree in each state. Usage is determined by a complex combination of individual state DUI laws, historical practice, and individual state directions for alcohol testing. Some states do not accept breath alcohol testing as evidence. Other states may prefer different breath alcohol testing technology, such as infrared. Lifeloc cannot control the direction or timing of changes to individual state DUI laws, public and political sentiment toward the use of PBTs, or individual state preferences for a specific breath alcohol testing technology. These factors may threaten current state contracts and future state contracts and our revenues may decline, harming our business.

Our business relies on state contracts, governed by state contracting policies that are beyond our control.

Many state purchases of PBTs are governed by state contracts with competitive price bids, multiple year terms and without guarantees of purchases. Other states prefer to share PBT usage across several vendors, also without guarantees of volume. These state practices limit Lifeloc's ability to retain current business, forecast volumes and win new business. Furthermore, a significant amount of our law enforcement business is concentrated in six states (Arizona, California, Colorado, Michigan, Idaho, and Texas). Loss of this business, or delays or cancellations in purchasing by these states, could seriously impact our law enforcement business.

Third parties may infringe on our patents, and as a result, we could incur significant expense in protecting our patents or not have sufficient resources to protect them.

We hold several patents that are important to our business. Although we are not currently aware of any past or present infringements of our patents, we plan to protect these patents from infringement and obtain additional patents whenever feasible. To this end, we have obtained confidentiality agreements from our employees and consultants and others who have access to the design of our products and other proprietary information. Protecting and obtaining patents, however, is both time consuming and expensive. We therefore may not have the resources necessary to assert all potential patent infringement claims or pursue all patents that might be available to us. If our competitors or other third parties infringe on our patents, our business may be harmed.

Third parties may claim that we have infringed on their patents and as a result, we could be prohibited from using all or part of any technology used in our products.

Should third parties claim a proprietary right to all or part of any technology that we use in our products, such a claim, regardless of its merit, could involve us in costly litigation. If successful, such a claim could also result in us being unable to freely use the technology that was the subject of the claim, or sell products embodying such technology. If we engage in litigation, our expenses may increase and our business may be harmed. If we are prohibited from using a particular technology in our products, our revenues may decline and our business may be harmed.

We depend on the availability of certain key supplies and services that are available from only a few sources, and if we experience difficulty with a supplier, we may have difficulty finding alternative sources of supply.

We require certain key supplies for our products, particularly fuel cells, that are available from only a few sources. Based upon our ordering experience to date, we believe the materials and services required for the production of our products are currently available in sufficient quantities. However, this does not mean that we will continue to have timely access to adequate supplies of essential materials and services in the future or that supplies of these materials and services will be available on satisfactory terms when the need arises. Our business could be severely damaged if we become unable to procure essential materials and services in adequate quantities and at acceptable prices.

From time to time, subcontractors may produce certain of our products for us, and our business is subject to the risk that these subcontractors may fail to make timely delivery and/or become unable to acquire essential supplies and services from third parties in a timely fashion. If this occurs, we may not be able to deliver our products on a timely basis and our revenues may decline. Our products and services are also from time to time used as components in the products of other manufacturers. We are therefore subject to the risk that manufacturers that integrate our products or services into their own products may change their source of supply to other vendors, may change their product designs in a way that eliminates our components, and/or may choose to have their components manufactured by other means. If this occurs, our sales may decline and our business may be harmed.

We may be exposed to claims of liability.

Like any manufacturer, we are and always have been exposed to liability claims resulting from the use of our products. We maintain product liability insurance to cover us in the event of liability claims, and as of December 31, 2014, no such claims have been asserted or threatened against us. However, our insurance may not be sufficient to cover all possible future product liabilities.

We could be liable if our business operations harmed the environment, and a failure to maintain compliance with environmental laws could severely damage our business.

Our operations are subject to a variety of federal, state and local laws and regulations relating to the protection of the environment. From time to time, we use hazardous materials in our operations. Although we believe that we are in material compliance with all applicable environmental laws and regulations, our business could be severely damaged by any failure to maintain such compliance.

Our quarterly financial results vary quarter to quarter, which may adversely affect our stock price. We cannot predict with any certainty our operating results in any particular fiscal quarter.

Our quarterly operating results may vary significantly depending upon factors such as:

- the timing of completion of significant orders;
- the timing and amount of our research and development expenditures;
- the costs of initial production in connection with new products;
- the availability, quality and cost of key components that go into the assembly of our products;
- the timing of new product introductions — both by us and by our competitors;
- changes in the regulatory environment and regulations under which we operate;
- the loss of a major customer;
- the timing and level of market acceptance of new products or enhanced versions of our existing products;

- our ability to retain existing employees, customers and our customers' continued demand for our products and services; and
- our customers' inventory levels, and levels of demand for our customers' products and services; and competitive pricing pressures.

We may not be able to grow or sustain revenues or achieve or maintain profitability on a quarterly or annual basis, and levels of revenue and/or profitability may vary from one such period to another.

Identification of material weakness in internal control may adversely affect our financial results.

We are subject to the ongoing internal control provisions of Section 404 of the Sarbanes-Oxley Act of 2002. Those provisions provide for the identification of material weaknesses in internal control. If such a material weakness is identified, it could indicate a lack of adequate controls to generate accurate financial statements. We routinely assess our internal controls, but we cannot assure you that we will be able to timely remediate any material weaknesses that may be identified in future periods, or maintain all of the controls necessary for continued compliance.

We may require additional capital in the future, which may not be available or may only be available on unfavorable terms.

We monitor our capital adequacy on an ongoing basis. To the extent that our funds are insufficient to fund future operating requirements, we may need to raise additional funds through corporate finance transactions or curtail our growth and reduce our liabilities. Any equity, hybrid or debt financing, if available at all, may be on terms that are not favorable to us. If we cannot obtain adequate capital on favorable terms or at all, our business, financial condition and operating results could be adversely affected.

We have a number of large, well-financed competitors who have research and marketing capabilities that are superior to ours.

The industry in which we operate is highly competitive. Many of our existing and potential competitors have greater financial resources and manufacturing capabilities, more established and larger marketing and sales organizations and larger technical staffs than we have. Other companies, some with greater experience in the alcohol monitoring industry, produce products and services that compete with our products and services. If any of our competitors are successful in developing products that are superior to our products, or competing products that sell for lower prices, this may cause a reduction in the demand for our products and a reduction in our revenue and our profits.

Our products rely on technology that may become outdated or out of favor.

All of Lifeloc's products use fuel cell technology for the measurement of breath alcohol results. This technology has been developed and refined over many years by Lifeloc and our major competitors. While we expect it to remain as the dominant technology in breath testing devices, other technologies for the measurement of breath alcohol exist and are employed in other market and application segments where the technology is more suitable or developed to the specific requirements. It is possible that future development of these technologies could pose a risk to Lifeloc's business. See "Item 1. Business – Competition and Markets" for more information about these other technologies.

Risks Related to Our Stock

Shares of our common stock lack a significant trading market.

Shares of our common stock are not eligible for trading on any national securities exchange. Our common stock may be quoted in the over-the-counter market on the OTC Bulletin Board or in what are commonly referred to as "pink sheets." However, these markets are highly illiquid. There is no assurance that an active trading market in our common stock will develop, or if such a market develops, that it will be sustained. In addition, there is a greater chance for market volatility for securities quoted on the OTC Bulletin Board as compared with securities traded on a national exchange. This volatility may be caused by a variety of factors, including the lack of readily available quotations, the absence of consistent administrative supervision of "bid" and "ask" quotations and generally lower trading volume.

Under certain circumstances, shares of our common stock may be sold without registration pursuant to the safe harbor provided in Exchange Act Rule 144 ("Rule 144"). Any sale under Rule 144 or under any other exemption from the Securities Act of 1933, as amended (the "Securities Act"), if available, or pursuant to registration of shares of common stock of present stockholders, may have a depressive effect upon the price of our common stock in any market that may develop.

Additionally, the price of our securities may be volatile as a result of a number of factors, including, but not limited to, the following:

- our ability to successfully conceive and to develop new products and services to enhance the performance characteristics and methods of manufacture of existing products;
- our ability to retain existing customers and customers' continued demand for our products and services;
- the timing of our research and development expenditures and of new product introductions;
- the timing and level of acceptance of new products or enhanced versions of our existing products;
- price and volume fluctuations in the stock market at large which do not relate to our operating performance; and
- outside news reports which may or may not accurately convey information about the Company, its products, its prospects and opportunities.

Our principal stockholder has significant voting power and may take actions that may not be in the best interests of other stockholders.

Vern D. Kornelsen, Chairman of our Board of Directors, secretary, and Chief Financial Officer, beneficially owned approximately 77% of our outstanding common stock as of December 31, 2014. Through this ownership, Mr. Kornelsen is able to control the composition of our Board and direct our management and policies. Accordingly, Mr. Kornelsen has the direct or indirect power to:

- amend our bylaws and some provisions of our articles of incorporation; and
- prevent mergers, consolidations, sales of all or substantially all our assets or other extraordinary transactions.

Mr. Kornelsen's significant ownership interest could adversely affect investors' perceptions of our corporate governance. In addition, Mr. Kornelsen may have an interest in pursuing acquisitions, divestitures and other transactions that involve risks to us and you. For example, Mr. Kornelsen could cause us to make acquisitions that increase our indebtedness or to sell revenue generating assets. Mr. Kornelsen may from time to time acquire and hold interests in businesses that compete directly or indirectly with us.

Blue Sky considerations may limit sales in certain states.

The holders of our securities and persons who desire to purchase them in any trading market that might develop in the future should be aware that there may be significant state law restrictions upon the ability of investors to resell our securities. Investors should consider any secondary market for our securities to be a limited one. The "manual exemption" permits a security to be distributed in a particular state without being registered if the company issuing the security has a listing for that security in a securities manual recognized by the state. However, it is not enough for the security to be listed in a recognized manual. The listing entry must contain (1) the names of issuers, officers, and directors, (2) an issuer's balance sheet, and (3) a profit and loss statement for either the fiscal year preceding the balance sheet or for the most recent fiscal year of operations. Since June 14, 2011, we have been listed in Standard & Poor's. While many states expressly recognize this manual, a smaller number of states declare that they "recognize securities manuals" but do not specify the recognized manuals, making applicability of the manual exemption uncertain in those states. The following states do not have provisions expressly recognizing the manual exemption: Alabama, Illinois, Kentucky, Louisiana, Montana, New York, Pennsylvania, Tennessee and Virginia. While we may, in our discretion, cause our securities to be registered under the state securities laws of these or other states, there is no guarantee that we will do so.

Compliance with changing regulations of corporate governance and public disclosure may result in additional expenses.

We are subject to certain federal, state and other rules and regulations, including those required by the Sarbanes-Oxley Act of 2002, new regulations promulgated by the SEC and the rules of the OTC Market. The expense of compliance with these and other laws relating to corporate governance and public disclosure is included in our general and administrative expenses. These laws, regulations and standards are subject to varying interpretations in many cases, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in higher costs necessitated by ongoing revisions to disclosure and governance practices. We are committed to maintaining high standards of corporate governance and public disclosure. As a result, we invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new or changed laws, regulations and standards result in different outcomes from those intended by regulatory or governing bodies, our business may be harmed.

We may issue shares in the future, diluting your interest in us.

We expect to issue options to purchase shares of our common stock to compensate employees, consultants and directors under our 2013 Stock Option Plan, and we may issue additional shares to raise capital. Any such issuances will have the effect of further diluting the interest of the holders of our securities.

Stockholders should not anticipate receiving cash dividends on our stock.

We have never declared or paid any cash dividends or distributions on our capital stock. We currently intend to retain future earnings to support operations and to finance expansion and therefore do not anticipate paying any cash dividends on our common stock in

the foreseeable future.

Item 1B. Unresolved Staff Comments

Not required for smaller reporting companies.

Item 2. Properties

On October 31, 2014, we purchased the commercial property the Company uses as its corporate headquarters and certain adjacent property in Wheat Ridge, Colorado. The building consists of 22,325 square feet, of which 10,670 are currently leased to three tenants under leases that expire at various times ranging from May 31, 2015 to December 31, 2017. We intend to continue to lease the space we are not occupying, but in the future may elect to expand our own operations into space currently leased to other tenants.

Our purchase of the property was partially financed through a term loan in an original principal amount of \$1,581,106, secured by a first-priority mortgage on the property. The loan matures in November 2025.

Item 3. Legal Proceedings

We may be involved from time to time in litigation, negotiation and settlement matters that may have a material effect on our operations or finances. We are not aware of any material pending legal proceedings, other than ordinary routine litigation incidental to our business, to which we are a party or of which any of our property is subject.

Item 4. Mine Safety Disclosures

Not applicable.

PART II**Item 5. Market for Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

As of March 10, 2015, we had 82 shareholders of record. Our common stock is not listed on an established public trading market. Since January 17, 2012, our stock has been quoted by the OTC Markets Group, Inc., in the non-NASDAQ over the counter market. The symbol for our shares is LCTC. Trading in our common stock is limited and sporadic. Subject to the foregoing qualification, the following table sets forth the range of bid quotations, for the fiscal quarters indicated, as quoted by OTC Markets Group, Inc., and reflects inter-dealer prices, without retail mark up, mark down or commission and may not necessarily represent actual transactions.

Fiscal 2014	Bid Price	Fiscal 2013	Bid Price
1st Quarter	\$2.32 – 15.00	1st Quarter	\$1.00 – 2.32
2nd Quarter	\$4.00 – 9.00	2nd Quarter	\$2.32 – 2.32
3rd Quarter	\$2.75 – 9.00	3rd Quarter	\$2.32 – 2.32
4th Quarter	\$7.25 – 15.00	4th Quarter	\$2.32 – 2.32

Dividend Policy

We have never declared or paid any cash dividend on shares of our common stock. We do not anticipate paying any cash dividends in the foreseeable future. We currently intend to retain future earnings, if any, to finance our operations and expand our business. Any future determination to pay cash dividends will be at the discretion of the board of directors and will be dependent upon our financial condition, operating results, capital requirements, and other factors the board of directors deems relevant.

Recent Sales of Unregistered Securities

On December 1, 2014, we issued 15,000 shares of our common stock, valued at \$132,375, as part of the purchase price paid for the assets of STS, a company that develops and sells online drug and alcohol training and refresher courses. In accordance with the purchase agreement between Lifeloc and STS, the value of the stock was based on the closing quote on our stock price for a specified period prior to closing. This issuance of common stock constituting a portion of the total consideration paid pursuant to the purchase agreement was made in reliance upon the exemption from securities registration afforded by Section 4(a)(2) of the Securities Act of 1933, as amended, or another applicable exemption.

Item 6. Selected Financial Data

Not required for smaller reporting companies.

The following is a discussion of our financial condition and results of operations, and should be read in conjunction with our financial statements and the related notes included elsewhere in this Form 10-K. Certain statements contained in this section are not historical facts, including statements about our strategies and expectations about new and existing products, market demand, acceptance of new and existing products, technologies and opportunities, market and industry segment growth, and return on investments in products and markets. These statements are forward-looking statements and involve substantial risks and uncertainties that may cause actual results to differ materially from those indicated by the forward-looking statements. All forward-looking statements in this section are based on information available to us on the date of this document, and we assume no obligation to update such forward-looking statements. Readers of this Form 10-K are strongly encouraged to review the section titled "*Risk Factors*."

Overview

We have been a developer and manufacturer of advanced alcohol testing instruments since 1986. We design and produce high-quality, precise and rapid recovery alcohol testing instruments for use in the workplace, clinics, schools, law enforcement, corrections, and other applications. We offer our customers accessories, service support, training and supplies. Our internet websites are www.lifeloc.com, www.lifeguardbreathtester.com, stsfirst.com and www.lifeloc.fr.

In addition, with the October 2014 purchase of our corporate headquarters and certain adjacent property, we added a new reporting segment focused on the ownership and rental of real property through existing commercial leases. Accordingly, we have concluded that we have two operating segments, (i) our primary business focused on developing, manufacturing and marketing "near and remote sensing" products and solutions, including portable hand-held breathalyzers and related accessories, supplies and education, and (ii) a secondary business focused on the rental of portions of our building to existing tenants. See "Note 13 – Business Segments" to our Consolidated Financial Statements in Part II - Item 8.

The areas in which we conduct our primary business are highly competitive and include both foreign and domestic competitors. Our major competitors are larger and have substantially greater resources than we do. Furthermore, other domestic or foreign companies, some with greater financial resources than we have, may seek to produce products or services that compete with ours.

We believe that our future success depends to a large degree on our ability to develop new products and services to enhance the performance characteristics and methods of manufacture of existing products and to expand our products outside of our traditional alcohol testing business. Accordingly, we expect to continue to invest in research and development, to the extent funds are available.

Outlook

Installed Base of Breathalyzers. We believe the installed base of our breathalyzers will increase as the inherent risks associated with drinking while driving, and of working in safety sensitive jobs, become more widely acknowledged and as our network of distributors and our direct sales force grows. We believe that increased marketing efforts, the introduction of new products and the expansion of our sales network may provide the basis for increased sales and continuing profitable operations. However, these measures, or any others that we may adopt, may not result in either increased sales or continuing profitable operations.

Possibility of Operating Losses. Over the past several years we have operated profitably; however, prior to that we incurred losses. There is no assurance that we will not incur losses in any given quarter or year in the future.

Sales Growth. We expect to increase sales in the U.S. and worldwide as our network of direct customers and distributors grows, becomes more proficient and expands the number of new accounts. Orders for all of our products, particularly ignition interlock components, are on an intermittent purchase order basis and there is no assurance they will continue at any given rate, or that orders will repeat.

Sales and Marketing Expenses. We continue our efforts to expand our domestic and international distribution capability, and we believe that sales and marketing expenses will need to be maintained at a healthy level in order to do so. Sales and marketing expenses are expected to increase as we increase our direct sales representatives and marketing efforts.

Research and Development Expenses. We expect to increase our research and development expenses to support refinements to our products, and the development of additional new products.

Recent Developments

As discussed above, in October 2014, we purchased the commercial property we use as our corporate headquarters, in addition to certain adjacent property, in Wheat Ridge, Colorado. The building consists of 22,325 square feet, of which 10,670 are currently leased to three tenants under leases that expire at various times ranging from May 31, 2015 to December 31, 2017. We intend to continue to lease the space we are not occupying, but in the future may elect to expand our own operations into space currently

leased to other tenants.

In addition, in December 2014, we acquired substantially all of the assets of Superior Training Solutions, Inc. ("STS"), a company that develops and sells online drug and alcohol training and refresher courses. The assets we acquired from STS complement our existing drug and alcohol training courses.

Results of Operations

Net sales. Our product sales for the year ended December 31, 2014 ("FY 14") were \$9,023,804, an increase of 12% from \$8,043,538 in the fiscal year ended December 31, 2013 ("FY 13"). Business increased from the sale of new products introduced in the past three years, and, to a lesser degree, from additional revenue attributable to our acquisition of the STS assets. Our OEM business was lower in FY 14 as compared to FY 13 as a result of having completed a large order in FY 13 that did not repeat in FY 14, and a decrease in royalties from OEM customers that license our patented breath alcohol testing algorithms. Rental income from tenants occupying a portion of the building we purchased on October 31, 2014 was \$17,647.

Royalties. In 2012 we entered into a royalty agreement with an OEM customer which provides for the monthly payment of royalties to us on all products containing certain of our software sold by the customer. In 2013 we entered into a second royalty agreement with another customer which provides for the monthly payment of royalties to us on all products containing certain of our software sold by the customer. As a result of lower sales by our customer, royalties decreased from \$382,128 in FY 13 to \$300,533 in FY 14, a decrease of 21%.

Gross profit. Gross profit for FY 14 of \$4,467,857 represented an increase of 10% from gross profit of \$4,046,613 for FY 13 as a result of increased sales volume and the addition of rental income in 2014, offset in part by lower royalties and lower OEM sales. Cost of sales increased from \$4,379,053 in FY 13 to \$4,874,127, or 11%, primarily as a result of additional labor and materials required for the increased sales volume. Gross profit as a percentage of sales of products (gross margin) stayed relatively constant at 50% in 2014 and in 2013.

Research and development expenses. Research and development expenses were \$1,000,266 in FY 14, an increase of \$70,749 or 8% from \$929,517 in FY 13. The increase was primarily a result of increases in compensation related to research personnel.

Sales and marketing expenses. Sales and marketing expenses were \$1,433,839 in FY 14, an increase of \$282,604, or 25% from \$1,151,235 in FY 13. The increase resulted from increased marketing expenditures, headcount increases and higher sales-based compensation due to increased sales volume.

General and administrative expenses. General and administrative expenses were \$1,239,238 in FY 14, a decrease of \$44,680, or 4%, from \$1,283,918 in FY 13. The decrease consisted mostly of decreased compensation related to administrative personnel.

Interest expense. In connection with the financing of our building purchase on October 31, 2014 we obtained a 10-year term loan in an initial principal amount of \$1,581,106 bearing interest at 4.45% per annum and secured by a first-priority mortgage in the acquired property, as well as a one-year \$250,000 line of credit bearing interest at a rate equal to the LIBOR daily floating rate plus 2.5%, secured by all assets of the Company, from Bank of America. As a result our interest expense increased from \$0 in FY 13 to \$11,913 in FY 14. There were no borrowings under the line of credit as of December 31, 2014.

Other income. Interest income increased from \$19,069 in FY 13 to \$24,132 in FY 14 primarily as the result of greater cash available for investment. We recovered \$12,000 on the Tipping Point, Inc. loan in each of FY 14 and FY 13, which accounted for all of the bad debt recovery in both years.

Our 2015 operating plan is focused on growing sales, increasing gross profits, increasing our commitment (including additional resources, as appropriate) to research and development and sales force, while increasing profits and positive cash flows. We cannot predict with certainty the expected sales, gross profit, net income or loss and usage of cash and cash equivalents for 2015. However, we believe that cash resources and borrowing capacity will be sufficient to fund our operations for the next twelve months under our current operating plan. If we are unable to manage the business operations in line with our budget expectations, it could have a material adverse effect on business viability, financial position, results of operations and cash flows. Further, if we are not successful in sustaining profitability and remaining at least cash flow break-even, additional capital may be required to maintain ongoing operations.

Liquidity and Capital Resources

We compete in a highly technical, very competitive and, in most cases, price driven alcohol testing marketplace, where products can take years to develop and introduce to distributors and end users. Furthermore, manufacturing, marketing and distribution activities are regulated by the FDA, the DOT, and other regulatory bodies that, while intended to enhance the ultimate quality and functionality of products produced, can contribute to the cost and time needed to maintain existing products and develop and introduce new products.

In October 2014 we were awarded a \$250,000 grant from the Colorado Office of Economic Development to accelerate development of a marijuana breathalyzer. On October 31, 2014, we purchased the commercial property we use as our corporate headquarters and certain adjacent property in Wheat Ridge, Colorado for a total purchase price of \$1,949,139, of which we paid \$368,033 in cash and financed the remaining \$1,581,106 through a 10-year term loan from Bank of America bearing interest at 4.45% per annum, secured by a first-priority security interest in the property we acquired with the loan. In connection with the term loan, we arranged for a one-year \$250,000 line of credit from Bank of America secured by all assets of the Company. The line of credit bears interest at a rate calculated at the LIBOR daily floating rate plus 2.5%. At December 31, 2014 this credit facility had not been used.

Aside from the commitments under our term loan and line of credit with Bank of America, we do not have any material contractual commitments requiring settlement in the future. See "Note 6 – Commitments and Contingencies" to our Consolidated Financial Statements in Part II - Item 8.

In December 2014, we acquired substantially all of the assets of Superior Training Solutions, Inc. ("STS"), a company that develops and sells online drug and alcohol training and refresher courses, for a total purchase price of \$432,375, of which we paid \$300,000 in cash and \$132,375 in the form of 15,000 shares of our common stock.

We have traditionally funded working capital needs through product sales and close management of working capital components of our business. Historically, we have also received cash from private offerings of our common stock, warrants to purchase shares of our common stock, and notes. In 2013 we sold 10,000 shares of common stock in a private transaction for aggregate proceeds of \$15,200 versus none in the four years prior to 2013. Although we did not sell any shares of common stock in 2014, we did issue 15,000 shares of our common stock on December 1, 2014 in connection with our purchase of the assets of STS, as described above. In our earlier years, we incurred quarter to quarter operating losses to develop current product applications, utilizing a number of proprietary and patent-pending technologies. Although we have been profitable in recent years, we can provide no assurances that operating losses will not occur in the future. Should that situation arise, we may not be able to obtain working capital funds necessary in the time frame needed and at satisfactory terms, if at all.

As of December 31, 2014, cash and cash equivalents were \$2,749,254, trade accounts receivable were \$855,452 and current liabilities were \$872,573 resulting in net liquid assets of \$2,732,133. We believe that the introduction of several new products during the last several years, along with new and on-going customer relationships, will continue to generate sufficient revenues, which are required in order for us to maintain profitability. If these revenues are not achieved on a timely basis, we may be required to seek additional sources of capital and/or to implement cost reduction measures, as necessary.

We made a loan of \$62,500 to Tipping Point, Inc. ("TPI"), an early stage company during the second quarter of fiscal 2011. Although the loan was paid down by \$46,000 by the end of FY 14, we do not expect to realize any significant sales to TPI in the near term. We have provided a reserve against the loan of \$16,500.

As a result of expected continuing growth and increased staffing needs, equipment expenditures during FY 14 were \$132,461, compared to \$176,439 for FY 13. In order to provide for expansion, we purchased our building at a total cost of \$1,949,139 (consisting of cash of \$368,033 and 10-year term loan in an initial principal amount of \$1,581,106) of which \$317,932 was allocated to land. On December 1, 2014 we purchased the assets of STS, a company that develops and sells online drug and alcohol training and refresher courses, for a total purchase price of \$432,375 (consisting of cash of \$300,000 and 15,000 shares of our common stock valued at \$132,375). We filed patent applications at a cost to us of \$43,205 in 2014 versus \$31,632 in 2013.

We generally provide a standard one-year warranty on materials and workmanship to our customers. In 2014 we began providing a lifetime warranty on fuel cells. We provide for estimated warranty costs at the time product revenue is recognized. Warranty costs are included as a component of cost of goods sold in the accompanying statements of operations. For the year ended December 31, 2014 and for the year ended December 31, 2013, warranty costs were not deemed significant.

Critical Accounting Policies and Estimates

Our financial statements and accompanying notes have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis. The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

We regularly evaluate the accounting policies and estimates that we use to prepare our financial statements. In general, management's estimates are based on historical experience, on information from third party professionals, and on various other assumptions that are believed to be reasonable under the facts and circumstances. Actual results could differ from those estimates made by management.

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, sales and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to bad debts, inventories, sales returns, warranty, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect the more significant judgments and estimates used in the preparation of our financial statements.

We have concluded that we have two operating segments, including our primary business which is as a developer, manufacturer and marketer of portable hand-held breathalyzers and related accessories, supplies and education, and a second segment consisting of renting portions of our building to existing tenants.

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances would be required, which would increase our expenses during the periods in which any such allowances were made. The amount recorded as a provision for bad debts in each period is based upon our assessment of the likelihood that we will be paid on our outstanding receivables, based on customer-specific as well as general considerations. To the extent that our estimates prove to be too high, and we ultimately collect a receivable previously determined to be impaired, we may record a reversal of the provision in the period of such determination.

We reduce inventory for estimated obsolete or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required. Any write-downs of inventory would reduce our reported net income during the period in which such write-downs were applied.

Property and equipment are stated at cost, with depreciation computed over the estimated useful lives of the assets, generally five years (three years for software and technology licenses). We use the double declining method of depreciation for property and equipment, and the straight line method for software and technology licenses. We purchased all of the assets of STS, an online education company, in 2014, which consisted of training courses that are amortized over 15 years using the straight line method. In October 2014, we purchased our building. A majority of the cost of the building is depreciated over 39 years using the straight line method. In addition, based on the results of a third party analysis, a portion of the cost was allocated to components integral to the building. Such components will be depreciated over 5 and 15 years, using the double declining method and the straight line method respectively. Maintenance and repairs are expensed as incurred and major additions, replacements and improvements are capitalized.

Stock-based compensation is presented in accordance with the guidance of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718, Compensation — Stock Compensation ("ASC 718"). Under the provisions of ASC 718, companies are required to estimate the fair value of share-based payment awards made to employees and directors including employee stock options based on estimated fair values on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in our statement of operations.

Off-Balance Sheet Arrangements

We currently have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not required for smaller reporting companies.

Item 8. Financial Statements and Supplementary Data

The following financial statements are included in this Report:

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Report of Independent Registered Public Accounting Firm	17
Consolidated Balance Sheets as of December 31, 2014 and 2013	18
Consolidated Statements of Income for the Years Ended December 31, 2014 and 2013	19
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2014 and 2013	20
Consolidated Statements of Cash Flows for the Years Ended December 31, 2014 and 2013	21
Notes to Consolidated Financial Statements	22

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Lifeloc Technologies, Inc.
Wheat Ridge, Colorado

We have audited the accompanying balance sheets of Lifeloc Technologies, Inc. as of December 31, 2014 and 2013, and the related statements of income, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2014. Lifeloc Technologies, Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lifeloc Technologies, Inc. as of December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America.

/s/ Eide Bailly LLP

Eide Bailly LLP

Greenwood Village, Colorado
March 18, 2015

LIFELOC TECHNOLOGIES, INC.
Consolidated Balance Sheets
December 31, 2014 and 2013

ASSETS

CURRENT ASSETS:	2014	2013
Cash	\$ 2,749,254	\$ 3,357,260
Accounts receivable, net	855,452	426,248
Inventories, net	945,425	736,697
Income taxes receivable	83,275	131,577
Deferred taxes	120,392	87,940
Prepaid expenses and other	48,101	67,700
Total current assets	4,801,899	4,807,422
PROPERTY AND EQUIPMENT, at cost:		
Land	317,932	-
Building	1,631,207	-
Training courses	432,375	-
Production equipment	401,030	363,370
Office equipment and software	237,724	189,472
Sales and marketing equipment	236,722	211,427
Less accumulated depreciation	(650,576)	(473,538)
Total property and equipment, net	2,606,414	290,731
OTHER ASSETS:		
Patents, net	80,356	40,812
Deposits and other	69,687	12,514
Deferred taxes, long term	7,504	4,762
Technology licenses, net	-	3,333
Total other assets	157,547	61,421
Total assets	\$ 7,565,860	\$ 5,159,574

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable	\$ 469,570	\$ 149,949
First mortgage payable, current portion	35,262	
Customer deposits	16,018	186,682
Accrued expenses	232,130	321,692
Deferred revenue, current portion	86,493	69,603
Reserve for warranty expense	33,100	23,100
Total current liabilities	872,573	751,026
FIRST MORTGAGE PAYABLE, net of current portion	1,540,154	-
DEFERRED REVENUE, net of current portion	19,746	12,532
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common stock, no par value; 50,000,000 shares authorized, 2,447,416 shares outstanding (2,432,416 at December 31, 2013)	4,517,468	4,385,093
Retained earnings	615,919	10,923
Total stockholders' equity	5,133,387	4,396,016
Total liabilities and stockholders' equity	\$ 7,565,860	\$ 5,159,574

See accompanying notes.

LIFELOC TECHNOLOGIES, INC.
Consolidated Statements of Income
Years Ended December 31, 2014 and 2013

	2014	2013
REVENUES:		
Product sales	\$ 9,023,804	\$ 8,043,538
Royalties	300,533	382,128
Rental income	17,647	-
Total	9,341,984	8,425,666
COST OF SALES	4,874,127	4,379,053
GROSS PROFIT	4,467,857	4,046,613
OPERATING EXPENSES:		
Research and development	1,000,266	929,517
Sales and marketing	1,433,839	1,151,235
General and administrative	1,239,238	1,283,918
Total	3,673,343	3,364,670
OPERATING INCOME	794,514	681,943
OTHER INCOME (EXPENSE):		
Interest income	24,132	19,069
Bad debt recovery	12,000	12,000
Interest expense	(11,913)	-
Total	24,219	31,069
NET INCOME BEFORE PROVISION FOR TAXES	818,733	713,012
PROVISION FOR FEDERAL AND STATE INCOME TAXES	(213,737)	(138,257)
NET INCOME	\$ 604,996	\$ 574,755
NET INCOME PER SHARE, BASIC	\$ 0.25	\$ 0.24
NET INCOME PER SHARE, DILUTED	\$ 0.24	\$ 0.24
WEIGHTED AVERAGE SHARES, BASIC	2,433,690	2,431,484
WEIGHTED AVERAGE SHARES, DILUTED	2,497,502	2,431,484

See accompanying notes.

LIFELOC TECHNOLOGIES, INC.
Consolidated Statement of Stockholders' Equity
Years Ended December 31, 2014 and 2013

	Common Stock		Retained Earnings (Deficit)	Total
	Shares	Amount		
BALANCES, DECEMBER 31, 2012	2,422,416	\$ 4,309,697	\$ (563,832)	\$ 3,745,865
Net income	-	-	574,755	574,755
Compensation expense related to stock options	-	60,196	-	60,196
Sale of common stock	10,000	15,200	-	15,200
BALANCES, DECEMBER 31, 2013	2,432,416	4,385,093	10,923	4,396,016
Net income	-	-	604,996	604,996
Common stock issued in connection with business combination	15,000	132,375	-	132,375
BALANCES, DECEMBER 31, 2013	2,447,416	\$ 4,517,468	\$ 615,919	\$ 5,133,387

See accompanying notes.

LIFELOC TECHNOLOGIES, INC.
Consolidated Statements of Cash Flows
Years Ended December 31, 2014 and 2013

CASH FLOWS FROM OPERATING ACTIVITIES:	2014	2013
Net income	\$ 604,996	\$ 574,755
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation and amortization	205,094	199,011
Provision for bad debt	49,796	-
Deferred taxes	(35,194)	39,582
Compensation expense related to stock options	-	60,196
Changes in operating assets and liabilities-		
Accounts receivable	(479,000)	(20,927)
Inventories	(208,728)	95,973
Income taxes receivable	48,302	42,552
Prepaid expenses and other	19,599	(36,171)
Deposits and other	(57,173)	42,190
Accounts payable	319,621	67,153
Customer deposits	(170,664)	186,388
Accrued expenses	(89,562)	43,368
Reserve for warranty expense	10,000	-
Deferred revenue	24,104	(81,951)
Net cash provided from operating activities	241,191	1,212,119
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for property acquired in business combination	(368,033)	-
Cash paid for training courses acquired in business combination	(300,000)	-
Purchases of property and equipment	(132,461)	(176,439)
Purchase of patents	(43,205)	(31,632)
Net cash (used in) investing activities	(843,699)	(208,071)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments made on first mortgage	(5,498)	-
Sale of common stock	-	15,200
Net cash provided from (used in) financing activities	(5,498)	15,200
NET INCREASE (DECREASE) IN CASH	(608,006)	1,019,248
CASH, BEGINNING OF PERIOD	3,357,260	2,338,012
CASH, END OF PERIOD	\$ 2,749,254	\$ 3,357,260
SUPPLEMENTAL INFORMATION:		
Cash paid for interest	\$ 11,913	\$ -
Cash paid for income tax	\$ 248,930	\$ 83,455
Non cash investing and financing activities:		
Mortgage issued for property and equipment acquired in business combinations	\$ 1,581,106	\$ -
Stock issued for property and equipment acquired in business combinations	132,275	-
Total non cash investing and financing activities	\$ 1,713,381	\$ -

See accompanying notes.

1. ORGANIZATION AND NATURE OF BUSINESS

Lifelog Technologies, Inc. ("Lifelog" or the "Company") is a Colorado based developer, manufacturer and marketer of portable hand-held and fixed station breathalyzers and related accessories, supplies and education. We design, produce and sell fuel-cell based breath alcohol testing equipment. We compete in all major segments of the breath alcohol testing instrument market, including law enforcement, workplace, corrections, original equipment manufacturing ("OEM") and consumer markets. In addition, we offer a line of supplies, accessories, services, and training to support customers' alcohol testing programs. We sell globally through distributors as well as directly to users.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates in the Preparation of Financial Statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities as well as disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of sales and expense during the reporting period. Actual results could differ from those estimates.

Fair Value Measurement.

ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820"), provides a comprehensive framework for measuring fair value and expands disclosures which are required about fair value measurements. Specifically, ASC 820 sets forth a definition of fair value and establishes a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable value inputs. ASC 820 defines the hierarchy as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reported date. The types of assets and liabilities included in Level 1 are highly liquid and actively traded instruments with quoted prices, such as equity securities listed on the New York Stock Exchange.

Level 2 - Pricing inputs are other than quoted prices in active markets, but are either directly or indirectly observable as of the reported date. The types of assets and liabilities in Level 2 are typically either comparable to actively traded securities or contracts or priced with models using highly observable inputs.

Level 3 - Significant inputs to pricing that are unobservable as of the reporting date. The types of assets and liabilities included in Level 3 are those with inputs requiring significant management judgment or estimation, such as complex and subjective models and forecasts used to determine the fair value of financial transmission rights.

Cash and Cash Equivalents. For purposes of reporting cash flows, we consider all cash and highly liquid investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents as of December 31, 2014 and 2013.

Fair Value of Financial Instruments. Our financial instruments consist of cash, short-term trade receivables, payables and a first mortgage. The carrying values of cash and cash equivalents, short-term receivables, and payables approximate their fair value due to their short term maturities. The carrying value of the first mortgage approximates its fair value based on interest rates currently obtainable.

Concentration of Credit Risk. Financial instruments with significant credit risk include cash and accounts receivable. The amount of cash on deposit with three financial institutions exceeded the \$250,000 federally insured limit at December 31, 2014 by \$1,998,626. However, we believe that the financial institutions are financially sound and the risk of loss is minimal.

We have no significant off-balance sheet concentrations of credit risk such as foreign exchange contracts, options contracts or other foreign hedging arrangements.

Note Receivable. We made a loan of \$62,500 to Tipping Point, Inc. ("TPI"), an early stage company, during the second quarter of 2011. Although the loan has been paid down by \$46,000, including a repayment of \$3,000 in the fourth quarter of 2014, we do not expect to realize any significant sales to TPI in the near term. We have provided a reserve against the loan for the full amount, leaving a net amount of \$0, which is not included in our balance sheet at December 31, 2014. TPI was considered a related party at the time the loan was made, as certain of our board members were also TPI board members during a portion of 2011.

Accounts Receivable. Accounts receivable are typically unsecured and are derived from transactions with and from entities primarily located in the United States or from international distributors with a proven payment history; we require pre-payment for most international orders. Accordingly, we may be exposed to credit risks generally associated with the alcohol monitoring industry. Our credit policy calls for payment in accordance with prevailing industry standards, generally 30 days with occasional exceptions of up to 60 days for large established international customers. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. A summary of the activity in our allowance for doubtful accounts is as follows:

Years Ended December 31	2014	2013
Balance, beginning of year	\$ 26,267	\$ 40,000
Provision for estimated losses	49,796	-
Write-off of uncollectible accounts	(36,063)	(13,733)
Balance, end of year	<u>\$ 40,000</u>	<u>\$ 26,267</u>

The net accounts receivable balance at December 31, 2014 of \$855,452 included an account from one customer of \$156,701 (18%) and no more than 12% from any one other single customer. The net accounts receivable balance at December 31, 2013 of \$426,248 included an account from one customer of \$152,855 (36%) and no more than 7% from any one other customer.

Inventories. Inventories are stated at the lower of cost (first-in, first-out basis) or market. We reduce inventory for estimated obsolete or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required. At December 31, 2014 and 2013, inventory consisted of the following:

	2014	2013
Raw materials & deposits	\$ 476,941	\$ 283,865
Work-in process	132,029	87,374
Finished goods	428,955	440,458
Total gross inventories	1,037,925	811,697
Less reserve for obsolescence	(92,500)	(75,000)
Total net inventories	<u>\$ 945,425</u>	<u>\$ 736,697</u>

A summary of the activity in our inventory reserve for obsolescence is as follows:

Years Ended December 31	2014	2013
Balance, beginning of year	\$ 75,000	\$ 45,000
Provision for estimated obsolescence	43,894	61,538
Write-off of obsolete inventory	(26,394)	(31,538)
Balance, end of year	<u>\$ 92,500</u>	<u>\$ 75,000</u>

Property and Equipment. Property and equipment are stated at cost, with depreciation computed over the estimated useful lives of the assets, generally five years; three years for software and technology licenses; 15 years for training courses; 39 years for the cost of the building we purchased in October 2014. We utilize the double-declining method of depreciation for property and equipment, and the straight-line method of depreciation for software, training courses, and the building, due to the expected usage of these assets over time. These methods are expected to continue throughout the life of the assets. Maintenance and repairs are expensed as incurred and major additions, replacements and improvements are capitalized. Depreciation expense for the years ended December 31, 2014 and 2013 was \$198,100 and \$144,432 respectively.

Long-Lived Assets. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. A long-lived asset is considered impaired when estimated future cash flows related to the asset, undiscounted and without interest, are insufficient to recover the carrying amount of the asset. If deemed impaired, the long-lived asset is reduced to its estimated fair value. Long-lived assets to be disposed of are reported at the lower of their carrying amount or estimated fair value less cost to sell. Impairments of \$1,796 and \$0 were recorded for the years ended December 31, 2014 and 2013 respectively.

Technology Licenses. In 2010 we entered into a technology transfer agreement with an unrelated third-party manufacturer of fuel cells, pursuant to which we acquired a perpetual-term license to technology for the manufacture of fuel cells. We made three equal lump-sum payments of \$40,000 each, based on achievement of milestones related to our establishment of successful production facilities. The total, \$120,000, is being amortized over three years commencing in 2011, using the straight line method, with amortization expense of \$3,333 for the year 2014 and \$40,000 for the year 2013.

In 2011 we acquired a software license relating to Kiosk software technology for \$25,000, which we amortized over 2 years ending in 2013, using the straight line method. Amortization expense was \$0 for the year 2014 and \$11,806 for the year 2013.

Patents. The costs of applying for patents are capitalized and amortized on a straight-line basis over the lesser of the patent's economic or legal life (20 years for utility patents in the United States, and 14 years for design patents). Amortization expense for the year ended December 31, 2014 was \$3,661 and for the year ended December 31, 2013 it was \$2,773. Capitalized costs are expensed if patents are not granted. We review the carrying value of our patents periodically to determine whether the patents have continuing value and such reviews could result in the conclusion that the recorded amounts have been impaired. A summary of our patents at December 31, 2014 and 2013 is as follows:

	2014	2013
Patents issued	\$ 22,775	\$ 22,775
Patent applications	74,634	31,632
Accumulated amortization	(17,053)	(13,595)
Total net patents	<u>\$ 80,356</u>	<u>\$ 40,812</u>

Accrued Expenses. We have accrued various expenses in our December 31 balance sheets, as follows:

	2014	2013
Compensation	\$ 157,888	\$ 230,032
Rebates	21,280	68,325
Property and other taxes	44,810	7,844
401(k) plan and health insurance	8,152	8,078
Lease normalization	-	7,413
Total accrued expenses	<u>\$ 232,130</u>	<u>\$ 321,692</u>

Product Warranty Reserve. We provide for the estimated cost of product warranties at the time sales are recognized. Our warranty obligation is based upon historical experience and will be affected by product failure rates and material usage incurred in correcting a product failure. Should actual product failure rates or material usage costs differ from our estimates, revisions to the estimated warranty liability would be required. A summary of the activity in our product warranty reserve is as follows:

Years Ended December 31	2014	2013
Balance, beginning of year	\$ 23,100	\$ 23,100
Provision for estimated warranty claims	14,425	19,080
Claims made	(4,425)	(19,080)
Balance, end of year	<u>\$ 33,100</u>	<u>\$ 23,100</u>

Income Taxes. We account for income taxes under the provisions of Accounting Standards Codification Topic 740, "Accounting for Income Taxes" ("ASC 740"). ASC 740 requires recognition of deferred income tax assets and liabilities for the expected future income tax consequences, based on enacted tax laws, of temporary differences between the financial reporting and tax bases of assets and liabilities. ASC 740 also requires recognition of deferred tax assets for the expected future tax effects of all deductible temporary differences, loss carryforwards and tax credit carryforwards. Deferred tax assets are then reduced, if deemed necessary, by a valuation allowance for the amount of any tax benefits which, more likely than not based on current circumstances, are not expected to be realized.

ASC 740 prescribes a comprehensive model for how companies should recognize, measure, present, and disclose in their financial statements, uncertain tax positions taken or expected to be taken on a tax return. Under ASC 740, tax positions must initially be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions must initially and subsequently be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts. For the years ended December 31, 2014 and 2013, we did not have any interest or penalties or any significant uncertain tax positions.

Revenue Recognition. Revenue from product sales is generally recorded when we ship the product and title has passed to the customer, provided that we have evidence of a customer arrangement and can conclude that collection is probable. The prices at which we sell our products are fixed and determinable at the time we accept a customer's order. We recognize revenue from sales to stocking distributors when there is no right of return, other than for normal warranty claims, and generally have no ongoing obligations related to product sales, except for normal warranty.

Deferred revenues arising from service and extended warranty contracts are booked as sales over their life on a straight-line basis. Supplies are recognized as sales when they are shipped. Training revenues are recognized at the time the training occurs. We have discontinued arranging for customer financing and leasing through unrelated third parties and instead are providing for customer financing and leasing ourselves which we recognize as revenue over the applicable lease term. Occasionally, we rent used equipment to customers, and in those cases, we recognize the revenues as they are earned over the life of the contract.

Royalty income is recognized in accordance with agreed upon terms, when performance obligations are satisfied, the amount is fixed or determinable and collectability is reasonably assured.

The sales of licenses to our training courses are recognized as revenue at the time of sale.

Rental income from space leased to our tenants is recognized in the month in which it is due.

On occasion we receive customer deposits for future product orders. Customer deposits are initially recorded as a liability and recognized as revenue when the product is shipped and title has passed to the customer.

Deferred Revenue. Deferred revenues arise from service contracts and from development contracts. Revenues from service contracts are recognized on a straight-line basis over the life of the contract, generally one year. However, there are occasions when they are written for longer terms up to four years. The revenues from that portion of the contract that extend beyond one year are shown in our balance sheet as long term. Deferred revenues also result from progress payments received on development contracts; those revenues are recognized when the contract is complete. All development contracts are for less than one year and all deferred revenues from this source are shown in our balance sheet as short term.

Grants. We apply for and receive job training and other grants. In September 2014 we were notified that we had been awarded a \$250,000 grant from the Colorado Office of Economic Development to accelerate development of a marijuana breathalyzer that is currently under development. Grants are recognized as reductions of expense when received. In 2014 and 2013, we received expense reimbursement grants of \$45,868 and \$24,981 respectively.

Rebates. Our rebate program is available to certain of our North American workplace distributors in good standing who are responsible for sales equaling at least \$30,000 in one calendar year. Distributors who meet the required sales threshold automatically earn a rebate equal to between 1 and 10 percent of that distributor's total sales of the Company's products. We accrue for these rebates monthly; they are shown in the our balance sheets as accrued expenses and are included in sales and marketing expense in our statements of income.

Rent Expense. We recognize rent expense on a straight-line basis over the reasonably assured lease term as defined in ASC Topic 840, Leases ("ASC 840"). As a result of purchasing our building, we did not incur rent expense after October 31, 2014.

Research and Development Expenses. We expense research and development costs for products and processes as incurred.

Medical Device Tax. In March 2010, the Patient Protection and Affordable Care Act was enacted in the United States. This legislation includes a provision that imposes a 2.3% excise tax on the sale of certain medical devices by a manufacturer, producer or importer of such devices in the United States after December 31, 2012. We expense the medical device tax in General and Administrative Expense.

Stock-Based Compensation. Stock-based compensation is presented in accordance with the guidance of ASC Topic 718, Compensation – Stock Compensation ("ASC 718"). Under the provisions of ASC 718, companies are required to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in our statement of income.

ASC 718 requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the accompanying statement of income.

Stock-based compensation expense recognized during the period is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period. We used the Black-Scholes option-pricing model ("Black-Scholes model") to determine fair value. Our determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by our stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to our expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors. Although the fair value of employee stock options is determined in accordance with ASC 718 using an option-pricing model, that value may not be indicative of the fair value observed in a willing buyer/willing seller market transaction.

Stock-based compensation expense recognized under ASC 718 for fiscal years 2014 and 2013 was \$0 and \$60,196, respectively, which consisted of stock-based compensation expense related to employee stock options. Stock-based compensation expense related to employee stock options under ASC 718 for 2013 was allocated to General and Administrative Expense.

Segment Reporting. We have concluded that we have two operating segments, including our primary business which is as a developer, manufacturer and marketer of portable hand-held breathalyzers and related accessories, supplies and education. As a result of purchasing our building on October 31, 2014, we have a second segment consisting of renting portions of our building to existing tenants, whose leases expire at various times until December 31, 2017.

Basic and Diluted Income and Loss per Common Share. Net income or loss per share is calculated in accordance with ASC Topic 260, Earnings Per Share ("ASC 260"). Under the provisions of ASC 260, basic net income or loss per common share is computed by dividing net income or loss for the period by the weighted average number of common shares outstanding for the period. Diluted net income or loss per share is computed by dividing the net income or loss for the period by the weighted average number of common and potential common shares outstanding during the period if the effect of the potential common shares is dilutive. Dilution from potential common shares outstanding at December 31, 2014 was \$0.01 per share. There was no dilution from potential common shares outstanding at December 31, 2013 because the market price of our shares was less than the exercise price of the stock options outstanding.

Recent Accounting Pronouncements. We have reviewed all recently issued, but not yet effective, accounting pronouncements. The Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09 (Revenue from Contracts with Customers), which is effective for annual reporting periods beginning after December 15, 2016. We have not yet assessed the impact, if any, of adopting this standard.

3. BUSINESS COMBINATIONS

Building and land. On October 31, 2014 we purchased the building formerly leased by us for a total price of \$1,949,139, of which \$317,932 was allocated to land. The allocation between building and land was based on Level 3 inputs and was determined by management based on estimates of rent and return on investment analyses. Based on a third party analysis, we allocated a portion of the building cost to its components. The components are depreciated over 5 and 15 years, using double declining depreciation methods, and the building is depreciated over 39 years using the straight line method.

Approximately 48% of the building is leased to third party tenants pursuant to lease agreements expiring on various dates ranging to December 31, 2017. Rental revenue and operating income included in our statement of income for the year ended December 31, 2014 were \$17,647 and \$9,873 respectively.

We estimate that net earnings from rental units as though the combination took place at the beginning of the years ended December 31, 2014 and 2013 are as follows.

	2014 (Unaudited)	2013 (Unaudited)
Rental income	\$ 105,880	\$ 105,880
Expenses:		
Depreciation	59,150	59,150
Maintenance	20,000	20,000
Property taxes	18,000	18,000
Insurance	4,800	4,800
Total expenses	101,950	101,950
Net profit	\$ 3,930	\$ 3,930

Future rental income and related expenses will depend on whether existing leases are renewed.

The purpose of this acquisition was to provide for potential growth and the need for additional space.

Training Courses. On December 1, 2014 we acquired all of the assets of Superior Training Solutions, Inc. ("STS") for \$300,000 cash plus 15,000 shares of our common stock valued at \$132,375, reflecting a total purchase price of \$432,375. In accordance with the purchase agreement between Lifeloc and STS, the value of the stock was based on the closing quote on our stock price for a specified period prior to closing. Based on Level 3 inputs which consisted of estimates of future cash flows, the entire purchase price was allocated to training courses, which will be depreciated over 15 years using the straight line method. Revenues are generated by selling licenses to direct customers as well as resellers, and are recognized as earned revenue at the time of sale.

Data that would enable us to present the amounts of revenue and earnings of STS as though the combination took place at the beginning of the years ended December 31, 2014 and 2013 are unavailable to us.

The purpose of this acquisition is to expand our offering of online substance abuse training courses and of online reasonable suspicion training courses.

Estimated future annual amortization relating to the training courses is \$28,825.

4. STOCKHOLDERS' EQUITY

Stock Option Plan. We adopted our now-expired 2002 Stock Option Plan (the "2002 Plan") to promote the Company's and its stockholders' interests by helping us to attract, retain and motivate our key employees and associates. Under the terms of the 2002 Plan, our Board of Directors (the "Board") may grant either "nonqualified" or "incentive" stock options, as defined by the Internal Revenue Code and related regulations. The purchase price of the shares subject to a stock option will be the fair market value of our common stock on the date the stock option is granted. Generally, vesting of stock options occurs immediately at the time of the grant of such option and all stock options must be exercised within five years from the date granted. The number of common shares reserved for issuance under the Plan is 375,000 shares of common stock, subject to adjustment for dividend, stock split or other relevant changes in our capitalization. The Plan expired March 4, 2012. In January 2013 our board of directors adopted a new Plan (the "2013 Plan"), which was approved by our shareholders at their regular annual meeting on April 1, 2013. The 2013 Plan provides for 150,000 shares to be reserved for issuance under the new Plan on terms similar to those of the expired Plan.

Under ASC 718, the value of each employee stock option was estimated on the date of grant using the Black-Scholes model for the purpose of financial information in accordance with ASC 718. The use of a Black-Scholes model requires the use of actual employee exercise behavior data and the use of a number of assumptions including expected volatility, risk-free interest rate and expected dividends. Employee stock options for 0 and 69,000 shares of stock were granted during fiscal years 2014 and 2013, respectively. The assumptions for employee stock options granted in 2013 are summarized as follows:

Risk-free interest rate	1.4%
Expected life (in years)	5.0
Expected volatility	41%
Expected dividend	0%

Cumulative compensation cost recognized in net income or loss with respect to options that are forfeited prior to vesting is adjusted as a reduction of compensation expense in the period of forfeiture. The volatility of the stock is based on a comparable public company's historical volatility since our stock is rarely traded. Fair value computations are highly sensitive to the volatility factor; the greater the volatility, the higher the computed fair value of options granted.

The total fair value of options granted was computed to be approximately \$0 and \$60,196 for the years ended December 31, 2014 and 2013, respectively. Effects of stock-based compensation, net of the effect of forfeitures, totaled \$0 and \$60,196 for the years 2014 and 2013, respectively.

The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the use of assumptions, including the expected stock price volatility. Because our employee stock options have characteristics significantly different than those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of our employee stock options. A summary of our stock option activity and related information for equity compensation plans approved by security holders for each of the fiscal years ended December 31, 2014 and 2013 is as follows:

A summary of our stock option activity and related information for each of the fiscal years ended December 31, 2014 and 2013 is as follows:

	STOCK OPTIONS OUTSTANDING	
	Number Outstanding	Weighted- Average Exercise Price per Share
BALANCE AT DECEMBER 31, 2012	23,000	\$ 3.69
Granted	69,000	\$ 2.32
Exercised	-	-
Forfeited/expired	-	-
BALANCE AT DECEMBER 31, 2013	92,000	\$ 2.66
Granted	-	-
Exercised	-	-
Forfeited/expired	-	-
BALANCE AT DECEMBER 31, 2014	92,000	\$ 2.66

The following table summarizes information about employee stock options outstanding and exercisable at December 31, 2014:

Range of Exercise Prices	STOCK OPTIONS OUTSTANDING			STOCK OPTIONS EXERCISABLE	
	Number Outstanding	Weighted-Average Remaining Contractual Life (in Years)	Weighted-Average Exercise Price per Share	Number Exercisable	Weighted-Average Exercise Price per Share
\$3.69	23,000	1.9	\$3.69	23,000	\$3.69
\$2.32	69,000	3.75	\$2.32	69,000	\$2.32
	92,000			92,000	

Of the 92,000 options exercisable as of December 31, 2014, all are incentive stock options. The exercise price of all options granted through December 31, 2014 has been equal to or greater than the fair market value, as determined by the Board. As of December 31, 2014, 81,000 options exercisable for our common stock remain available for grant under the 2013 Plan.

5. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2013, we paid a consulting fee of \$15,000 to a director. No consulting fee was paid during the year ended December 31, 2014.

6. COMMITMENTS AND CONTINGENCIES

Mortgage Expense. We purchased our facilities in Wheat Ridge, Colorado on October 31, 2014 for \$1,949,139 and executed a first mortgage on all assets in the amount of \$1,581,106 with Bank of America for a portion of the purchase price. The note bears interest at 4.45% per annum, and is payable in 120 equal monthly installments of \$8,801 including interest. Our minimum future principal payments on this first mortgage, by year, are as follows:

Year	Amount
2015	\$ 35,262
2016	36,689
2017	35,576
2018	40,353
2019	42,211
2020 - 2024	1,385,325
Total	1,575,416
Less current portion	(35,262)
Long term portion	\$ 1,540,154

Rent Expense. Rent expense for our facilities for the 10 months ended December 31, 2014 was \$88,131 and for the year ended December 31, 2013 it was \$106,653. As a result of purchasing our building, we did not incur rent expense after October 31, 2014.

Employee Severance Benefits. Our obligation with respect to employee severance benefits is minimized by the "at will" nature of the employee relationships. As of December 31, 2014 we had no obligation with respect to contingent severance benefit obligations.

Purchase Orders. Outstanding purchase orders issued to vendors in the ordinary course of business totaled \$937,932 at December 31, 2014.

Other Material Contractual Commitments. Aside from the credit facility commitments, we do not have any material contractual commitments requiring settlement in the future.

Regulatory Commitments. With respect to our LifeGuard product, we are subject to regulation by the United States Food and Drug Administration ("FDA"). The FDA provides regulations governing the manufacture and sale of our LifeGuard product, and we are subject to inspections by the FDA to determine our compliance with these regulations. FDA inspections are conducted periodically at the discretion of the FDA. As of December 31, 2014, we had not been inspected by the FDA; however, we believe we are in substantial compliance with all known regulations. We are also subject to regulation by the DOT and by various state departments of transportation so far as our other products are concerned. We believe that we are in substantial compliance with all known applicable regulations.

7. LINE OF CREDIT

As part of the long-term financing of our property purchased on October 31, 2014, we obtained a one-year \$250,000 revolving line of

credit facility with Bank of America, which matures on October 31, 2015 and bears interest at a rate equal to the LIBOR daily floating rate plus 2.5%. The revolving line of credit facility is secured by all personal property and assets, whether now owned or hereafter acquired, wherever located. There was no balance due on the line of credit as of December 31, 2014.

8. INCOME TAXES

We account for income taxes under ASC 740, which requires the use of the liability method. ASC 740 provides that deferred tax assets and liabilities are recorded based on the differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, referred to as temporary differences. Deferred tax assets and liabilities at the end of each period are determined using the currently enacted tax rates applied to taxable income in the periods in which the deferred tax assets and liabilities are expected to be settled or realized.

Our income tax provision is summarized below:

Years Ended	December 31, 2014	December 31, 2013
Current:		
Federal	\$ 208,081	\$ 158,101
State	40,849	32,972
Total current	248,930	191,073
Deferred:		
Federal	(30,905)	34,759
State	(4,288)	4,823
Total deferred	(35,193)	39,582
Refunds from amending prior years:		
Federal	-	(80,852)
State	-	(11,546)
Total refunds	-	(92,398)
Total	<u>\$ 213,737</u>	<u>\$ 138,257</u>

The refunds from amending prior years arose as a result of an additional deduction for domestic production activities.

The items accounting for the difference between income taxes computed at the federal statutory rate and the provision for income taxes consists of the following:

Years Ended	December 31, 2014	December 31, 2013
Federal statutory rate	\$ 286,086	\$ 242,424
Effect of:		
State taxes, net of federal tax benefit	36,561	37,795
Research & development credit	(78,005)	(72,814)
Other	(30,905)	(69,148)
Total	<u>\$ 213,737</u>	<u>\$ 138,257</u>

The components of the deferred tax asset are as follows:

Years Ended	December 31, 2014	December 31, 2013
Current Deferred Tax Assets:		
Deferred income	\$ 32,867	\$ 26,449
Bad debt reserve	21,470	20,811
Accrued vacation	18,327	16,702
Inventory reserve	35,150	15,200
Warranty reserve	12,578	8,778
Total current deferred tax assets	120,392	87,940
Long Term Deferred Tax Assets:		
Deferred income	7,504	4,762
	<u>\$ 127,896</u>	<u>\$ 92,702</u>

9. LEGAL PROCEEDINGS

We were not involved or party to any legal proceedings at December 31, 2013 or December 31, 2014, and therefore made no accruals for legal proceedings in either 2013 or 2014.

10. MAJOR CUSTOMERS/SUPPLIERS

We depend on sales that are generated from our customers' ongoing usage of alcohol testing instruments. One customer contributed 8% (\$736,458 to our total sales in 2014, a second customer contributed 6% (\$549,867), a third customer contributed 5% (\$471,432), and no other customer contributed more than 5%. Two customers each contributed 7% (\$599,712) to our total sales in 2013, with no other customer contributing more than 4% (\$325,236). In making this determination, we considered the federal government, state governments, local governments, and foreign governments each as a single customer. In 2014, we depended upon three vendors for approximately 24% of our purchases (three vendors and 28% respectively in 2013).

11. DEFINED CONTRIBUTION EMPLOYEE BENEFIT PLAN

We have adopted a 401(k) Profit Sharing Plan ("401(k) Plan") which covers all full-time employees who have completed 3 months of full-time continuous service and are age eighteen or older. Participants may defer up to 100% of their gross pay up to 401(k) Plan limits. Participants are immediately vested in their contributions. We may make discretionary matching contributions based on corporate financial results for the year, which was determined to be 3% of the total payroll of the participating employees in 2014 and 2013. In 2014 and 2013 we contributed \$46,766 and \$38,966 respectively. The participants vest in Company contributions based on years of service, with a participant fully vested after six years of credited service.

12. LICENSE OF SOFTWARE

In 2012 we granted a non-exclusive license to Smart Start Inc. for the use of our patented breath alcohol testing algorithms. The agreement provides for termination with 6 months notice, and further provides for royalties based on the number of units sold which incorporate our software. The transaction is being accounted for under the guidance of ASC 605-10, Revenue Recognition, which states, in part, revenue can be recognized when collection of the fee agreement can be reasonably assured.

13. BUSINESS SEGMENTS

We currently have two business segments: (i) the sale of physical products ("Products", including portable hand-held breathalyzers and related accessories, supplies, education, training, and royalties from development contracts with OEM manufacturers), and (ii) rental of a portion of our building ("Rentals"). There was only one business segment, Products, in the year ended December 31, 2013. The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Operating profits for these segments excludes unallocated corporate items. Administrative and staff costs were commonly used by all business segments and were indistinguishable.

The following sets forth information about the operations of the business segments:

	Year Ended December 31, 2014
Revenue:	
Products	\$ 9,324,337
Rentals	17,647
Total	<u>\$ 9,341,984</u>
Gross profit:	
Products	\$ 4,457,984
Rentals	9,873
Total	<u>\$ 4,467,857</u>
Interest expense:	
Products	\$ 6,195
Rentals	5,718
Total	<u>\$ 11,913</u>

There were no intersegment revenues.

As of December 31, 2014, \$935,587 of our assets were used in the Rentals segment, with the remainder, \$6,630,273, used in the Products and unallocated segments.

14. SUBSEQUENT EVENTS

We evaluated subsequent events through the date the financial statements were issued and determined that none have occurred that

would require recognition in the financial statements or disclosure in the notes to the financial statements except that we revised a development agreement which will, in the ordinary course of business, require additional payments by us of \$99,615 during the year ending December 31, 2015. In addition, 6,700 stock options were exercised at \$2.32 apiece in the first quarter of 2015.

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report on Form 10-K, our management has evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) (the "Exchange Act").

Disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's ("SEC") rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2014.

Internal Control over Financial Reporting

(a) *Management's Annual Report on Internal Control over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2014 based on the criteria in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 2014. Based on our evaluation under the framework in *Internal Control-Integrated Framework* issued by the COSO in 2014, our management concluded that our internal control over financial reporting was effective as of December 31, 2014.

(b) *Attestation report of the registered public accounting firm*

This Annual Report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to rules of the SEC that permit us to provide only management's report in this Annual Report.

(c) *Changes in Internal Control over Financial Reporting*

There were no significant changes in our internal controls over financial reporting during the fiscal quarter ended December 31, 2014 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Our management, including our Chief Executive Officer and our Chief Financial Officer, do not expect that the Company's disclosure controls will prevent or detect all errors and all fraud. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Item 9B. Other Information

None.

Item 10. Directors, Executive Officers and Corporate Governance

Information in response to this item is incorporated by reference from the registrant's definitive proxy statement for its 2015 Annual Meeting of Shareholders to be filed within 120 days after December 31, 2014.

Item 11. Executive Compensation

Information in response to this item is incorporated by reference from the registrant's definitive proxy statement for its 2015 Annual Meeting of Shareholders to be filed within 120 days after December 31, 2014.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

Information in response to this item is incorporated by reference from the registrant's definitive proxy statement for its 2015 Annual Meeting of Shareholders to be filed within 120 days after December 31, 2014.

The following table summarizes certain information regarding our equity compensation plan as of December 31, 2014:

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	92,000	\$ 2.66	81,000
Equity compensation plans not approved by security holders	-	-	-
Total	92,000	\$ 2.66	81,000

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information in response to this item is incorporated by reference from the registrant's definitive proxy statement for its 2015 Annual Meeting of Shareholders to be filed within 120 days after December 31, 2014.

Item 14. Principal Accountant Fees and Services

Information in response to this item is incorporated by reference from the registrant's definitive proxy statement for its 2015 Annual Meeting of Shareholders to be filed within 120 days after December 31, 2014.

Item 15. Exhibits, Financial Statement Schedules**(a) Documents filed as part of this Annual Report or incorporated by reference:**

- (1) Our consolidated financial statements are provided under Item 8 of this Annual Report.

(b) The following exhibits are filed with this Annual Report or incorporated by reference, as indicated:

Exhibit No.	Description of Exhibit
3.1	Articles of Incorporation, dated as of December 29, 1983 (1)
3.2	Articles of Amendment to the Articles of Incorporation, dated as of July 10, 1986 (1)
3.3	Articles of Amendment to the Articles of Incorporation, dated as of August 18, 1986 (1)
3.4	Articles of Amendment to the Articles of Incorporation, dated as of April 18, 1988 (1)
3.5	Articles of Amendment to the Articles of Incorporation, dated as of April 1, 1991 (1)
3.6	Articles of Amendment to the Articles of Incorporation, dated as of May 10, 1993 (1)
3.7	Articles of Amendment to the Articles of Incorporation, dated as of May 11, 1992 (1)
3.8	Articles of Amendment to the Articles of Incorporation, dated as of November 17, 1997 (1)
3.9	Articles of Amendment to the Articles of Incorporation, dated as of July 15, 1998 (1)
3.10	Articles of Amendment to the Articles of Incorporation, dated as of April 1, 1994 (1)
3.11	Bylaws (3)
4.1	Form of Certificate representing Common Stock (1)
10.1	2002 Stock Option Plan (1)
10.2	Lease by and between Lifeloc Technologies, Inc. and Ward West Properties LLC, dated December 12, 2006 (1)
10.3	First Lease Amendment and Extension, dated May 1, 2010, to the Lease by and between Lifeloc Technologies, Inc. and Ward West Properties LLC, dated December 12, 2006 (1)
10.4	Contract No. 071B0200005 between the State of Michigan and Lifeloc Technologies, Inc., dated October 5, 2009 (1)
10.5	Technology Transfer Agreement between Lifeloc Technologies, Inc. and Fuel Cell Sensors, dated June 1, 2010 (1)
10.6	Form of Standard Distribution Agreement(1)
10.7	Business Loan Agreement between Lifeloc Technologies, Inc. and Citywide Banks, dated May 11, 2010, as amended (1)
10.8	Representation Agreement between Crossco Manufacturers Representatives, Inc. and Lifeloc Technologies, Inc., dated February 2, 2009(2)
10.9	Asset Purchase Agreement by and between Lifeloc Technologies, Inc. and Superior Training Solutions, Inc., dated December 1, 2014
10.10	Purchase Agreement by and between Lifeloc Technologies, Inc. and Ward West Properties LLC, dated August 13, 2014
10.11	Loan Agreement with Bank of America (Term Loan), dated October 29, 2014
10.12	Deed of Trust with Bank of America, dated October 29, 2014
10.13	Security Agreement with Bank of America, dated October 29, 2014
10.14	Loan Agreement with Bank of America (Line of Credit), dated October 29, 2014
23.1	Consent of Eide Bailly LLP (contained in Item 8. Financial Statements and Supplementary Data - REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM, in this Annual Report)
31.1	Certification of Principal Executive Officer Pursuant To Section 302 Of The Sarbanes—Oxley Act Of 2002
31.2	Certification of Principal Financial Officer Pursuant To Section 302 Of The Sarbanes—Oxley Act Of 2002
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	Interactive Data Files Pursuant to Rule 405 of Regulation S-T.

(1) Incorporated by reference to our Registration Statement on Form 10-12G, filed on March 31, 2011.

(2) Incorporated by reference to our Registration Statement on Form 10-12G (Amendment 1), filed on May 11, 2011.

(3) Incorporated by reference to our Current Report on Form 8-K filed on September 4, 2012.

SIGNATURES

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

Dated: March 20, 2015

LIFELOC TECHNOLOGIES, INC.

By: /s/ Barry R. Knott
Barry R. Knott
Chief Executive Officer

Pursuant to the requirements of the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>/s/ Barry R. Knott</u> Barry R. Knott Chief Executive Officer (Principal Executive Officer) Director	March 20, 2015
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<u>/s/ Vern D. Kornelsen</u> Vern D. Kornelsen Chief Financial Officer (Principal Financial Officer) Director	March 20, 2015
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<u>/s/ Kristie L. LaRose</u> Kristie L. LaRose Controller (Principal Accounting Officer)	March 20, 2015
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<u>/s/ Robert Greenlee</u> Robert Greenlee Director	March 20, 2015
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<u>/s/ Wayne Willkomm</u> Wayne Willkomm Director	March 20, 2015
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<u>/s/ Gurumurthi Ravishankar</u> Gurumurthi Ravishankar President Director	March 20, 2015
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ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement is made and entered into as of December 1, 2014, by and among Lifeloc Technologies, Inc., a Colorado corporation (hereinafter referred to as "Buyer"), Superior Training Solutions, Inc., a Texas corporation (hereinafter referred to as "Seller"), and Gary Glisan and J. Mac Allen (each a "Selling Stockholder" and together the "Selling Stockholders").

WHEREAS, Seller is engaged in the business of writing, designing, and offering education and training courses for sale (the "Business"),

WHEREAS, the Selling Stockholders hold 100% of the equity interest in Seller, and as such will indirectly receive substantially all of the consideration to be paid in connection with the sale of the Business, and

WHEREAS, subject to the terms and conditions of this Agreement set forth below, Seller agrees to sell, and Buyer agrees to purchase, all of the assets related to the Business and to assume no liabilities related to the Business other than the Assumed Liabilities (as defined below).

NOW, THEREFORE, based upon the mutual covenants and premises set forth in the Agreement, the parties agree as follows:

ARTICLE I PURCHASE AND SALE OF ASSETS

1.1 Purchase and Sale of Assets. Subject to the terms and conditions set forth in this Agreement, Buyer agrees to purchase, and Seller agrees to sell, all of the Seller's right, title and interest in the assets of the Seller set forth on Schedule 1.1 hereto (the "Purchased Assets"), free and clear of any mortgage, pledge, lien, charge, security interest, claim or other encumbrance ("Encumbrance").

1.2 No Liabilities. Buyer shall not assume any liabilities or obligations of Seller of any kind, whether known or unknown, contingent, matured or otherwise, whether currently existing or hereinafter created, other than those liabilities described on Schedule 1.2 hereto (the "Assumed Liabilities").

1.3 Purchase Price.

(a) The aggregate purchase price for the Purchased Assets shall be as follows (the "Purchase Price"):

- (i) A cash payment of Three Hundred Thousand Dollars (\$300,000.00) payable in cash by Buyer to Seller, by wire transfer, certified funds or in such other manner reasonably acceptable to Seller; and
- (ii) 15,000 duly authorized, validly issued, fully paid and non-assessable shares of Buyer's common stock, no par value (the "Shares"), which will be valued for tax and accounting purposes at the average closing price quoted on Yahoo! Finance (<http://finance.yahoo.com>) for the ten trading days preceding the Closing, to be issued to the persons and in the proportions set forth on Schedule 1.3(a)(ii) hereto.

(b) The Buyer shall pay the Purchase Price to Seller at the Closing (as defined herein) in cash, by wire transfer of immediately available funds in accordance with the wire transfer instructions set forth in Schedule 1.3 hereto.

1.4 **Allocation of Purchase Price.** Seller and Buyer agree to allocate the Purchase Price among the Purchased Assets for all purposes (including tax and financial accounting) in accordance with Schedule 1.4 hereto. Buyer and Seller shall file all tax returns (including amended returns and claims for refund) and information reports in a manner consistent with such allocation.

ARTICLE II CLOSING

2.1 **Closing.** The closing of the transactions contemplated by this Agreement (the "**Closing**") shall take place simultaneously with the execution of this Agreement on the date of this Agreement (the "Closing Date") at the offices of Davis Graham & Stubbs LLP, 1550 17th Street, Suite 500, Denver, Colorado 80202. The consummation of the transactions contemplated by this Agreement shall be deemed to occur at 12:01 a.m. on the Closing Date.

2.2 **Closing Deliverables.**

(a) At the Closing, Seller shall deliver to Buyer the following:

(i) a bill of sale in form and substance satisfactory to Buyer (the "Bill of Sale") and duly executed by Seller, transferring the Purchased Assets to Buyer;

(ii) an assignment in form and substance satisfactory to Buyer (the "Intellectual Property Assignments") and duly executed by Seller, transferring all of Seller's right, title and interest in and to the Purchased IP (as defined herein) to Buyer;

(iii) tax clearance certificates from the taxing authorities in the jurisdictions that impose taxes on Seller or where Seller has a duty to file tax returns in connection with the transactions contemplated by this Agreement and evidence of the payment in full or other satisfaction of any taxes owed by Seller in those jurisdictions;

(iv) a certificate of the Secretary or Assistant Secretary (or equivalent officer) of Seller certifying as to (A) the resolutions of the board of directors of Seller, duly adopted and in effect, which authorize the execution, delivery and performance of this Agreement and the transactions contemplated hereby, and (B) the names and signatures of the officers of Seller authorized to sign this Agreement and the documents to be delivered hereunder;

(v) such other customary instruments of transfer, assumption, filings or documents, in form and substance reasonably satisfactory to Buyer, as may be required to give effect to this Agreement;

(vi) a consulting agreement duly executed by J. Mac Allen, in form and substance reasonably satisfactory to Buyer;
and

(vii) a representation letter executed by Ken Will, AdMed Consulting Inc., in form and substance reasonably satisfactory to Buyer.

(b) At the Closing, Buyer shall deliver to Seller the following:

(i) the Purchase Price; and

(ii) a certificate of the Secretary or Assistant Secretary (or equivalent officer) of Buyer certifying as to (A) the resolutions of the board of directors of Buyer, duly adopted and in effect, which authorize the execution, delivery and performance of this Agreement and the transactions contemplated hereby, and (B) the names and signatures of the officers of Buyer authorized to sign this Agreement and the documents to be delivered hereunder.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF THE SELLER AND SELLING STOCKHOLDERS

The Seller and the Selling Stockholders represent and warrant to the Buyer that the statements contained in this ARTICLE III are true and correct as of the date hereof. For purposes of this ARTICLE III, "Seller's knowledge," "knowledge of Seller" and any similar phrases shall mean the actual or constructive knowledge of the Selling Stockholders, after due inquiry.

3.1 Organization and Authority of Seller; Enforceability. The Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Texas. The Seller is not required by the nature of its assets or business to qualify as a foreign corporation in any other jurisdiction, except as noted on Schedule 3.1 attached hereto. The Seller has full power to enter into this Agreement and the documents to be delivered hereunder, to carry out its obligations hereunder and to consummate the transactions contemplated hereby, and to own all of its properties and to carry on its business as it is now being conducted. The Seller has no subsidiaries and no direct or indirect ownership interest in any corporation, partnership, joint venture, limited liability company, limited liability partnership, associations or other entity. The Selling Stockholders are the sole shareholders of the Seller, and there are no securities of the Seller outstanding, including any outstanding subscriptions, options, warrants, convertible securities or other agreements or commitments obligating the Seller to issue or to transfer from treasury any additional shares of the Seller other than the shares owned by the Selling Stockholders. The execution, delivery and performance by the Seller of this Agreement and the documents to be delivered hereunder and the consummation of the transactions contemplated hereby have been duly authorized by all requisite corporate action on the part of the Seller. This Agreement and the documents to be delivered hereunder have been duly executed and delivered by the Seller, and (assuming due authorization, execution and delivery by Buyer) this Agreement and the documents to be delivered hereunder constitute legal, valid and binding obligations of the Seller, enforceable against the Seller in accordance with their respective terms.

3.2 No Conflicts; Consents. The execution, delivery and performance by the Seller of this Agreement and the documents to be delivered hereunder, and the consummation of the transactions provided for herein, do not and will not: (a) violate or conflict with the certificate of incorporation, by-laws or other organizational documents of the Seller; (b) violate any agreement or commitment made by Seller, or any requirement binding on Seller, including, without limitation, any lease, contract, loan agreement, promissory note, franchise agreement, court order, judgment, regulatory ruling, or arbitration award; or (c) result in the creation or imposition of any Encumbrance on the Purchased Assets. No consent, approval, waiver or authorization is required to be obtained by the Seller from any person or entity (including any governmental authority) in connection with the execution, delivery and performance by the Seller of this Agreement and the consummation of the transactions contemplated hereby.

3.3 Tax Matters.

(a) Form 1120S, U.S. Income Tax Return for an S corporation, for the years 2010, 2011, 2012 and 2013 attached hereto as Schedule 3.3 (the "Tax Returns") accurately present the sales and operating expenses of the Seller as of the respective dates thereof. All of the Tax Returns have been prepared in a manner consistent with that of preceding years. The Tax Returns have been prepared by the Seller's accountants, and to the best knowledge and belief of the Seller, are not misleading in any material respect.

(b) Since the date of the most recent Tax Return, there has not been and there will not be through the date of Closing any change in the business, results of operations, assets, financial condition or manner of conducting the business of Seller, which has or may be reasonably expected to have a material adverse effect on such business, results of operations, assets, or financial condition; any damage, destruction, or loss (whether or not covered by insurance) which has or may reasonably be expected to have a material adverse effect upon any of the Assets or the business or operations of Seller; and advance collection of accounts receivable or any other collection of accounts receivable other than in the ordinary course of business and consistent with past practices; any loss by Seller of any customers, clients or suppliers; any transaction or action by Seller outside of the ordinary course of business or any other action that would materially adversely affect the Assets or the Business; any entering into, amendment, or termination by Seller of any material contract, franchise, permit, license or other agreement; or any indebtedness incurred by Seller to borrow money, any commitment to borrow money, or any guarantee by Seller of any third party obligations, or the imposition of any lien on Seller's assets or the grant of any encumbrances by Seller.

(c) Seller has timely and correctly prepared and filed all required tax returns, including federal and state income tax returns and sales tax returns, and has paid all taxes due pursuant to such tax returns as well as all other taxes including real and personal property taxes for which Seller is liable. Seller has not filed for and is not now subject to any extension of time with respect to the filing of any tax return. Seller is not aware of any actual or threatened tax audit against Seller. Seller has paid all payroll taxes as and when due, maintains all required payroll trust accounts, and has timely paid all employee and employer withholding taxes into such trust accounts.

3.4 Title to Purchased Assets. The Seller owns and has good and marketable title to all of the Purchased Assets, free and clear of Encumbrances. All of the Purchased Assets are in good and working condition and are adequate for the uses to which they are being put, and none of such Purchased Assets is in need of maintenance or repairs except for ordinary, routine maintenance and repairs that are not material in nature or cost. The Seller owns all assets, including intangible assets, which are necessary for the continued operation of the Seller's business as presently conducted.

3.5 Intellectual Property.

(a) "Intellectual Property" means any and all of the following in any jurisdiction throughout the world: (i) trademarks and service marks, including all applications and registrations and the goodwill connected with the use of and symbolized by the foregoing; (ii) copyrights, including all applications and registrations related to the foregoing; (iii) trade secrets and confidential know-how; (iv) patents and patent applications; (v) websites and internet domain name registrations; and (vi) other intellectual property and related proprietary rights, interests and protections (including all rights to sue and recover and retain damages, costs and attorneys' fees for past, present and future infringement and any other rights relating to any of the foregoing).

(b) Schedule 3.5(b) lists all software (the "Purchased Software") and other Intellectual Property included in the Purchased Assets (together with the Purchased Software, the "Purchased IP"). Seller owns or has adequate, valid and enforceable rights to use all the Purchased IP, free and clear of all Encumbrances. Seller is not bound by any outstanding judgment, injunction, order or decree restricting the use of the Purchased IP, or restricting the licensing thereof to any person or entity. With respect to the registered Intellectual Property listed on Schedule 3.5(b), (i) all such Intellectual Property is valid, subsisting and in full force and effect and (ii) Seller has paid all maintenance fees and made all filings required to maintain Seller's ownership thereof. For all such registered Intellectual Property, Schedule 3.5(b) lists (A) the jurisdiction where the application or registration is located, (B) the application or registration number, and (C) the application or registration date.

(c) To the best of its knowledge and belief, Seller's prior and current use of the Purchased IP has not and does not infringe, violate, dilute or misappropriate the Intellectual Property of any person or entity and there are no claims pending or threatened by any person or entity with respect to the ownership, validity, enforceability, effectiveness or use of the Purchased IP. No person or entity is infringing, misappropriating, diluting or otherwise violating any of the Purchased IP, and neither Seller nor any affiliate of Seller has made or asserted any claim, demand or notice against any person or entity alleging any such infringement, misappropriation, dilution or other violation.

3.6 Compliance With Laws. Seller has complied, and is now complying, with all applicable federal, state and local laws and regulations applicable to ownership and use of the Purchased Assets.

3.7 Investment Purpose. Seller is acquiring the Shares solely for its own account for investment purposes and not with a view to, or for offer or sale in connection with, any distribution thereof. Buyer and the Selling Stockholders acknowledge that the Shares are not registered under the Securities Act of 1933, as amended, or any state securities laws, and that the Shares may not be transferred or sold except pursuant to the registration provisions of the Securities Act of 1933, as amended or pursuant to an applicable exemption therefrom and subject to state securities laws and regulations, as applicable.

3.8 Legal Proceedings. Except as set forth on Schedule 3.7, there are no private or governmental proceedings pending, or to the best knowledge of Seller threatened, against Seller, including without limitation any investigation, audit, lawsuit, threatened lawsuit, arbitration, workers' compensation claims, civil rights claims, or other legal proceedings of any nature whatsoever. No event has occurred or circumstances exist that may give rise to, or serve as a basis for, any such action.

3.9 **Environmental Matters.** Seller does not lease, own, or operate a facility on, and has not leased, owned, or operated a facility on, any land or real property subject to any environmental contamination, violation or requirement for clean up or any other environmental remediation.

3.10 **Customers.** Seller does not have any information or reason to believe that any of its customers or suppliers will cease to do business with Buyer after the Closing, or will alter their present volume of business. There are no disagreements or controversies pending, or to the best knowledge of Seller, threatened with any customer or supplier of Seller, nor has any such customer or supplier made any claims or complaints regarding the services, courses, or products provided by Seller. All suppliers have been timely paid by Seller. There are no special relationships (personal or otherwise, such as payment in kind arrangements) between Seller and any customer or supplier of Seller that would affect or interfere with the ability of Buyer to continue the customer or supplier relationship on an ongoing basis. Seller has no ownership or other pecuniary interest in any competitor, customer or supplier of Seller. There are no sole-source suppliers of significant products or services to Seller, with respect to which practical alternative sources of supply are not readily available on comparable terms and conditions. Except for certain distributors set forth on Schedule 3.10, Seller does not use any manufacturer's, sales, or independent representatives. As used herein, customer shall include all clients of Seller, including all dealers, distributors, and other Buyers of Seller's products. It is expressly understood that notwithstanding any other provisions in this Agreement, there is no guaranty by the Seller that any of its customers or suppliers will continue in a relationship with the Buyer.

3.11 **Brokers.** Seller has not incurred any obligation for the payment of any brokerage commission, finder's fee, or any other obligation relating to this Agreement or the consummation of the transactions provide for herein, except as set forth on Schedule 3.11.

3.12 **Full Disclosure.** This Agreement and the agreements and instruments attached hereto and to be delivered at the time of Closing do not contain any untrue statement of a material fact by Seller. This Agreement and such related agreements and instruments do not omit to state any material fact necessary in order to made the statements made herein or therein by Seller, in light of the circumstances under which they are made, not misleading.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF BUYER

4.1 **Organization and Authority of Buyer.** Buyer is a "C" corporation duly organized, validly existing and in good standing under the laws of the State of Colorado. Buyer has the authority, pursuant to its articles of incorporation and bylaws, and pursuant to such additional action as is necessary by its officers, directors and shareholders, to execute this Agreement and to consummate the transactions provided for herein. The execution and delivery of this Agreement, and the consummation of the transactions provided for herein, will not violate any agreement or commitment made by Buyer, or any requirement binding on Buyer, including, without limitation, any lease, contract, loan agreement, promissory note, franchise agreement, court order, judgment, regulatory ruling, or any arbitration award.

4.2 **Legal Proceedings.** There is no Action of any nature pending or, to Buyer's knowledge, threatened against or by Buyer that challenges or seeks to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement. No event has occurred or circumstances exist that may give rise to, or serve as a basis for, any such Action.

4.3 **Brokers.** Buyer has not incurred any obligation for the payment of any brokerage commission, finder's fee, or any other similar obligation relating to this Agreement or the consummation of the transactions provided for herein.

ARTICLE V COVENANTS

5.1 **Non-competition; Non-solicitation.** Seller and each Selling Stockholder (each a "Restricted Party") each hereby agree, severally and not jointly, as follows:

(a) For a period of five (5) years commencing on the Closing Date (the "Restricted Period"), such Restricted Party shall not and shall not permit any of its Affiliates (as defined below) to, directly or indirectly, (i) engage in or assist others in engaging in the Business in the United States (the "Territory"); (ii) have an interest in any person that engages directly or indirectly in the Business in the Territory in any capacity, including as a partner, shareholder, member, employee, principal, agent, trustee or consultant; or (iii) intentionally interfere in any material respect with the business relationships (whether formed prior to or after the date of this Agreement) between the Buyer and customers or suppliers of the Buyer. Notwithstanding the foregoing, such Restricted Party may own, directly or indirectly, solely as an investment, securities of any business entity traded on any national securities exchange if such party is not a controlling person of, or a member of a group which controls, such business entity and does not, directly or indirectly, own 5% or more of any class of securities of such business entity. Further notwithstanding the foregoing, the consulting agreement with the Seller shall not be deemed to be a violation of this covenant, whether or not the services are performed for the Buyer or any legal successor to Buyer.

(b) During the Restricted Period, such Restricted Party shall not, and shall not permit any of its Affiliates (as defined below) to, directly or indirectly, solicit or entice, or attempt to solicit or entice, any clients or customers of the Buyer or potential clients or customers of the Buyer for purposes of diverting their business or services from the Buyer.

(c) Such Restricted Party acknowledges that a breach or threatened breach of this Section 5.1 would give rise to irreparable harm to Buyer, for which monetary damages would not be an adequate remedy, and hereby agrees that in the event of a breach or a threatened breach by such Restricted Party of any such obligations, Buyer shall, in addition to any and all other rights and remedies that may be available to it in respect of such breach, be entitled to equitable relief, including a temporary restraining order, an injunction, specific performance and any other relief that may be available from a court of competent jurisdiction (without any requirement to post bond).

(d) Such Restricted Party acknowledges that the restrictions contained in this Section 5.1 are reasonable and necessary to protect the legitimate interests of Buyer and constitute a material inducement to Buyer to enter into this Agreement and consummate the transactions contemplated by this Agreement. In the event that any covenant contained in this Section 5.1 should ever be adjudicated to exceed the time, geographic, product or service, or other limitations permitted by applicable law in any jurisdiction, then any court is expressly empowered to reform such covenant, and such covenant shall be deemed reformed, in such jurisdiction to the maximum time, geographic, product or service, or other limitations permitted by applicable law. The covenants contained in this Section 5.1 and each provision hereof are severable and distinct covenants and provisions. The invalidity or unenforceability of any such covenant or provision as written shall not invalidate or render unenforceable the remaining covenants or provisions hereof, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such covenant or provision in any other jurisdiction.

(e) For purposes of this Section 5.1, "Affiliate," as it pertains to a Restricted Person, shall mean any other person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, the Restricted Person. The term "control" (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise. For the avoidance of doubt, the term "Affiliate" shall not include customers or distributors of the Business that are not controlled by Seller or the Selling Stockholders.

5.2 **Seller's Post-Closing Covenants.** From and after the time of Closing, Seller and each Selling Stockholder, severally and not jointly, agree as follows:

(a) Seller shall pay, and the Selling Stockholders shall cause Seller to pay, all of Seller's liabilities (other than the Assumed Liabilities) as and when due, including without limitation any liabilities to trade creditors not assumed by Buyer.

(b) Seller shall pay, and the Selling Stockholders shall cause Seller to pay, all sales, use and income taxes which result of consummating the transaction set forth in this Agreement, if any, as and when due. Neither Seller nor the Selling Stockholders shall permit any governmental lien to attach to the Purchased Assets, and Seller shall satisfy, and the Selling Stockholders shall cause Seller to satisfy, or otherwise discharge any lien which does attach to the Purchased Assets, as a result of consummating the transaction set forth in this Agreement.

(c) Within ten (10) days after Closing, Seller and the Selling Stockholders will calculate the aggregate amount of financial credits owed by Seller to its distributors in connection with shopping cart orders received directly by Seller, and will make a cash payment to Buyer in the aggregate amount of such financial credits.

(d) Seller shall use its best efforts to cause all Reseller and Affiliate Contracts provided to Buyer at Closing to be assigned to Buyer promptly after Closing.

(e) Within thirty (30) days after Closing, Seller shall dissolve or change its legal name to a name that does not include the words "Superior Training Solutions," "STS" or any derivation thereof, and shall discontinue any use of the trade names "Superior Training Solutions" or "STS."

5.3 Buyer's Post-Closing Covenants. Buyer agrees that at such time as the Shares are held by non-affiliates of Buyer and are eligible for sale under Rule 144 under the Securities Act of 1933, as amended, it will, promptly following the delivery by Seller to Buyer or Buyer's transfer agent of the certificate representing the Shares, use its reasonable best efforts to deliver or cause to be delivered to Seller a certificate representing such shares that is free from all restrictive and other legends.

5.4 **Public Announcements.** Unless otherwise required by applicable law, no party shall make any public announcements regarding this Agreement or the transactions contemplated hereby without the prior written consent of the other parties (which consent shall not be unreasonably withheld or delayed).

5.5 **Transfer Taxes.** All transfer, documentary, sales, use, stamp, registration, value added and other such taxes and fees (including any penalties and interest) incurred in connection with this Agreement and the documents to be delivered hereunder shall be borne and paid by Seller when due. Seller shall, at its own expense, timely file any tax return or other document with respect to such taxes or fees (and Buyer shall cooperate with respect thereto as necessary).

5.6 **Further Assurances.** Following the Closing, each of the parties hereto shall execute and deliver such additional documents, instruments, conveyances and assurances and take such further actions as may be reasonably required to carry out the provisions hereof and give effect to the transactions contemplated by this Agreement and the documents to be delivered hereunder.

ARTICLE VI INDEMNIFICATION

6.1 **Survival.** All representations, warranties, covenants and agreements contained herein and all related rights to indemnification shall survive the Closing.

6.2 **Indemnification By Seller and Selling Stockholders and Buyer and Buyer's assigns.** Seller and the Selling Stockholders and Buyer and Buyer's assigns, severally and not jointly, shall defend, indemnify and hold harmless the other party, its affiliates and their respective stockholders, directors, officers and employees from and against all claims, judgments, damages, liabilities, settlements, losses, costs and expenses, including attorneys' fees and disbursements, arising from or relating to:

(a) any inaccuracy in or breach of any of the representations or warranties of Seller or the Selling Stockholders and/or Buyer and Buyer's assigns contained in this Agreement or any document to be delivered hereunder; or

(b) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by Seller or the Selling Stockholders or Buyer and Buyer's assigns pursuant to this Agreement or any document to be delivered hereunder.

6.3 **Tax Treatment of Indemnification Payments.** All indemnification payments made by the parties under this Agreement shall be treated by the parties as an adjustment to the Purchase Price for tax purposes, unless otherwise required by law.

6.4 **Effect of Investigation.** The respective rights of the parties to indemnification or other remedy based on the representations, warranties, covenants and agreements of the parties contained herein will not be affected by any investigation conducted by Seller or Buyer with respect to, or any knowledge acquired by Seller or Buyer at any time, with respect to the accuracy or inaccuracy of or compliance with, any such representation, warranty, covenant or agreement.

6.5 **Cumulative Remedies.** The rights and remedies provided in this ARTICLE VI are cumulative and are in addition to and not in substitution for any other rights and remedies available at law or in equity or otherwise. Notwithstanding the foregoing, no claim for indemnification may be made more than twenty-four (24) months after the date of signing of this Agreement.

ARTICLE VII
GENERAL PROVISIONS

The following general provisions shall apply to this Agreement.

7.1 **Expenses.** All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses.

7.2 **Notice.** All notices required or permitted hereunder or under any related agreement or instrument (unless such related agreement or instrument otherwise provides) will be deemed delivered when delivered personally, mailed, by certified mail, return receipt requested, or registered mail, or sent by a nationally recognized overnight courier to the respective party at the following addresses or to such other address as each respective party may in writing hereafter designate, and it is the responsibility of the party changing its designation to give written notice to be effective not earlier than 30 days from the date of such notice. The parties may also designate additional persons who may receive copies of notices, with the express understanding that actual notice must be upon the parties.

If to Seller or the Selling Stockholders:

Superior Training Solutions, Inc.
13501 Ranch Road 12, Ste 103
Wimberley, TX 78676

Gary Glisan
222 Winn Valley Dr
Wimberley, TX 78676

If to Buyer:

Lifeloc Technologies, Inc.
12441 West 49th Ave., Ste 4
Wheat Ridge, CO 80033

7.1 **Headings.** The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

7.2 **Entire Agreement; Amendment.** This Agreement and the exhibits and other documents, agreements, and instruments related hereto set forth the entire agreement of the parties with respect to the subject matter hereof, supersede all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter, and may not be amended or modified except in writing subscribed to by all such parties. In the event of any inconsistency between the statements in the body of this Agreement and the documents to be delivered hereunder, the exhibits and schedules, the statements in the body of this Agreement will control.

7.3 **No Third-party Beneficiaries.** Except as provided in ARTICLE VI, this Agreement is for the sole benefit of the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

7.4 **Governing Law.** This Agreement is entered into in the State of Colorado. It will be performed within such state, and all issues arising hereunder shall be governed in all respects by the laws of such state, without giving effect to any choice or conflict of law provision or rule (whether of the State of Colorado or any other jurisdiction).

7.5 **Submission to Jurisdiction.** Any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby may be instituted in the federal courts of the United States of America or the courts of the State of Colorado in each case located in the city and county of Denver, and each party irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action or proceeding.

7.6 **Waiver of Jury Trial.** Each party acknowledges and agrees that any controversy which may arise under this Agreement is likely to involve complicated and difficult issues and, therefore, each such party irrevocably and unconditionally waives any right it may have to a trial by jury in respect of any legal action arising out of or relating to this Agreement or the transactions contemplated hereby.

7.7 **Waiver.** No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

7.8 **Severability.** In the event that any provision of this Agreement is found by any court or other authority of competent jurisdiction to be invalid, illegal or unenforceable, such provision shall be severed or modified to the extent necessary to render it enforceable and as so severed or modified, this Agreement will remain in full force and effect.

7.9 **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

[Signatures on Following Page]

IN WITNESS WHEREOF, the parties have read and entered into this Agreement as of the date above written.

LIFELOC TECHNOLOGIES, INC.

By/s/ Barry R. Knott
Barry R. Knott, President

SUPERIOR TRAINING SOLUTIONS, INC.

By/s/ Gary Glisan
Gary Glisan, President

SELLING STOCKHOLDERS

/s/ Gary Glisan
Gary Glisan

/s/ J. Mac Allen
J. Mac Allen

The printed portions of this form, except differentiated additions, have been approved by the Colorado Real Estate Commission.
(CBS3-8-13) (Mandatory 1-14)

THIS FORM HAS IMPORTANT LEGAL CONSEQUENCES AND THE PARTIES SHOULD CONSULT LEGAL AND TAX OR OTHER COUNSEL BEFORE SIGNING.

CONTRACT TO BUY AND SELL REAL ESTATE

(COMMERCIAL)

☒ Property with No Residences

☐ Property with Residences-Residential Addendum Attached

Date: August 13, 2014

AGREEMENT

1. **AGREEMENT.** Buyer, identified in § 2.1, agrees to buy, and Seller, identified in § 2.3, agrees to sell, the Property described below on the terms and conditions set forth in this contract (Contract).

2. PARTIES AND PROPERTY.

2.1. **Buyer.** Buyer, Lifeloc Technologies, Inc., will take title to the Property described below as ☐ Joint Tenants ☐ Tenants In Common ☐ Other _____.

2.2. **Assignability and Inurement.** This Contract ☐ Is ☒ Is Not assignable by Buyer without Seller's prior written consent. Except as so restricted, this Contract inures to the benefit of and is binding upon the heirs, personal representatives, successors and assigns of the parties.

2.3. **Seller.** Seller, Ward West Properties LLC, is the current owner of the Property described below.

2.4. **Property.** The Property is the following legally described real estate in the County of Jefferson, Colorado:

Lot 1, Ward West, a Resubdivision of a Part of Lots 20 and 21, Standley Heights Subdivision, Section 17, Township 3 South, Range 69 West of the 6th Principal Meridian.

known as No. TBD

Street Address

City

State

Zip

together with the interests, easements, rights, benefits, improvements and attached fixtures appurtenant thereto, and all interest of Seller in vacated streets and alleys adjacent thereto, except as herein excluded (Property).

2.5. **Inclusions.** The Purchase Price includes the following items (Inclusions):

2.5.1. **Fixtures.** If attached to the Property on the date of this Contract, the following items are included unless excluded under Exclusions (§ 2.6): lighting, heating, plumbing, ventilating and air conditioning fixtures, inside telephone, network and coaxial (cable) wiring and connecting blocks/jacks, floor coverings, intercom systems, sprinkler systems and controls, garage door openers including remote controls.

Other Fixtures:

If any fixtures are attached to the Property after the date of this Contract, such additional fixtures are also included in the Purchase Price.

2.5.2. **Personal Property.** If on the Property, whether attached or not, on the date of this Contract, the following items are included unless excluded under Exclusions (§ 2.6): storm windows, storm doors, window and porch shades, awnings, blinds, screens, window coverings, curtain rods, drapery rods, heating stoves, storage sheds and all keys. If checked, the following are included: ☐ Water Softeners ☐ Smoke/Fire Detectors ☐ Carbon Monoxide Alarms ☐ Security Systems ☐ Satellite Systems (including satellite dishes).

Other Personal Property:

The Personal Property to be conveyed at Closing must be conveyed by Seller free and clear of all taxes (except personal property taxes for the year of Closing), liens and encumbrances, except _____.
Conveyance will be by bill of sale or other applicable legal instrument.

[Handwritten signatures and initials]

2.5.3. **Trade Fixtures.** With respect to trade fixtures, Seller and Buyer agree as follows:

The Trade Fixtures to be conveyed at Closing will be conveyed by Seller free and clear of all taxes (except personal property taxes for the year of Closing), liens and encumbrances, except _____, Conveyance will be by bill of sale or other applicable legal instrument.

2.5.4. **Parking and Storage Facilities.** ☐ Use Only ☒ Ownership of the following parking facilities: _____; and ☐ Use Only ☐ Ownership of the following storage facilities: _____.

2.6. **Exclusions.** The following items are excluded (Exclusions):

2.7. **Water Rights, Well Rights, Water and Sewer Taps.**

☐ 2.7.1. **Deeded Water Rights.** The following legally described water rights:

Any deeded water rights will be conveyed by a good and sufficient _____ deed at Closing.

☐ 2.7.2. **Other Rights Relating to Water.** The following rights relating to water not included in §§ 2.7.1, 2.7.3, 2.7.4 and 2.7.5, will be transferred to Buyer at Closing:

☐ 2.7.3. **Well Rights.** Seller agrees to supply required information to Buyer about the well. Buyer understands that if the well to be transferred is a "Small Capacity Well" or a "Domestic Exempt Water Well" used for ordinary household purposes, Buyer must, prior to or at Closing, complete a Change in Ownership form for the well. If an existing well has not been registered with the Colorado Division of Water Resources in the Department of Natural Resources (Division), Buyer must complete a registration of existing well form for the well and pay the cost of registration. If no person will be providing a closing service in connection with the transaction, Buyer must file the form with the Division within sixty days after Closing. The Well Permit # is _____.

☐ 2.7.4. **Water Stock Certificates.** The water stock certificates to be transferred at Closing are as follows:

2.7.5. **Water and Sewer Taps.** Note: Buyer is advised to obtain, from the provider, written confirmation of the amount remaining to be paid, if any, time and other restrictions for transfer and use of the taps.

2.7.6. **Conveyance.** If Buyer is to receive any rights to water pursuant to § 2.7.2 (Other Rights Relating to Water), § 2.7.3 (Well Rights), or § 2.7.4 (Water Stock Certificates), Seller agrees to convey such rights to Buyer by executing the applicable legal instrument at Closing.

3. DATES AND DEADLINES.

Item No.	Reference	Event	Date or Deadline
1	§ 4.3	Alternative Earnest Money Deadline	MEC + 3
		Title	
2	§ 8.1	Record Title Deadline	MEC + 5
3	§ 8.2	Record Title Objection Deadline	MEC + 20
4	§ 8.3	Off-Record Title Deadline	MEC + 5
5	§ 8.3	Off-Record Title Objection Deadline	MEC + 20
6	§ 8.4	Title Resolution Deadline	MEC + 25
7	§ 8.6	Right of First Refusal Deadline	N/A
		Owners' Association	
8	§ 7.3	Association Documents Deadline	N/A
9	§ 7.4	Association Documents Objection Deadline	N/A
		Seller's Property Disclosure	
10	§ 10.1	Seller's Property Disclosure Deadline	MEC + 3
		Loan and Credit	
11	§ 5.1	Loan Application Deadline	MEC + 15
12	§ 5.2	Loan Objection Deadline	MEC + 45
13	§ 5.3	Buyer's Credit Information Deadline	N/A
14	§ 5.3	Disapproval of Buyer's Credit Information Deadline	N/A
15	§ 5.4	Existing Loan Documents Deadline	N/A

BIC. AM

Exhibit C

Legal Description and Map of Easement Area

BY

Item No.	Reference	Event	Date or Deadline
16	§ 5.4	Existing Loan Documents Objection Deadline	N/A
17	§ 5.4	Loan Transfer Approval Deadline	N/A
18	§ 4.7	Seller or Private Financing Deadline	N/A
Appraisal			
19	§ 6.2	Appraisal Deadline	MEC + 30
20	§ 6.2	Appraisal Objection Deadline	MEC + 35
Survey			
21	§ 9.1	Current Survey Deadline	MEC + 15
22	§ 9.2	Current Survey Objection Deadline	MEC + 20
23	§ 9.3	Current Survey Resolution Deadline	MEC + 25
Inspection and Due Diligence			
24	§ 10.2	Inspection Objection Deadline	MEC + 30
25	§ 10.3	Inspection Resolution Deadline	MEC + 35
26	§ 10.5	Property Insurance Objection Deadline	MEC + 30
27	§ 10.6	Due Diligence Documents Delivery Deadline	MEC + 5
28	§ 10.6	Due Diligence Documents Objection Deadline	MEC + 30
29	§ 10.6	Due Diligence Documents Resolution Deadline	MEC + 35
30	§ 10.6	Environmental Inspection Objection Deadline	MEC + 30
31	§ 10.6	ADA Evaluation Objection Deadline	MEC + 30
32	§ 10.7	Conditional Sale Deadline	N/A
33	§ 11.1	Tenant Estoppel Statements Deadline	MEC + 30
34	§ 11.2	Tenant Estoppel Statements Objection Deadline	MEC + 35
Closing and Possession			
35	§ 12.3	Closing Date	10/31/2014
36	§ 17	Possession Date	10/31/2014
37	§ 17	Possession Time	Time of Closing
38	§ 28	Acceptance Deadline Date	8/22/2014
39	§ 28	Acceptance Deadline Time	5:00pm MST

3.1. **Applicability of Terms.** Any box checked in this Contract means the corresponding provision applies. Any box, blank or line in this Contract left blank or completed with the abbreviation "N/A", or the word "Deleted" means such provision, including any deadline, is not applicable and the corresponding provision of this Contract to which reference is made is deleted.

The abbreviation "MEC" (mutual execution of this Contract) means the date upon which both parties have signed this Contract.

4. PURCHASE PRICE AND TERMS.

4.1. **Price and Terms.** The Purchase Price set forth below is payable in U.S. Dollars by Buyer as follows:

Item No.	Reference	Item	Amount	Amount
1	§ 4.1	Purchase Price	\$ 1,897,625.00	
2	§ 4.3	Earnest Money		\$ 50,000.00
3	§ 4.5	New Loan		\$ 1,613,000.00
4	§ 4.6	Assumption Balance		\$
5	§ 4.7	Private Financing		\$
6	§ 4.7	Seller Financing		\$
7				
8				
9	§ 4.4	Cash at Closing		\$ 234,625.00
10		TOTAL	\$ 1,897,625.00	\$ 1,897,625.00

4.2. **Seller Concession.** Seller, at Closing, will credit, as directed by Buyer, an amount of \$None to assist with any or all of the following: Buyer's closing costs (Seller Concession). Seller Concession is in addition to any sum Seller has agreed to pay or credit Buyer elsewhere in this Contract. Seller Concession will be reduced to the extent it exceeds the aggregate of what is allowed by Buyer's lender as set forth in the Closing Statement at Closing.



100 **4.3. Earnest Money.** The Earnest Money set forth in this section, in the form of check, will be payable
101 to and held by the Title Company (Earnest Money Holder), in its trust account, on behalf of both Seller and Buyer. The Earnest
102 Money deposit must be tendered, by Buyer, with this Contract unless the parties mutually agree to an **Alternative Earnest Money**
103 **Deadline** (§ 3) for its payment. The parties authorize delivery of the Earnest Money deposit to the company conducting the
104 Closing (Closing Company), if any, at or before Closing. In the event Earnest Money Holder has agreed to have interest on Earnest
105 Money deposits transferred to a fund established for the purpose of providing affordable housing to Colorado residents, Seller and
106 Buyer acknowledge and agree that any interest accruing on the Earnest Money deposited with the Earnest Money Holder in this
107 transaction will be transferred to such fund.

108 **4.3.1. Alternative Earnest Money Deadline.** The deadline for delivering the Earnest Money, if other than at the
109 time of tender of this Contract, is as set forth as the **Alternative Earnest Money Deadline** (§ 3).

110 **4.3.2. Return of Earnest Money.** If Buyer has a Right to Terminate and timely terminates, Buyer is entitled to
111 the return of Earnest Money as provided in this Contract. If this Contract is terminated as set forth in § 25 and, except as provided
112 in § 24, if the Earnest Money has not already been returned following receipt of a Notice to Terminate, Seller agrees to execute
113 and return to Buyer or Broker working with Buyer, written mutual instructions (e.g., Earnest Money Release form), within three
114 days of Seller's receipt of such form.

115 **4.4. Form of Funds; Time of Payment; Available Funds.**

116 **4.4.1. Good Funds.** All amounts payable by the parties at Closing, including any loan proceeds, Cash at Closing
117 and closing costs, must be in funds that comply with all applicable Colorado laws, including electronic transfer funds, certified
118 check, savings and loan teller's check and cashier's check (Good Funds).

119 **4.4.2. Time of Payment; Available Funds.** All funds, including the Purchase Price to be paid by Buyer, must be
120 paid before or at Closing or as otherwise agreed in writing between the parties to allow disbursement by Closing Company at
121 Closing **OR SUCH NONPAYING PARTY WILL BE IN DEFAULT.** Buyer represents that Buyer, as of the date of this
122 Contract, ☒ **Does** ☐ **Does Not** have funds that are immediately verifiable and available in an amount not less than the amount
123 stated as Cash at Closing in § 4.1.

124 **4.5. New Loan.**

125 **4.5.1. Buyer to Pay Loan Costs.** Buyer, except as provided in § 4.2, if applicable, must timely pay Buyer's loan
126 costs, loan discount points, prepaid items and loan origination fees, as required by lender.

127 **4.5.2. Buyer May Select Financing.** Buyer may pay in cash or select financing appropriate and acceptable to
128 Buyer, including a different loan than initially sought, except as restricted in § 4.5.3 or § 30 (Additional Provisions).

129 **4.5.3. Loan Limitations.** Buyer may purchase the Property using any of the following types of loans:
130 ☒ **Conventional** ☐ **Other** _____.

131 **4.6. Assumption.** Buyer agrees to assume and pay an existing loan in the approximate amount of the Assumption
132 Balance set forth in § 4.1, presently payable at \$ _____ per _____ including principal and interest
133 presently at the rate of _____ % per annum, and also including escrow for the following as indicated: ☐ **Real Estate Taxes**
134 ☐ **Property Insurance Premium** and ☐ _____.

135 Buyer agrees to pay a loan transfer fee not to exceed \$ _____. At the time of assumption, the new interest rate will
136 not exceed _____ % per annum and the new payment will not exceed \$ _____ per _____ principal and
137 interest, plus escrow, if any. If the actual principal balance of the existing loan at Closing is less than the Assumption Balance,
138 which causes the amount of cash required from Buyer at Closing to be increased by more than \$ _____, then Buyer has
139 the Right to Terminate under § 25.1, on or before **Closing Date** (§ 3), based on the reduced amount of the actual principal balance.

140 Seller ☐ **Will** ☐ **Will Not** be released from liability on said loan. If applicable, compliance with the requirements for
141 release from liability will be evidenced by delivery ☐ on or before **Loan Transfer Approval Deadline** (§ 3) ☐ at **Closing** of
142 an appropriate letter of commitment from lender. Any cost payable for release of liability will be paid by _____
143 in an amount not to exceed \$ _____.

144 **4.7. Seller or Private Financing.**

145 **WARNING:** Unless the transaction is exempt, federal and state laws impose licensing, other requirements and restrictions on
146 sellers and private financiers. Contract provisions on financing and financing documents, unless exempt, should be prepared by a
147 licensed Colorado attorney or licensed mortgage loan originator. Brokers should not prepare or advise the parties on the specifics
148 of financing including whether or not a party is exempt from the law.

149 **4.7.1. Seller Financing.** If Buyer is to pay all or any portion of the Purchase Price with Seller financing (§ 4.1), ☐
150 Buyer ☐ Seller will deliver the proposed Seller financing documents to the other party on or before _____ days before
151 **Seller or Private Financing Deadline** (§ 3).

152 **4.7.1.1. Seller May Terminate.** If Seller is to provide Seller financing (§ 4.1), this Contract is conditional
153 upon Seller determining whether such financing is satisfactory to the Seller, including its payments, interest rate, terms, conditions,
154 cost and compliance with the law. Seller has the Right to Terminate under § 25.1, on or before **Seller or Private Financing**
155 **Deadline** (§ 3), if such Seller financing is not satisfactory to the Seller, in Seller's sole subjective discretion.

156 **4.7.2. Buyer May Terminate.** If Buyer is to pay all or any portion of the Purchase Price with Seller or private
157 financing (§ 4.1), this Contract is conditional upon Buyer determining whether such financing is satisfactory to the Buyer,
158 including its availability, payments, interest rate, terms, conditions and cost. Buyer has the Right to Terminate under § 25.1, on or

before Seller or Private Financing Deadline (§ 3), if such Seller or private financing is not satisfactory to Buyer, in Buyer's sole subjective discretion.

TRANSACTION PROVISIONS

5. FINANCING CONDITIONS AND OBLIGATIONS.

5.1. Loan Application. If Buyer is to pay all or part of the Purchase Price by obtaining one or more new loans (New Loan), or if an existing loan is not to be released at Closing, Buyer, if required by such lender, must make an application verifiable by such lender, on or before **Loan Application Deadline** (§ 3) and exercise reasonable efforts to obtain such loan or approval.

5.2. Loan Objection. If Buyer is to pay all or part of the Purchase Price with a New Loan, this Contract is conditional upon Buyer determining, in Buyer's sole subjective discretion, whether the New Loan is satisfactory to Buyer, including its availability, payments, interest rate, terms, conditions, and cost of such New Loan. This condition is for the sole benefit of Buyer. Buyer has the Right to Terminate under § 25.1, on or before **Loan Objection Deadline** (§ 3), if the New Loan is not satisfactory to Buyer, in Buyer's sole subjective discretion. **IF SELLER IS NOT IN DEFAULT AND DOES NOT TIMELY RECEIVE BUYER'S WRITTEN NOTICE TO TERMINATE, BUYER'S EARNEST MONEY WILL BE NONREFUNDABLE**, except as otherwise provided in this Contract (e.g., Appraisal, Title, Survey).

5.3. Credit Information. If an existing loan is not to be released at Closing, this Contract is conditional (for the sole benefit of Seller) upon Seller's approval of Buyer's financial ability and creditworthiness, which approval will be at Seller's sole subjective discretion. Accordingly: (1) Buyer must supply to Seller by **Buyer's Credit Information Deadline** (§ 3), at Buyer's expense, information and documents (including a current credit report) concerning Buyer's financial, employment and credit condition; (2) Buyer consents that Seller may verify Buyer's financial ability and creditworthiness; and (3) any such information and documents received by Seller must be held by Seller in confidence, and not released to others except to protect Seller's interest in this transaction. If the Cash at Closing is less than as set forth in § 4.1 of this Contract, Seller has the Right to Terminate under § 25.1, on or before Closing. If Seller disapproves of Buyer's financial ability or creditworthiness, in Seller's sole subjective discretion, Seller has the Right to Terminate under § 25.1, on or before **Disapproval of Buyer's Credit Information Deadline** (§ 3).

5.4. Existing Loan Review. If an existing loan is not to be released at Closing, Seller must deliver copies of the loan documents (including note, deed of trust, and any modifications) to Buyer by **Existing Loan Documents Deadline** (§ 3). For the sole benefit of Buyer, this Contract is conditional upon Buyer's review and approval of the provisions of such loan documents. Buyer has the Right to Terminate under § 25.1, on or before **Existing Loan Documents Objection Deadline** (§ 3), based on any unsatisfactory provision of such loan documents, in Buyer's sole subjective discretion. If the lender's approval of a transfer of the Property is required, this Contract is conditional upon Buyer's obtaining such approval without change in the terms of such loan, except as set forth in § 4.6. If lender's approval is not obtained by **Loan Transfer Approval Deadline** (§ 3), this Contract will terminate on such deadline. Seller has the Right to Terminate under § 25.1, on or before Closing, in Seller's sole subjective discretion, if Seller is to be released from liability under such existing loan and Buyer does not obtain such compliance as set forth in § 4.6.

6. APPRAISAL PROVISIONS.

6.1. Lender Property Requirements. If the lender imposes any requirements or repairs (Requirements) to be made to the Property (e.g., roof repair, repainting), beyond those matters already agreed to by Seller in this Contract, Seller has the Right to Terminate under § 25.1, (notwithstanding § 10 of this Contract), on or before three days following Seller's receipt of the Requirements, based on any unsatisfactory Requirements, in Seller's sole subjective discretion. Seller's Right to Terminate in this § 6.1 does not apply if, on or before any termination by Seller pursuant to this § 6.1: (1) the parties enter into a written agreement regarding the Requirements; or (2) the Requirements have been completed; or (3) the satisfaction of the Requirements is waived in writing by Buyer.

6.2. Appraisal Condition. The applicable Appraisal provision set forth below applies to the respective loan type set forth in § 4.5.3, or if a cash transaction (i.e. no financing), § 6.2.1 applies.

6.2.1. Conventional/Other. Buyer has the sole option and election to terminate this Contract if the Property's valuation, determined by an appraiser engaged on behalf of Buyer or Buyer's Lender, if any, is less than the Purchase Price. The appraisal must be received by Buyer or Buyer's lender on or before **Appraisal Deadline** (§ 3). Buyer has the Right to Terminate under § 25.1, on or before **Appraisal Objection Deadline** (§ 3), if the Property's valuation is less than the Purchase Price and Seller's receipt of either a copy of such appraisal or written notice from lender that confirms the Property's valuation is less than the Purchase Price. This § 6.2.1 is for the sole benefit of Buyer.

6.3. Cost of Appraisal. Cost of any appraisal to be obtained after the date of this Contract must be timely paid by ☒ Buyer ☐ Seller. The cost of the appraisal may include any and all fees paid to the appraiser, appraisal management company, lender's agent or all three.

7. OWNERS' ASSOCIATION. This Section is applicable if the Property is located within a Common Interest Community and subject to such declaration.

7.1. Owners' Association Documents. Owners' Association Documents (Association Documents) consist of the following:

7.1.1. All Owners' Association declarations, articles of incorporation, bylaws, articles of organization, operating agreements, rules and regulations, party wall agreements;

7.1.2. Minutes of most recent annual owners' meeting;

7.1.3. Minutes of any directors' or managers' meetings during the six-month period immediately preceding the date of this Contract. If none of the preceding minutes exist, then the most recent minutes, if any (§§ 7.1.1, 7.1.2 and 7.1.3, collectively, Governing Documents); and

7.1.4. The most recent financial documents which consist of: (1) annual and most recent balance sheet, (2) annual and most recent income and expenditures statement, (3) annual budget, (4) reserve study, and (5) notice of unpaid assessments, if any (collectively, Financial Documents).

7.2. Common Interest Community Disclosure. THE PROPERTY IS LOCATED WITHIN A COMMON INTEREST COMMUNITY AND IS SUBJECT TO THE DECLARATION FOR SUCH COMMUNITY. THE OWNER OF THE PROPERTY WILL BE REQUIRED TO BE A MEMBER OF THE OWNERS' ASSOCIATION FOR THE COMMUNITY AND WILL BE SUBJECT TO THE BYLAWS AND RULES AND REGULATIONS OF THE ASSOCIATION. THE DECLARATION, BYLAWS, AND RULES AND REGULATIONS WILL IMPOSE FINANCIAL OBLIGATIONS UPON THE OWNER OF THE PROPERTY, INCLUDING AN OBLIGATION TO PAY ASSESSMENTS OF THE ASSOCIATION. IF THE OWNER DOES NOT PAY THESE ASSESSMENTS, THE ASSOCIATION COULD PLACE A LIEN ON THE PROPERTY AND POSSIBLY SELL IT TO PAY THE DEBT. THE DECLARATION, BYLAWS, AND RULES AND REGULATIONS OF THE COMMUNITY MAY PROHIBIT THE OWNER FROM MAKING CHANGES TO THE PROPERTY WITHOUT AN ARCHITECTURAL REVIEW BY THE ASSOCIATION (OR A COMMITTEE OF THE ASSOCIATION) AND THE APPROVAL OF THE ASSOCIATION. PURCHASERS OF PROPERTY WITHIN THE COMMON INTEREST COMMUNITY SHOULD INVESTIGATE THE FINANCIAL OBLIGATIONS OF MEMBERS OF THE ASSOCIATION. PURCHASERS SHOULD CAREFULLY READ THE DECLARATION FOR THE COMMUNITY AND THE BYLAWS AND RULES AND REGULATIONS OF THE ASSOCIATION.

7.3. Association Documents to Buyer.

☐ 7.3.1. Seller to Provide Association Documents. Seller will cause the Association Documents to be provided to Buyer, at Seller's expense, on or before Association Documents Deadline (§ 3).

☐ 7.3.2. Seller Authorizes Association. Seller authorizes the Association to provide the Association Documents to Buyer, at Seller's expense.

7.3.3. Seller's Obligation. Seller's obligation to provide the Association Documents is fulfilled upon Buyer's receipt of the Association Documents, regardless of who provides such documents.

Note: If neither box in this § 7.3 is checked, the provisions of § 7.3.1 apply.

7.4. Conditional on Buyer's Review. Buyer has the right to review the Association Documents. Buyer has the Right to Terminate under § 25.1, on or before Association Documents Objection Deadline (§ 3), based on any unsatisfactory provision in any of the Association Documents, in Buyer's sole subjective discretion. Should Buyer receive the Association Documents after Association Documents Deadline (§ 3), Buyer, at Buyer's option, has the Right to Terminate under § 25.1 by Buyer's Notice to Terminate received by Seller on or before ten days after Buyer's receipt of the Association Documents. If Buyer does not receive the Association Documents, or if Buyer's Notice to Terminate would otherwise be required to be received by Seller after Closing Date (§ 3), Buyer's Notice to Terminate must be received by Seller on or before Closing. If Seller does not receive Buyer's Notice to Terminate within such time, Buyer accepts the provisions of the Association Documents as satisfactory, and Buyer waives any Right to Terminate under this provision, notwithstanding the provisions of § 8.6 (Right of First Refusal or Contract Approval).

8. TITLE INSURANCE, RECORD TITLE AND OFF-RECORD TITLE.

8.1. Evidence of Record Title.

☒ 8.1.1. Seller Selects Title Insurance Company. If this box is checked, Seller will select the title insurance company to furnish the owner's title insurance policy at Seller's expense. On or before Record Title Deadline (§ 3), Seller must furnish to Buyer, a current commitment for an owner's title insurance policy (Title Commitment), in an amount equal to the Purchase Price, or if this box is checked, ☐ an Abstract of Title certified to a current date. Seller will cause the title insurance policy to be issued and delivered to Buyer as soon as practicable at or after Closing.

☐ 8.1.2. Buyer Selects Title Insurance Company. If this box is checked, Buyer will select the title insurance company to furnish the owner's title insurance policy at Buyer's expense. On or before Record Title Deadline (§ 3), Buyer must furnish to Seller, a current commitment for owner's title insurance policy (Title Commitment), in an amount equal to the Purchase Price.

If neither box in § 8.1.1 or § 8.1.2 is checked, § 8.1.1 applies.

271 **8.1.3. Owner's Extended Coverage (OEC).** The Title Commitment ☒ Will ☐ Will Not commit to delete or
272 insure over the standard exceptions which relate to: (1) parties in possession, (2) unrecorded easements, (3) survey matters, (4)
273 unrecorded mechanics' liens, (5) gap period (effective date of commitment to date deed is recorded), and (6) unpaid taxes,
274 assessments and unredeemed tax sales prior to the year of Closing (OEC). If the title insurance company agrees to provide an
275 endorsement for OEC, any additional premium expense to obtain an endorsement for OEC will be paid by ☒ Buyer ☐ Seller
276 ☐ One-Half by Buyer and One-Half by Seller ☐ Other _____.

277 **Note:** The title insurance company may not agree to delete or insure over any or all of the standard exceptions.

278 **8.1.4. Title Documents.** Title Documents consist of the following: (1) copies of any plats, declarations,
279 covenants, conditions and restrictions burdening the Property, and (2) copies of any other documents (or, if illegible, summaries of
280 such documents) listed in the schedule of exceptions (Exceptions) in the Title Commitment furnished to Buyer (collectively, Title
281 Documents).

282 **8.1.5. Copies of Title Documents.** Buyer must receive, on or before **Record Title Deadline** (§ 3), copies of all
283 Title Documents. This requirement pertains only to documents as shown of record in the office of the clerk and recorder in the
284 county where the Property is located. The cost of furnishing copies of the documents required in this Section will be at the expense
285 of the party or parties obligated to pay for the owner's title insurance policy.

286 **8.1.6. Existing Abstracts of Title.** Seller must deliver to Buyer copies of any abstracts of title covering all or any
287 portion of the Property (Abstract of Title) in Seller's possession on or before **Record Title Deadline** (§ 3).

288 **8.2. Record Title.** Buyer has the right to review and object to the Abstract of Title or Title Commitment and any of the
289 Title Documents as set forth in § 8.4 (Right to Object to Title, Resolution) on or before **Record Title Objection Deadline** (§ 3).
290 Buyer's objection may be based on any unsatisfactory form or content of Title Commitment or Abstract of Title, notwithstanding §
291 13, or any other unsatisfactory title condition, in Buyer's sole subjective discretion. If the Abstract of Title, Title Commitment or
292 Title Documents are not received by Buyer on or before the **Record Title Deadline** (§ 3), or if there is an endorsement to the Title
293 Commitment that adds a new Exception to title, a copy of the new Exception to title and the modified Title Commitment will be
294 delivered to Buyer. Buyer has until the earlier of Closing or ten days after receipt of such documents by Buyer to review and object
295 to: (1) any required Title Document not timely received by Buyer, (2) any change to the Abstract of Title, Title Commitment or
296 Title Documents, or (3) any endorsement to the Title Commitment. If Seller receives Buyer's Notice to Terminate or Notice of
297 Title Objection, pursuant to this § 8.2 (Record Title), any title objection by Buyer is governed by the provisions set forth in § 8.4
298 (Right to Object to Title, Resolution). If Seller has fulfilled all Seller's obligations, if any, to deliver to Buyer all documents
299 required by § 8.1 (Evidence of Record Title) and Seller does not receive Buyer's Notice to Terminate or Notice of Title Objection
300 by the applicable deadline specified above, Buyer accepts the condition of title as disclosed by the Abstract of Title, Title
301 Commitment and Title Documents as satisfactory.

302 **8.3. Off-Record Title.** Seller must deliver to Buyer, on or before **Off-Record Title Deadline** (§ 3), true copies of all
303 existing surveys in Seller's possession pertaining to the Property and must disclose to Buyer all easements, liens (including,
304 without limitation, governmental improvements approved, but not yet installed) or other title matters (including, without
305 limitation, rights of first refusal and options) not shown by public records, of which Seller has actual knowledge (Off-Record
306 Matters). Buyer has the right to inspect the Property to investigate if any third party has any right in the Property not shown by
307 public records (e.g., unrecorded easement, boundary line discrepancy or water rights). Buyer's Notice to Terminate or Notice of
308 Title Objection of any unsatisfactory condition (whether disclosed by Seller or revealed by such inspection, notwithstanding § 8.2
309 and § 13), in Buyer's sole subjective discretion, must be received by Seller on or before **Off-Record Title Objection Deadline**
310 (§ 3). If an Off-Record Matter is received by Buyer after the **Off-Record Title Deadline** (§ 3), Buyer has until the earlier of
311 Closing or ten days after receipt by Buyer to review and object to such Off-Record Matter. If Seller receives Buyer's Notice to
312 Terminate or Notice of Title Objection pursuant to this § 8.3 (Off-Record Title), any title objection by Buyer and this Contract are
313 governed by the provisions set forth in § 8.4 (Right to Object to Title, Resolution). If Seller does not receive Buyer's Notice to
314 Terminate or Notice of Title Objection by the applicable deadline specified above, Buyer accepts title subject to such rights, if any,
315 of third parties of which Buyer has actual knowledge.

316 **8.4. Right to Object to Title, Resolution.** Buyer's right to object to any title matters includes, but is not limited to those
317 matters set forth in §§ 8.2 (Record Title), 8.3 (Off-Record Title) and 13 (Transfer of Title), in Buyer's sole subjective discretion. If
318 Buyer objects to any title matter, on or before the applicable deadline, Buyer has the following options:

319 **8.4.1. Title Objection, Resolution.** If Seller receives Buyer's written notice objecting to any title matter (Notice
320 of Title Objection) on or before the applicable deadline, and if Buyer and Seller have not agreed to a written settlement thereof on
321 or before **Title Resolution Deadline** (§ 3), this Contract will terminate on the expiration of **Title Resolution Deadline** (§ 3),
322 unless Seller receives Buyer's written withdrawal of Buyer's Notice of Title Objection (i.e., Buyer's written notice to waive
323 objection to such items and waives the Right to Terminate for that reason), on or before expiration of **Title Resolution Deadline**
324 (§ 3). If either the Record Title Deadline or the Off-Record Title Deadline, or both, are extended to the earlier of Closing or ten
325 days after receipt of the applicable documents by Buyer, pursuant to § 8.2 (Record Title) or § 8.3 (Off-Record Title), the Title
326 Resolution Deadline also will be automatically extended to the earlier of Closing or fifteen days after Buyer's receipt of the
327 applicable documents; or

328 **8.4.2. Title Objection, Right to Terminate.** Buyer may exercise the Right to Terminate under § 25.1, on or
329 before the applicable deadline, based on any unsatisfactory title matter, in Buyer's sole subjective discretion.

8.5. **Special Taxing Districts.** SPECIAL TAXING DISTRICTS MAY BE SUBJECT TO GENERAL OBLIGATION INDEBTEDNESS THAT IS PAID BY REVENUES PRODUCED FROM ANNUAL TAX LEVIES ON THE TAXABLE PROPERTY WITHIN SUCH DISTRICTS. PROPERTY OWNERS IN SUCH DISTRICTS MAY BE PLACED AT RISK FOR INCREASED MILL LEVIES AND TAX TO SUPPORT THE SERVICING OF SUCH DEBT WHERE CIRCUMSTANCES ARISE RESULTING IN THE INABILITY OF SUCH A DISTRICT TO DISCHARGE SUCH INDEBTEDNESS WITHOUT SUCH AN INCREASE IN MILL LEVIES. BUYERS SHOULD INVESTIGATE THE SPECIAL TAXING DISTRICTS IN WHICH THE PROPERTY IS LOCATED BY CONTACTING THE COUNTY TREASURER, BY REVIEWING THE CERTIFICATE OF TAXES DUE FOR THE PROPERTY, AND BY OBTAINING FURTHER INFORMATION FROM THE BOARD OF COUNTY COMMISSIONERS, THE COUNTY CLERK AND RECORDER, OR THE COUNTY ASSESSOR.

Buyer has the Right to Terminate under § 25.1, on or before **Off-Record Title Objection Deadline** (§ 3), based on any unsatisfactory effect of the Property being located within a special taxing district, in Buyer's sole subjective discretion.

8.6. **Right of First Refusal or Contract Approval.** If there is a right of first refusal on the Property or a right to approve this Contract, Seller must promptly submit this Contract according to the terms and conditions of such right. If the holder of the right of first refusal exercises such right or the holder of a right to approve disapproves this Contract, this Contract will terminate. If the right of first refusal is waived explicitly or expires, or the Contract is approved, this Contract will remain in full force and effect. Seller must promptly notify Buyer in writing of the foregoing. If expiration or waiver of the right of first refusal or approval of this Contract has not occurred on or before **Right of First Refusal Deadline** (§ 3), this Contract will then terminate.

8.7. **Title Advisory.** The Title Documents affect the title, ownership and use of the Property and should be reviewed carefully. Additionally, other matters not reflected in the Title Documents may affect the title, ownership and use of the Property, including, without limitation, boundary lines and encroachments, set-back requirements, area, zoning, building code violations, unrecorded easements and claims of easements, leases and other unrecorded agreements, water on or under the Property, and various laws and governmental regulations concerning land use, development and environmental matters. **The surface estate may be owned separately from the underlying mineral estate, and transfer of the surface estate does not necessarily include transfer of the mineral rights or water rights. Third parties may hold interests in oil, gas, other minerals, geothermal energy or water on or under the Property, which interests may give them rights to enter and use the Property.** Such matters, and others, may be excluded from or not covered by the owner's title insurance policy. Buyer is advised to timely consult legal counsel with respect to all such matters as there are strict time limits provided in this Contract [e.g., **Record Title Objection Deadline** (§ 3) and **Off-Record Title Objection Deadline** (§ 3)].

9. CURRENT SURVEY REVIEW.

9.1. **Current Survey Conditions.** If the box in § 9.1.1 or § 9.1.2 is checked, Buyer, the issuer of the Title Commitment or the provider of the opinion of title if an Abstract of Title, and Buyer's lender, if any will receive an Improvement Location Certificate, Improvement Survey Plat or other form of survey set forth in § 9.1.2 (collectively, **Current Survey**), on or before **Current Survey Deadline** (§ 3). The Current Survey will be certified by the surveyor to all those who are to receive the Current Survey.

☐ 9.1.1. **Improvement Location Certificate.** If the box in this § 9.1.1 is checked, ☐ Seller ☐ Buyer will order or provide, and pay, on or before Closing, the cost of an Improvement Location Certificate.

☒ 9.1.2. **Other Survey.** If the box in this § 9.1.2 is checked, a Current Survey, other than an Improvement Location Certificate, will be an ☐ **Improvement Survey Plat** or ☒ **Land Survey Plat**. The parties agree that payment of the cost of the Current Survey and obligation to order or provide the Current Survey are as follows:

Seller shall provide Buyer with a Land Survey Plat showing the improvements on the Property.

The survey will be certified to the title company, the Seller and to the Buyer and the Buyer's lender.

9.2. **Current Survey Objection.** Buyer has the right to review and object to the Current Survey. If the Current Survey is not timely received by Buyer or is unsatisfactory to Buyer, in Buyer's sole subjective discretion, Buyer may, on or before **Current Survey Objection Deadline** (§ 3), notwithstanding § 8.3 or § 13:

9.2.1. **Notice to Terminate.** Notify Seller in writing that this Contract is terminated; or

9.2.2. **Current Survey Objection.** Deliver to Seller a written description of any matter that was to be shown or is shown in the Current Survey that is unsatisfactory and that Buyer requires Seller to correct.

9.3. **Current Survey Resolution.** If a Current Survey Objection is received by Seller, on or before **Current Survey Objection Deadline** (§ 3), and if Buyer and Seller have not agreed in writing to a settlement thereof on or before **Current Survey Resolution Deadline** (§ 3), this Contract will terminate on the **Current Survey Resolution Deadline** (§ 3), unless Seller receives Buyer's written withdrawal of the Current Survey Objection before such termination, i.e., on or before expiration of **Current Survey Resolution Deadline** (§ 3).

[Handwritten signatures]

10. PROPERTY DISCLOSURE, INSPECTION, INDEMNITY, INSURABILITY AND DUE DILIGENCE.

10.1. Seller's Property Disclosure. On or before Seller's **Property Disclosure Deadline** (§ 3), Seller agrees to deliver to Buyer the most current version of the applicable Colorado Real Estate Commission's Seller's Property Disclosure form completed by Seller to Seller's actual knowledge, current as of the date of this Contract.

10.2. Inspection Objection. Unless otherwise provided in this Contract, Buyer acknowledges that Seller is conveying the Property to Buyer in an "as is" condition, "where is" and "with all faults." Colorado law requires that Seller disclose to Buyer any latent defects actually known by Seller. Disclosure of latent defects must be in writing. Buyer, acting in good faith, has the right to have inspections (by one or more third parties, personally or both) of the Property and Inclusions (Inspection), at Buyer's expense. If (1) the physical condition of the Property, including, but not limited to, the roof, walls, structural integrity of the Property, the electrical, plumbing, HVAC and other mechanical systems of the Property, (2) the physical condition of the Inclusions, (3) service to the Property (including utilities and communication services), systems and components of the Property (e.g. heating and plumbing), (4) any proposed or existing transportation project, road, street or highway, or (5) any other activity, odor or noise (whether on or off the Property) and its effect or expected effect on the Property or its occupants is unsatisfactory, in Buyer's sole subjective discretion, Buyer may, on or before **Inspection Objection Deadline** (§ 3):

10.2.1. Notice to Terminate. Notify Seller in writing that this Contract is terminated; or

10.2.2. Inspection Objection. Deliver to Seller a written description of any unsatisfactory physical condition that Buyer requires Seller to correct.

10.3. Inspection Resolution. If an Inspection Objection is received by Seller, on or before **Inspection Objection Deadline** (§ 3), and if Buyer and Seller have not agreed in writing to a settlement thereof on or before **Inspection Resolution Deadline** (§ 3), this Contract will terminate on **Inspection Resolution Deadline** (§ 3) unless Seller receives Buyer's written withdrawal of the Inspection Objection before such termination, i.e., on or before expiration of **Inspection Resolution Deadline** (§ 3).

10.4. Damage, Liens and Indemnity. Buyer, except as otherwise provided in this Contract or other written agreement between the parties, is responsible for payment for all inspections, tests, surveys, engineering reports, or other reports performed at Buyer's request (Work) and must pay for any damage that occurs to the Property and Inclusions as a result of such Work. Buyer must not permit claims or liens of any kind against the Property for Work performed on the Property. Buyer agrees to indemnify, protect and hold Seller harmless from and against any liability, damage, cost or expense incurred by Seller and caused by any such Work, claim, or lien. This indemnity includes Seller's right to recover all costs and expenses incurred by Seller to defend against any such liability, damage, cost or expense, or to enforce this section, including Seller's reasonable attorney fees, legal fees and expenses. The provisions of this section survive the termination of this Contract. This § 10.4 does not apply to items performed pursuant to an Inspection Resolution.

10.5. Insurability. Buyer has the right to review and object to the availability, terms and conditions of and premium for property insurance (Property Insurance). Buyer has the Right to Terminate under § 25.1, on or before **Property Insurance Objection Deadline** (§ 3), based on any unsatisfactory provision of the Property Insurance, in Buyer's sole subjective discretion.

10.6. Due Diligence.

10.6.1. Due Diligence Documents. If the respective box is checked, Seller agrees to deliver copies of the following documents and information pertaining to the Property (Due Diligence Documents) to Buyer on or before **Due Diligence Documents Delivery Deadline** (§ 3):

☒ **10.6.1.1.** All contracts relating to the operation, maintenance and management of the Property;

☒ **10.6.1.2.** Property tax bills for the last 1 years;

☒ **10.6.1.3.** As-built construction plans to the Property and the tenant improvements, including architectural, electrical, mechanical, and structural systems, engineering reports, and permanent Certificates of Occupancy, to the extent now available;

☐ **10.6.1.4.** A list of all Inclusions to be conveyed to Buyer;

☒ **10.6.1.5.** Operating statements for the past 3 years;

☒ **10.6.1.6.** A rent roll accurate and correct to the date of this Contract;

☒ **10.6.1.7.** All current leases, including any amendments or other occupancy agreements, pertaining to the Property. Those leases or other occupancy agreements pertaining to the Property that survive Closing are as follows (Leases):

Dopplemayer CTEC, Inc., Interstate Electric, Inc., Gilbert Engineering, Inc. and Lifloc Technologies, Inc.

☒ **10.6.1.8.** A schedule of any tenant improvement work Seller is obligated to complete but has not yet been completed and capital improvement work either scheduled or in process on the date of this Contract;

☒ **10.6.1.9.** All insurance policies pertaining to the Property and copies of any claims which have been made for the past 2 years;

441 ☒ 10.6.1.10. Soils reports, Surveys and engineering reports or data pertaining to the Property (if not delivered
442 earlier under § 8.3);
443 ☒ 10.6.1.11. Any and all existing documentation and reports regarding Phase I and II environmental reports,
444 letters, test results, advisories, and similar documents respective to the existence or nonexistence of asbestos, PCB transformers, or
445 other toxic hazardous or contaminated substances, and/or underground storage tanks and/or radon gas. If no reports are in Seller's
446 possession or known to Seller, Seller warrants that no such reports are in Seller's possession or known to Seller;
447 ☒ 10.6.1.12. Any *Americans with Disabilities Act* reports, studies or surveys concerning the compliance of
448 the Property with said Act;
449 ☒ 10.6.1.13. All permits, licenses and other building or use authorizations issued by any governmental
450 authority with jurisdiction over the Property and written notice of any violation of any such permits, licenses or use authorizations,
451 if any; and
452 10.6.1.14. Other documents and information:
453
454
455 10.6.2. **Due Diligence Documents Review and Objection.** Buyer has the right to review and object to Due
456 Diligence Documents. If the Due Diligence Documents are not supplied to Buyer or are unsatisfactory in Buyer's sole subjective
457 discretion, Buyer, may, on or before **Due Diligence Documents Objection Deadline** (§ 3):
458 10.6.2.1. **Notice to Terminate.** Notify Seller in writing that this Contract is terminated; or
459 10.6.2.2. **Due Diligence Documents Objection.** Deliver to Seller a written description of any
460 unsatisfactory Due Diligence Documents that Buyer requires Seller to correct.
461 10.6.3. **Due Diligence Documents Resolution.** If a Due Diligence Documents Objection is received by Seller, on
462 or before **Due Diligence Documents Objection Deadline** (§ 3), and if Buyer and Seller have not agreed in writing to a settlement
463 thereof on or before **Due Diligence Documents Resolution Deadline** (§ 3), this Contract will terminate on **Due Diligence**
464 **Documents Resolution Deadline** (§ 3) unless Seller receives Buyer's written withdrawal of the Due Diligence Documents
465 Objection before such termination, i.e., on or before expiration of **Due Diligence Documents Resolution Deadline** (§ 3).
466 10.6.4. **Zoning.** Buyer has the Right to Terminate under § 25.1, on or before **Due Diligence Documents Objection**
467 **Deadline** (§ 3), based on any unsatisfactory zoning and any use restrictions imposed by any governmental agency with jurisdiction
468 over the Property, in Buyer's sole subjective discretion.
469 10.6.5. **Due Diligence – Environmental, ADA.** Buyer has the right to obtain environmental inspections of the
470 Property including Phase I and Phase II Environmental Site Assessments, as applicable. ☐ Seller ☒ Buyer will order or provide
471 ☒ **Phase I Environmental Site Assessment**, ☐ **Phase II Environmental Site Assessment** (compliant with ASTM E1527-05
472 standard practices for Environmental Site Assessments) and/or ☐ _____, at the expense of ☐ Seller ☒
473 Buyer (Environmental Inspection). In addition, Buyer, at Buyer's expense, may also conduct an evaluation whether the Property
474 complies with the *Americans with Disabilities Act* (ADA Evaluation). All such inspections and evaluations must be conducted at
475 such times as are mutually agreeable to minimize the interruption of Seller's and any Seller's tenants' business uses of the
476 Property, if any.
477 If Buyer's Phase I Environmental Site Assessment recommends a Phase II Environmental Site Assessment, the
478 **Environmental Inspection Objection Deadline** (§ 3) will be extended by 15 days (Extended Environmental Inspection
479 Objection Deadline) and if such Extended Environmental Inspection Objection Deadline extends beyond the **Closing Date** (§ 3),
480 the **Closing Date** (§ 3) will be extended a like period of time. In such event, ☐ Seller ☒ Buyer must pay the cost for such Phase
481 II Environmental Site Assessment.
482 Notwithstanding Buyer's right to obtain additional environmental inspections of the Property in this § 10.6.5, Buyer has the
483 Right to Terminate under § 25.1, on or before **Environmental Inspection Objection Deadline** (§ 3), or if applicable the Extended
484 Environmental Inspection Objection Deadline, based on any unsatisfactory results of Environmental Inspection, in Buyer's sole
485 subjective discretion.
486 Buyer has the Right to Terminate under § 25.1, on or before **ADA Evaluation Objection Deadline** (§ 3), based on any
487 unsatisfactory ADA Evaluation, in Buyer's sole subjective discretion.
488 10.7. **Conditional Upon Sale of Property.** This Contract is conditional upon the sale and closing of that certain property
489 owned by Buyer and commonly known as N/A. Buyer has the Right to Terminate under § 25.1
490 effective upon Seller's receipt of Buyer's Notice to Terminate on or before **Conditional Sale Deadline** (§ 3) if such property is not
491 sold and closed by such deadline. This § 10.7 is for the sole benefit of Buyer. If Seller does not receive Buyer's Notice to
492 Terminate on or before **Conditional Sale Deadline** (§ 3), Buyer waives any Right to Terminate under this provision.
493 10.8. **Existing Leases; Modification of Existing Leases; New Leases.** Seller states that none of the Leases to be assigned
494 to the Buyer at the time of Closing contain any rent concessions, rent reductions or rent abatements except as disclosed in the
495 Lease or other writing received by Buyer. Seller will not amend, alter, modify, extend or cancel any of the Leases nor will Seller
496 enter into any new leases affecting the Property without the prior written consent of Buyer, which consent will not be unreasonably
497 withheld or delayed.

498 11. **TENANT ESTOPPEL STATEMENTS.**

BK: [Signature]

11.1. **Tenant Estoppel Statements Conditions.** Buyer has the right to review and object to any Estoppel Statements. Seller must obtain and deliver to Buyer on or before **Tenant Estoppel Statements Deadline** (§ 3), statements in a form and substance reasonably acceptable to Buyer, from each occupant or tenant at the Property (Estoppel Statement) attached to a copy of the Lease stating:

11.1.1. The commencement date of the Lease and scheduled termination date of the Lease;

11.1.2. That said Lease is in full force and effect and that there have been no subsequent modifications or amendments;

11.1.3. The amount of any advance rentals paid, rent concessions given, and deposits paid to Seller;

11.1.4. The amount of monthly (or other applicable period) rental paid to Seller;

11.1.5. That there is no default under the terms of said Lease by landlord or occupant; and

11.1.6. That the Lease to which the Estoppel is attached is a true, correct and complete copy of the Lease demising the premises it describes.

11.2. **Tenant Estoppel Statements Objection.** Buyer has the Right to Terminate under § 25.1, on or before **Tenant Estoppel Statements Objection Deadline** (§ 3), based on any unsatisfactory Estoppel Statement, in Buyer's sole subjective discretion, or if Seller fails to deliver the Estoppel Statements on or before **Tenant Estoppel Statements Deadline** (§ 3). Buyer also has the unilateral right to waive any unsatisfactory Estoppel Statement.

CLOSING PROVISIONS

12. CLOSING DOCUMENTS, INSTRUCTIONS AND CLOSING.

12.1. **Closing Documents and Closing Information.** Seller and Buyer will cooperate with the Closing Company to enable the Closing Company to prepare and deliver documents required for Closing to Buyer and Seller and their designees. If Buyer is obtaining a new loan to purchase the Property, Buyer acknowledges Buyer's lender is required to provide the Closing Company, in a timely manner, all required loan documents and financial information concerning Buyer's new loan. Buyer and Seller will furnish any additional information and documents required by Closing Company that will be necessary to complete this transaction. Buyer and Seller will sign and complete all customary or reasonably required documents at or before Closing.

12.2. **Closing Instructions.** Colorado Real Estate Commission's Closing Instructions ☐ Are ☒ Are Not executed with this Contract.

12.3. **Closing.** Delivery of deed from Seller to Buyer will be at closing (Closing). Closing will be on the date specified as the **Closing Date** (§ 3) or by mutual agreement at an earlier date. The hour and place of Closing will be as designated by _____

12.4. **Disclosure of Settlement Costs.** Buyer and Seller acknowledge that costs, quality, and extent of service vary between different settlement service providers (e.g., attorneys, lenders, inspectors and title companies).

13. **TRANSFER OF TITLE.** Subject to tender of payment at Closing as required herein and compliance by Buyer with the other terms and provisions hereof, Seller must execute and deliver a good and sufficient Special Warranty deed to Buyer, at Closing, conveying the Property free and clear of all taxes except the general taxes for the year of Closing. Except as provided herein, title will be conveyed free and clear of all liens, including any governmental liens for special improvements installed as of the date of Buyer's signature hereon, whether assessed or not. Title will be conveyed subject to:

13.1. Those specific Exceptions described by reference to recorded documents as reflected in the Title Documents accepted by Buyer in accordance with **Record Title** (§ 8.2),

13.2. Distribution utility easements (including cable TV),

13.3. Those specifically described rights of third parties not shown by the public records of which Buyer has actual knowledge and which were accepted by Buyer in accordance with **Off-Record Title** (§ 8.3) and **Current Survey Review** (§ 9),

13.4. Inclusion of the Property within any special taxing district, and

13.5. Other _____.

14. **PAYMENT OF ENCUMBRANCES.** Any encumbrance required to be paid will be paid at or before Closing from the proceeds of this transaction or from any other source.

15. CLOSING COSTS, CLOSING FEE, ASSOCIATION FEES AND TAXES.

15.1. **Closing Costs.** Buyer and Seller must pay, in Good Funds, their respective closing costs and all other items required to be paid at Closing, except as otherwise provided herein.

15.2. **Closing Services Fee.** The fee for real estate closing services must be paid at Closing by ☐ Buyer ☐ Seller ☒ One-Half by Buyer and One-Half by Seller ☐ Other _____

15.3. **Status Letter and Record Change Fees.** Any fees incident to the issuance of Association's statement of assessments (Status Letter) must be paid by ☐ Buyer ☐ Seller ☐ One-Half by Buyer and One-Half by Seller ☒ None.

Any record change fee assessed by the Association including, but not limited to, ownership record transfer fees regardless of name or title of such fee (Association's Record Change Fee) must be paid by ☐ Buyer ☐ Seller ☐ One-Half by Buyer and One-Half by Seller ☒ None.

15.4. Local Transfer Tax. ☐ The Local Transfer Tax of _____% of the Purchase Price must be paid at Closing by ☐ Buyer ☐ Seller ☐ One-Half by Buyer and One-Half by Seller ☒ None.

15.5. Private Transfer Fee. Private transfer fees and other fees due to a transfer of the Property, payable at Closing, such as community association fees, developer fees and foundation fees, must be paid at Closing by ☐ Buyer ☐ Seller ☐ One-Half by Buyer and One-Half by Seller ☒ None. The Private Transfer fee, whether one or more, is for the following association(s): _____ in the total amount of _____% of the Purchase Price or \$_____.

15.6. Water Transfer Fees. The Water Transfer Fees can change. The fees, as of the date of this Contract, do not exceed \$_____ for:

☐ Water Stock/Certificates ☐ Water District
☐ Augmentation Membership ☐ Small Domestic Water Company ☐ _____
and must be paid at Closing by ☐ Buyer ☐ Seller ☐ One-Half by Buyer and One-Half by Seller ☒ None.

15.7. Sales and Use Tax. Any sales and use tax that may accrue because of this transaction must be paid when due by ☐ Buyer ☐ Seller ☐ One-Half by Buyer and One-Half by Seller ☒ None.

16. PRORATIONS. The following will be prorated to the Closing Date (§ 3), except as otherwise provided:

16.1. Taxes. Personal property taxes, if any, special taxing district assessments, if any, and general real estate taxes for the year of Closing, based on ☐ Taxes for the Calendar Year Immediately Preceding Closing ☐ Most Recent Mill Levy and Most Recent Assessed Valuation, or ☐ Other _____.

16.2. Rents. Rents based on ☒ Rents Actually Received ☐ Accrued. At Closing, Seller will transfer or credit to Buyer the security deposits for all Leases assigned, or any remainder after lawful deductions, and notify all tenants in writing of such transfer and of the transferee's name and address. Seller must assign to Buyer all Leases in effect at Closing and Buyer must assume Seller's obligations under such Leases.

16.3. Association Assessments. Current regular Association assessments and dues (Association Assessments) paid in advance will be credited to Seller at Closing. Cash reserves held out of the regular Association Assessments for deferred maintenance by the Association will not be credited to Seller except as may be otherwise provided by the Governing Documents. Buyer acknowledges that Buyer may be obligated to pay the Association, at Closing, an amount for reserves or working capital. Any special assessment assessed prior to Closing Date (§ 3) by the Association will be the obligation of ☐ Buyer ☐ Seller. Except however, any special assessment by the Association for improvements that have been installed as of the date of Buyer's signature hereon, whether assessed prior to or after Closing, will be the obligation of Seller. Seller represents that the Association Assessments are currently payable at approximately \$N/A per _____ and that there are no unpaid regular or special assessments against the Property except the current regular assessments and _____. Such assessments are subject to change as provided in the Governing Documents. Seller agrees to promptly request the Association to deliver to Buyer before Closing Date (§ 3) a current Status Letter.

16.4. Other Prorations. Water and sewer charges, propane, interest on continuing loan, and _____.

16.5. Final Settlement. Unless otherwise agreed in writing, these prorations are final.

17. POSSESSION. Possession of the Property will be delivered to Buyer on Possession Date (§ 3) at Possession Time (§ 3), subject to the Leases as set forth in § 10.6.1.7.

If Seller, after Closing, fails to deliver possession as specified, Seller will be subject to eviction and will be additionally liable to Buyer for payment of \$N/A per day (or any part of a day notwithstanding § 18.1) from Possession Date (§ 3) and Possession Time (§ 3) until possession is delivered.

GENERAL PROVISIONS

18. DAY; COMPUTATION OF PERIOD OF DAYS, DEADLINE.

18.1. Day. As used in this Contract, the term "day" means the entire day ending at 11:59 p.m., United States Mountain Time (Standard or Daylight Savings as applicable).

18.2. Computation of Period of Days, Deadline. In computing a period of days, when the ending date is not specified, the first day is excluded and the last day is included (e.g., three days after MEC). If any deadline falls on a Saturday, Sunday or federal or Colorado state holiday (Holiday), such deadline ☒ Will ☐ Will Not be extended to the next day that is not a Saturday, Sunday or Holiday. Should neither box be checked, the deadline will not be extended.

19. **CAUSES OF LOSS, INSURANCE; DAMAGE TO INCLUSIONS AND SERVICES; CONDEMNATION; AND WALK-THROUGH.** Except as otherwise provided in this Contract, the Property, Inclusions or both will be delivered in the condition existing as of the date of this Contract, ordinary wear and tear excepted.

19.1. **Causes of Loss, Insurance.** In the event the Property or Inclusions are damaged by fire, other perils or causes of loss prior to Closing in an amount of not more than ten percent of the total Purchase Price (Property Damage), Seller is obligated to repair the same before **Closing Date** (§ 3). Buyer has the Right to Terminate under § 25.1, on or before **Closing Date** (§ 3), if the Property Damage is not repaired before **Closing Date** (§ 3) or if the damage exceeds such sum. Should Buyer elect to carry out this Contract despite such Property Damage, Buyer is entitled to a credit at Closing for all insurance proceeds that were received by Seller (but not the Association, if any) resulting from such damage to the Property and Inclusions, plus the amount of any deductible provided for in such insurance policy. Such credit must not exceed the Purchase Price. In the event Seller has not received such insurance proceeds prior to Closing, the parties may agree to extend the **Closing Date** (§ 3) or, at the option of Buyer, Seller must assign such proceeds at Closing, plus credit Buyer the amount of any deductible provided for in such insurance policy, but not to exceed the total Purchase Price.

19.2. **Damage, Inclusions and Services.** Should any Inclusion or service (including utilities and communication services), system, component or fixture of the Property (collectively Service), e.g., heating or plumbing, fail or be damaged between the date of this Contract and Closing or possession, whichever is earlier, then Seller is liable for the repair or replacement of such Inclusion or Service with a unit of similar size, age and quality, or an equivalent credit, but only to the extent that the maintenance or replacement of such Inclusion or Service is not the responsibility of the Association, if any, less any insurance proceeds received by Buyer covering such repair or replacement. If the failed or damaged Inclusion or Service is not repaired or replaced on or before Closing or possession, whichever is earlier, Buyer has the Right to Terminate under § 25.1, on or before **Closing Date** (§ 3), or, at the option of Buyer, Buyer is entitled to a credit at Closing for the repair or replacement of such Inclusion or Service. Such credit must not exceed the Purchase Price. If Buyer receives such a credit, Seller's right for any claim against the Association, if any, will survive Closing. Seller and Buyer are aware of the existence of pre-owned home warranty programs that may be purchased and may cover the repair or replacement of such Inclusions.

19.3. **Condemnation.** In the event Seller receives actual notice prior to Closing that a pending condemnation action may result in a taking of all or part of the Property or Inclusions, Seller must promptly notify Buyer, in writing, of such condemnation action. Buyer has the Right to Terminate under § 25.1, on or before **Closing Date** (§ 3), based on such condemnation action, in Buyer's sole subjective discretion. Should Buyer elect to consummate this Contract despite such diminution of value to the Property and Inclusions, Buyer is entitled to a credit at Closing for all condemnation proceeds awarded to Seller for the diminution in the value of the Property or Inclusions but such credit will not include relocation benefits or expenses, or exceed the Purchase Price.

19.4. **Walk-Through and Verification of Condition.** Buyer, upon reasonable notice, has the right to walk through the Property prior to Closing to verify that the physical condition of the Property and Inclusions complies with this Contract.

20. **RECOMMENDATION OF LEGAL AND TAX COUNSEL.** By signing this Contract, Buyer and Seller acknowledge that the respective broker has advised that this Contract has important legal consequences and has recommended the examination of title and consultation with legal and tax or other counsel before signing this Contract.

21. **TIME OF ESSENCE, DEFAULT AND REMEDIES.** Time is of the essence hereof. If any note or check received as Earnest Money hereunder or any other payment due hereunder is not paid, honored or tendered when due, or if any obligation hereunder is not performed or waived as herein provided, the nondefaulting party has the following remedies:

21.1. **If Buyer is in Default:**

☒ 21.1.1. **Specific Performance.** Seller may elect to treat this Contract as canceled, in which case all Earnest Money (whether or not paid by Buyer) will be paid to Seller and retained by Seller; and Seller may recover such damages as may be proper; or Seller may elect to treat this Contract as being in full force and effect and Seller has the right to specific performance or damages, or both.

21.1.2. **Liquidated Damages, Applicable.** This § 21.1.2 applies unless the box in § 21.1.1. is checked. All Earnest Money (whether or not paid by Buyer) will be paid to Seller, and retained by Seller. Both parties will thereafter be released from all obligations hereunder. It is agreed that the Earnest Money specified in § 4.1 is LIQUIDATED DAMAGES, and not a penalty, which amount the parties agree is fair and reasonable and (except as provided in §§ 10.4, 22, 23 and 24), said payment of Earnest Money is SELLER'S ONLY REMEDY for Buyer's failure to perform the obligations of this Contract. Seller expressly waives the remedies of specific performance and additional damages.

21.2. **If Seller is in Default:** Buyer may elect to treat this Contract as canceled, in which case all Earnest Money received hereunder will be returned and Buyer may recover such damages as may be proper, or Buyer may elect to treat this Contract as being in full force and effect and Buyer has the right to specific performance or damages, or both.

22. **LEGAL FEES, COST AND EXPENSES.** Anything to the contrary herein notwithstanding, in the event of any arbitration or litigation relating to this Contract, prior to or after **Closing Date** (§ 3), the arbitrator or court must award to the prevailing party all reasonable costs and expenses, including attorney fees, legal fees and expenses.

B.V.C. *QJ*

661 **23. MEDIATION.** If a dispute arises relating to this Contract, prior to or after Closing, and is not resolved, the parties must first
662 proceed in good faith to submit the matter to mediation. Mediation is a process in which the parties meet with an impartial person
663 who helps to resolve the dispute informally and confidentially. Mediators cannot impose binding decisions. The parties to the
664 dispute must agree, in writing, before any settlement is binding. The parties will jointly appoint an acceptable mediator and will
665 share equally in the cost of such mediation. The mediation, unless otherwise agreed, will terminate in the event the entire dispute is
666 not resolved within thirty days of the date written notice requesting mediation is delivered by one party to the other at the party's
667 last known address. This section will not alter any date in this Contract, unless otherwise agreed.

668 **24. EARNEST MONEY DISPUTE.** Except as otherwise provided herein, Earnest Money Holder must release the Earnest
669 Money following receipt of written mutual instructions, signed by both Buyer and Seller. In the event of any controversy regarding
670 the Earnest Money, Earnest Money Holder is not required to release the Earnest Money. Earnest Money Holder, in its sole
671 subjective discretion, has several options: (1) wait for any proceeding between Buyer and Seller; (2) interplead all parties and
672 deposit Earnest Money into a court of competent jurisdiction, (Earnest Money Holder is entitled to recover court costs and
673 reasonable attorney and legal fees incurred with such action); or (3) provide notice to Buyer and Seller that unless Earnest Money
674 Holder receives a copy of the Summons and Complaint or Claim (between Buyer and Seller) containing the case number of the
675 lawsuit (Lawsuit) within one hundred twenty days of Earnest Money Holder's notice to the parties, Earnest Money Holder is
676 authorized to return the Earnest Money to Buyer. In the event Earnest Money Holder does receive a copy of the Lawsuit, and has
677 not interpleaded the monies at the time of any Order, Earnest Money Holder must disburse the Earnest Money pursuant to the Order
678 of the Court. The parties reaffirm the obligation of Mediation (§ 23). This Section will survive cancellation or termination of this
679 Contract.

680 **25. TERMINATION.**

681 **25.1. Right to Terminate.** If a party has a right to terminate, as provided in this Contract (Right to Terminate), the
682 termination is effective upon the other party's receipt of a written notice to terminate (Notice to Terminate), provided such written
683 notice was received on or before the applicable deadline specified in this Contract. If the Notice to Terminate is not received on or
684 before the specified deadline, the party with the Right to Terminate accepts the specified matter, document or condition as
685 satisfactory and waives the Right to Terminate under such provision.

686 **25.2. Effect of Termination.** In the event this Contract is terminated, all Earnest Money received hereunder will be
687 returned and the parties are relieved of all obligations hereunder, subject to §§ 10.4, 22, 23 and 24.

688 **26. ENTIRE AGREEMENT, MODIFICATION, SURVIVAL.** This Contract, its exhibits and specified addenda, constitute
689 the entire agreement between the parties relating to the subject hereof, and any prior agreements pertaining thereto, whether oral or
690 written, have been merged and integrated into this Contract. No subsequent modification of any of the terms of this Contract is
691 valid, binding upon the parties, or enforceable unless made in writing and signed by the parties. Any right or obligation in this
692 Contract that, by its terms, exists or is intended to be performed after termination or Closing survives the same.

693 **27. NOTICE, DELIVERY, AND CHOICE OF LAW.**

694 **27.1. Physical Delivery.** All notices must be in writing, except as provided in § 27.2. Any document, including a signed
695 document or notice, from or on behalf of Seller, and delivered to Buyer is effective when physically received by Buyer, any
696 signatory on behalf of Buyer, any named individual of Buyer, any representative of Buyer, or Brokerage Firm of Broker working
697 with Buyer (except for delivery, after Closing, of the notice requesting mediation described in § 23 and except as provided in
698 § 27.2). Any document, including a signed document or notice, from or on behalf of Buyer, and delivered to Seller is effective
699 when physically received by Seller, any signatory on behalf of Seller, any named individual of Seller, any representative of Seller,
700 or Brokerage Firm of Broker working with Seller (except for delivery, after Closing, of the notice requesting mediation described
701 in § 23 and except as provided in § 27.2).

702 **27.2. Electronic Delivery.** As an alternative to physical delivery, any document, including a signed document or written
703 notice may be delivered in electronic form only by the following indicated methods: ☒ Facsimile ☒ Email
704 ☒ Internet. If no box is checked, this § 27.2 is not applicable and § 27.1 governs notice and delivery. Documents with original
705 signatures will be provided upon request of any party.

706 **27.3. Choice of Law.** This Contract and all disputes arising hereunder are governed by and construed in accordance with
707 the laws of the State of Colorado that would be applicable to Colorado residents who sign a contract in Colorado for property
708 located in Colorado.

709 **28. NOTICE OF ACCEPTANCE, COUNTERPARTS.** This proposal will expire unless accepted in writing, by Buyer and
710 Seller, as evidenced by their signatures below, and the offering party receives notice of such acceptance pursuant to § 27 on or
711 before Acceptance Deadline Date (§ 3) and Acceptance Deadline Time (§ 3). If accepted, this document will become a contract
712 between Seller and Buyer. A copy of this Contract may be executed by each party, separately, and when each party has executed a
713 copy thereof, such copies taken together are deemed to be a full and complete contract between the parties.

714 29. **GOOD FAITH.** Buyer and Seller acknowledge that each party has an obligation to act in good faith, including but not
715 limited to, exercising the rights and obligations set forth in the provisions of **Financing Conditions and Obligations** (§ 5), **Title**
716 **Insurance, Record Title and Off-Record Title** (§ 8), **Current Survey Review** (§ 9) and **Property Disclosure, Inspection,**
717 **Indemnity, Insurability and Due Diligence** (§ 10).
718

719 **ADDITIONAL PROVISIONS AND ATTACHMENTS**

720 30. **ADDITIONAL PROVISIONS.** (The following additional provisions have not been approved by the Colorado Real Estate
721 Commission.)
722

723
724
725 31. **ATTACHMENTS.**

726 31.1. The following attachments are a part of this Contract:
727 Attachment A
728

729
730 31.2. The following disclosure forms are attached but are not a part of this Contract:
731
732
733
734

735 **SIGNATURES**

Buyer's Name: Lifeloc Technologies, Inc.

Buyer's Name: _____

Buyer's Signature

Date

Buyer's Signature

Date

Address:

12441 West 49th Ave, Suite 4

Wheat Ridge, CO 80033

Address:

Phone No.:

303.431.9500

Phone No.:

Fax No.:

Fax No.:

Electronic Address:

barry@lifeloc.com

Electronic Address:

736 [NOTE: If this offer is being countered or rejected, do not sign this document. Refer to § 32]

Seller's Name: Ward West Properties LLC

Seller's Name: _____

Seller's Signature

Date

Seller's Signature

Date

Address:

905 W. 124th Ave, Suite 220

Westminster, CO 80234

Address:

Phone No.:

Phone No.:

Fax No.:

Fax No.:

Electronic Address:

rwjwestpark@gmail.com

Electronic Address:

737 32. **COUNTER; REJECTION.** This offer is ☐ Countered ☐ Rejected.

738 Initials only of party (Buyer or Seller) who countered or rejected offer _____

739 **END OF CONTRACT TO BUY AND SELL REAL ESTATE**

[Handwritten initials]

33. BROKER'S ACKNOWLEDGMENTS AND COMPENSATION DISCLOSURE.

(To be completed by Broker working with Buyer)

Broker ☐ Does ☐ Does Not acknowledge receipt of Earnest Money deposit and, while not a party to the Contract, agrees to cooperate upon request with any mediation concluded under § 23. Broker agrees that if Brokerage Firm is the Earnest Money Holder and, except as provided in § 24, if the Earnest Money has not already been returned following receipt of a Notice to Terminate or other written notice of termination, Earnest Money Holder will release the Earnest Money as directed by the written mutual instructions. Such release of Earnest Money will be made within five days of Earnest Money Holder's receipt of the executed written mutual instructions, provided the Earnest Money check has cleared.

Broker is working with Buyer as a ☐ Buyer's Agent ☐ Seller's Agent ☐ Transaction-Broker in this transaction.

☐ This is a Change of Status.

Brokerage Firm's compensation or commission is to be paid by ☐ Listing Brokerage Firm ☐ Buyer ☐ Other _____.

Brokerage Firm's Name: _____
Broker's Name: _____

Broker's Signature _____ Date _____

Address: _____

Phone No.: _____
Fax No.: _____
Electronic Address: _____

34. BROKER'S ACKNOWLEDGMENTS AND COMPENSATION DISCLOSURE.

(To be completed by Broker working with Seller)

Broker ☐ Does ☐ Does Not acknowledge receipt of Earnest Money deposit and, while not a party to the Contract, agrees to cooperate upon request with any mediation concluded under § 23. Broker agrees that if Brokerage Firm is the Earnest Money Holder and, except as provided in § 24, if the Earnest Money has not already been returned following receipt of a Notice to Terminate or other written notice of termination, Earnest Money Holder will release the Earnest Money as directed by the written mutual instructions. Such release of Earnest Money will be made within five days of Earnest Money Holder's receipt of the executed written mutual instructions, provided the Earnest Money check has cleared.

Broker is working with Seller as a ☐ Seller's Agent ☐ Buyer's Agent ☒ Transaction-Broker in this transaction.

☐ This is a Change of Status.

Brokerage Firm's compensation or commission is to be paid by ☒ Seller ☐ Buyer ☐ Other _____.

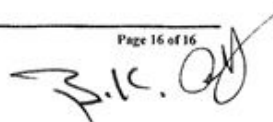
Brokerage Firm's Name: Ronald J. Schaefer, Broker
Broker's Name: Ron Schaefer

Broker's Signature  Date 8/22/14

Address: PO Box 100
Mead, CO 80502

Phone No.: 303.746.1668
Fax No.: 303.430.1972
Electronic Address: rjwestpark@gmail.com

740



RESTRICTIVE COVENANT AND CROSS ACCESS EASEMENT AGREEMENT

This Restrictive Covenant and Cross Access Easement Agreement ("Agreement") is made this 21 day of August, 2014, by and between Lifeloc Technologies, Inc., a Colorado corporation ("Lifeloc"), and Ward West Properties LLC, a Colorado limited liability company ("WWP") [Note – if condo association is still in place, will need to make this agreement with HOA, add provisions regarding authority etc.], each a "Party" and, collectively, the "Parties".

RECITALS

A. Lifeloc owns certain real property located north of West 49th Avenue and west of Ward Road, in Wheat Ridge, CO ("Lifeloc Parcel") as more particularly described in Exhibit A attached.

B. WWP owns certain real property located at the corner of West 49th Avenue and Ward Road, in Wheat Ridge, CO, bordering the Lifeloc Parcel to the north and to the east, as more particularly described in Exhibit B attached (the "WWP Parcel", and together with the Lifeloc Parcel, a "Parcel" or the "Parcels").

C. The WWP Parcel and the Lifeloc Parcel are adjoining parcels and the Parties have determined that mutually shared access and parking along their shared boundary will be beneficial to both Parcels.

D. The Parties have also determined that uniform architecture and landscaping would benefit both Parcels.

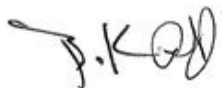
E. Accordingly, the Parties wish to enter into this Agreement to provide for restrictive covenants relating to architecture and landscaping and cross access easements for the benefit of the Parcels, the owners thereof and all future owners of all or any part of the Parcels, according to the terms and conditions set forth in this Agreement.

AGREEMENT

Now, therefore, for and in consideration of the mutual promises herein and other good and valuable consideration, the receipt of which is hereby acknowledged, Lifeloc, its successors and/or assigns, and WWP, its successors and/or assigns, hereby grant, promise and agree as follows:

1. Grant of Easements.

a. **Lifeloc Easement.** Subject to the terms, covenants, agreements and conditions of this Agreement, Lifeloc hereby declares, establishes, creates and grants to WWP a perpetual non-exclusive easement for pedestrian and vehicular access to and from the WWP Parcel, and passenger vehicle parking (including parking of bicycles, mopeds, scooters, motorcycles, passenger cars and trucks) including access to and from such parking spaces (the "Lifeloc



Easement") in and to, over, across and through those portions of the easement area (the "Easement Area") shown on Exhibit C attached hereto.

b. **WWP Easement.** Subject to the terms, covenants, agreements and conditions of this Agreement, WWP hereby declares, establishes, creates, reserves and grants to Lifeloc a perpetual non-exclusive easement for pedestrian and vehicular access to and from the Lifeloc Parcel, passenger vehicle parking (including parking of bicycles, mopeds, scooters, motorcycles, passenger cars and trucks) and access to and from such parking spaces (the "WWP Easement", and together with the Lifeloc Easement, the "Access and Parking Easement") in and to, over, across and through those portions of the Easement Area that border the Lifeloc Parcel.

c. **Access and Parking Easement.** The Access and Parking Easement shall: (i) be for the benefit of WWP and Lifeloc and their respective heirs, transferees, successors and assigns, and all persons claiming under them, as owners of the WWP Parcel and Lifeloc Parcel and any part thereof; (ii) be for use by WWP and Lifeloc and their heirs, transferees, successors, assigns, tenants, agents, employees, visitors, licensees and invitees (including without limitation, emergency vehicles); and (iii) be appurtenant to and for the benefit of, and run with title to, the WWP Parcel and the Lifeloc Parcel.

2. Use of Easements.

a. **Ingress, Egress and Parking.** The Access and Parking Easement shall be for vehicular and pedestrian ingress and egress and passenger vehicle parking (including parking of bicycles, mopeds, scooters, motorcycles, passenger cars and trucks) across the Easement Areas to and from the WWP Parcel and Lifeloc Parcel.

b. **Maintenance.** Each Party on behalf of itself and its successors and/or assigns hereby agrees to be responsible for maintaining the portion of the Easement Areas located on such Party's property, keeping them in a clean, good and safe condition, unless damaged by the other Party, their successors, assigns, tenants, invitees or customers, in which case the damaging Party shall be responsible for any and all costs associated with the repair, remediation and restoration of the damaged area to its previous condition. All maintenance and repair work shall be done by licensed contractors in an expeditious manner and free of any and all mechanic's liens.

c. **Non-Interference.** In its use of the Easement Areas, no Party shall interfere with or obstruct the use and enjoyment of the Easement Areas by the other Parties. Nothing herein shall limit either Party's right to develop and/or improve its property so long as such development and/or improvement is in compliance with this Agreement and does not interfere with the other Party's rights under this Agreement. The amount of parking spaces and size of spaces shall not be reduced by either Party without the prior written consent of the other Party.

d. **No Rights in Public Generally.** The easements and rights created, granted and established in this Agreement do not, are not intended to and shall not be construed to, create any easements, rights or privileges in and for the benefit of the general public.

e. **Indemnity.** Each Party assumes all the risks associated with use of the



Access and Parking Easement. Each Party, its successors and assigns (each, an "Indemnity Party") waives as against the other Indemnity Party and relinquishes all causes of action for personal injury, property damage or wrongful death related to or arising out of the use of the Access and Parking Easement. Each Indemnity Party shall indemnify, defend, and hold the other Indemnity Party harmless against and from all claims (including, without limitation, acts, demands, expenses, costs, reasonable attorneys' fees, court costs and judgments) for death of or injury to persons or loss or destruction of or damage to property (collectively, "Claims") in any way arising out of or caused by use of the Access and Parking Easement by the other Indemnity Party or by any person accessing the Parcels on behalf of the other Indemnity Party. Each Party shall maintain commercial general liability insurance coverage on its Parcel with limits of not less than \$1,000,000 per occurrence/aggregate, so long as this Agreement is in effect. The provisions of this paragraph shall survive the termination of this Agreement.

3. **Landscaping.** Each Party shall, at its sole cost and expense:

- a. Keep and maintain the Parcels in good condition and repair and in compliance with all requirements of governing authorities, including, without limitation, special use permits and the laws, codes and regulations of the City of Wheat Ridge, Colorado;
- b. Generally keep and maintain the current landscaping including (insert).
- c. Replace dead or diseased plants with plants appropriate in hardiness and size, not less than once a year;
- d. Plant seasonal plants and flowers not less than once per year;
- e. Prune shrubs and trees not less than once per year;
- f. Perform other regularly performed landscaping activity, including, but not limited to, the watering, fertilizing and weeding of any grassy areas.

4. **Architecture.**

a. **Alterations.** The owners of the Parcels (each, an "Owner") shall not make any alterations or improvements to the exterior portions of any building currently on the Parcels that materially change the appearance or aesthetics of the building ("Material Improvement"), other than in emergency situations, without obtaining consent from the other Owner, which consent shall not be unreasonably withheld. Notwithstanding the foregoing or any provision hereof to the contrary, an Owner shall not be obligated to obtain prior consent for any alterations or improvements (i) which will cost \$25,000 or less or (ii) relate to the replacement of windows, doors, and any wireless communications equipment, including antennae and satellite receiver dishes, installed on the roof. No Material Improvement shall be made unless first approved in writing by the other Owner, such approval not to be unreasonably withheld. The Owner that wishes to make changes shall submit all architectural or engineering plans, designs, drawings, elevations, and any similar documents necessary to determine the proposed appearance of the Material Improvements (the "Plans") to the other Owner at least thirty (30) days prior to the beginning of any construction of alterations or

P.L.C. GH

improvements. All construction activities shall be planned and carried out with a minimum of disruption, unsightliness and noise, by properly licensed contractors. All Material Improvements shall be constructed only in accordance with approved Plans. Alterations that are completely within an existing building on a Parcel may be undertaken without such approval, by and at the cost of the Owner. All such Improvements shall be insured by and at the cost of said Owner.

b. **Requirement for Approval.** The other Owner shall notify the Owner that submitted the Plans for approval if it has any reasonable objection to the Plans in writing within fifteen (15) days of receipt. If the other Owner has not responded to a request for approval within thirty (30) days of submission of all information requested hereunder, then such request shall be deemed approved. If the other Owner objects (the "Dispute"), the Owners shall first attempt to resolve the Dispute within fifteen (15) days of receipt of such objection. If the Dispute is not resolved within such period, the Owners shall submit the Dispute to binding mediation. The mediator shall be a real estate construction professional or architect with at least ten (10) years' experience. If the Owners fail to agree upon and appoint the mediator within ten (10) business days, then each party shall, within five (5) business days, select an individual satisfying the requirements of the mediator and such individuals shall meet within five (5) business days thereafter and jointly select the mediator. The cost of the mediator shall be paid by the Owners equally; the Owners shall otherwise each be responsible for their own costs incurred in connection herewith. The Owners shall each submit a brief summary of their position in the Dispute, and the mediator shall choose the more reasonable position, which shall be binding on the Owners.

c. **Criteria for Approval.** The other Owner shall approve any proposed Material Improvement if it deems in its reasonable discretion that (a) the Material Improvement in the location indicated will not be detrimental to the appearance of the other Owner's Parcel, and (b) that the appearance of the proposed Material Improvement will be in harmony with the other Owner's Parcel. Specific factors considered in approving Plans include, among other things, conformity and harmony of exterior design, colors and materials with neighboring structures, and relation of the proposed Material Improvement to the natural topography. Repairs shall be considered reasonable if the building on the Parcel is returned to a similar appearance as existed prior to the need for the repair arising.

5. General Provisions.

a. **Amendment.** The provisions of this Agreement may be abrogated, modified, rescinded or amended in whole or in part only by written instrument duly executed by the then current owners of the Parcels affected by such abrogation, modification, rescission or amendment, and recorded in the real property records of Jefferson County, Colorado. No Parcel owner shall unreasonably withhold its approval or execution of any amendment to this Agreement limited to correcting any patent error contained in this Agreement or clarifying or confirming the intent of this Agreement.

b. **Remedies.** If either Party (the "Defaulting Party") should fail to perform any of its obligations under this Agreement within sixty (60) days after the other Party gives the Defaulting Party written notice of such failure (the "Notice Party"), or such longer period as necessitated by the nature of the cure if the Defaulting Party commences within such sixty (60) day



period to cure and diligently pursues to completion, then the Notice Party shall have the right at its option and without further notice, to exercise any remedy available at law or equity, including, without limitation, a suit for specific performance of any obligations set forth in this Agreement or any appropriate injunctive or other equitable relief, or for damages resulting from such default.

c. **Attorneys' Fees.** Other than in a mediation brought under Section 4(b) hereof, in any action brought to enforce or contest any provision of this Agreement, or to obtain a declaration of the rights or responsibilities of any party hereunder, the prevailing Party shall be entitled to recover all costs and expenses, including, without limitation, reasonable attorneys' fees, incurred by such party in connection with such action.

d. **No Waiver.** No provision of this Agreement may be waived except by written instrument signed by the Party to be charged with such waiver. Failure by any Party to this Agreement to enforce any provision of this Agreement shall not constitute a waiver of such provision, and no waiver by any party to this Agreement of any provision of this Agreement on one occasion shall constitute a waiver of any other provision or of the same provision on another occasion.

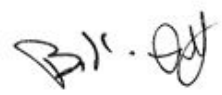
e. **Covenants Running With Land.** This Agreement and each of the provisions of this Agreement touch and concern the WWP Parcel and the Lifeloc Parcel, and shall be covenants running with the land, binding on the WWP Parcel and the Lifeloc Parcel and on WWP and Lifeloc and their respective heirs, transferees, successors and assigns as owners of the WWP Parcel and the Lifeloc Parcel, or any part thereof, and shall inure to the benefit of and be enforceable by WWP and Lifeloc and their respective heirs, transferees, successors and assigns as owners of the Lifeloc Parcel and the WWP Parcel, or any part thereof.

f. **Further Assurances.** WWP, and its heirs, transferees, successors and assigns as owners of the WWP Parcel or any part thereof, shall from time to time execute and deliver to Lifeloc, and its heirs, transferees, successors and assigns as owners of the Lifeloc Parcel or any part thereof, any instruments reasonably requested by Lifeloc or its heirs, transferees, successors and assigns as owners of the Lifeloc Parcel or any part thereof, to effect or confirm any provision of this Agreement. Lifeloc, and its heirs, transferees, successors and assigns as owners of the Lifeloc Parcel or any part thereof, shall from time to time, execute and deliver to WWP, and its heirs, transferees, successors and assigns as owners of the WWP Parcel or any part thereof, any instruments reasonably requested by WWP or its heirs, transferees, successors and assigns as owners of the WWP Parcel or any part thereof, to effect or confirm any provision of this Agreement.

g. **Severability.** If any clause or provision of this Agreement shall be held invalid or unenforceable, the remainder of this Agreement shall not be affected thereby.

h. **Captions.** The section and subsection captions used in this Agreement are included for convenience only, and shall be irrelevant to the construction of any provision of this Agreement.

i. **Notices.** All notices required or permitted under this Agreement shall be in writing and shall be deemed given when a copy thereof, addressed as provided herein, is



actually delivered, personally, by courier, or by certified or registered mail, return receipt requested, or by successful and confirmed facsimile transmission, to the applicable Party at the following address:

All notices to WWP shall be addressed as follows:

All notices to Lifeloc shall be addressed as follows:

12441 West 40th, Suite 4
Wheat Ridge
80033
B.K.

or to their respective successors as the owners of the Lifeloc Parcel and the WWP Parcel, respectively. Each Person entitled to receive notice may change its address for notices by notice given to the other party or owner as provided herein.

j. **Governing Law.** The validity and effect of this Agreement shall be determined in accordance with the laws of the State of Colorado.

k. **Release; No Mechanics Liens.** The use and enjoyment of the easements pursuant to this Agreement shall be at the sole risk of the Party using and enjoying such easements. Lifeloc shall keep the WWP Parcel free and clear of all liens arising out of any work performed, materials furnished, or obligations incurred by Lifeloc. WWP shall keep the Lifeloc Parcel free and clear of all liens arising out of any work performed, materials furnished, or obligations incurred by WWP. The obligations of the parties hereunder shall survive any termination or expiration of this Agreement or any of the easements created hereby.

l. **Binding Effect.** Upon and subject to, the recording of this Agreement as provided below, the benefits and obligations of the covenants in this Agreement shall run with the land described above, and shall bind the respective Parties to this Agreement, their heirs, legal representatives, transferees, successors and assigns. This Agreement shall be recorded with the Clerk and Recorder of Jefferson County, Colorado. Any oral representations or modifications concerning this instrument shall be of no force and effect. This instrument contains the entire agreement between the Parties relating to the above-described cross easement, maintenance and obligations.

m. **Counterparts.** This Agreement, and any amendment hereto, may be executed in any number of counterparts and by each Party on separate counterparts, each of which when so executed and delivered shall be deemed an original and all of which taken together shall constitute one and the same instrument.

B.K. OJ

IN WITNESS WHEREOF, the Parties have executed this Restrictive Covenant and Cross Access Easement Agreement the day and year first above written.

WWP:

WARD WEST PROPERTIES LLC, a Colorado limited liability company

By: _____

Date: _____

LIFELOC:

LIFELOC TECHNOLOGIES, INC., a Colorado corporation

By: Brian W. [Signature]

Date: 8/22/14

[Signature]

STATE OF COLORADO)
) ss.
COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this ____ day of _____,
2014, by _____ as _____ of _____, a _____.

My commission expires: _____

Witness my hand and official seal.

Notary Public

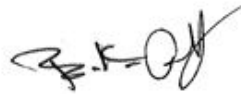
STATE OF COLORADO)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of _____,
2014, by _____ as _____ of LIFELOC TECHNOLOGIES, INC., a
Colorado corporation.

My commission expires: _____

Witness my hand and official seal.

Notary Public



ATTACHMENT A

1. PROPERTY EXAMINATION:

"AS IS"/NO WARRANTY:

1.1.1 Buyer shall thoroughly and diligently inspect the Property.

1.1.2 Seller makes no representations or warranties with respect to the physical condition or any other respect to the physical condition or any other aspect of the Property, including, without limitation, (1) the structural integrity of any improvements on the Property, (2) the conformity of the improvements to any plans or specifications for the Property (including, but not limited to, any plans and specifications that may have been or which may be provided to Buyer), (3) the existence of soil instability, past soil repairs, soil additions or conditions of soil fill, or susceptibility to landslides, (4) the sufficiency of any undershoring, (5) the sufficiency of any drainage, (6) whether the Property is located wholly or partially in a flood plain or a flood hazard boundary or similar area, (7) any other matter affecting the stability or integrity of the land, or any buildings or improvements situated on or as part of the Property or (8) the potential for further development of the Property.

1.1.3 No warranty, of any kind, direct or implied, is made by Seller to Buyer re: the Property.

2. DISCLOSURE

Ronald J. Schaefer, as representative of the Seller, discloses that he is a licensed Colorado Real Estate Broker.

3. SALE

The sale of the Property is subject to all Leases in place, presently with Dopplemayer CTEC, Inc., Interstate Electric, Inc., Gilbert Engineering Inc., and Lifeloc Technologies, Inc.

4. CONDOMINIUM ASSOCIATION

The parties acknowledge the Property is currently part of a condominium association. Seller agrees it will terminate the existing condominium association, Ward West Industrial Park, as to the Property. Buyer and Seller will cooperate after the Closing to effectuate the intent of this provision.

5. RESTRICTIVE COVENANT AND CROSS ACCESS AGREEMENT

Buyer and Seller shall enter into a Restrictive Covenant and Cross Access Agreement in the form attached hereto as Exhibit A.

6. ASSIGNMENT

Notwithstanding Section 2.2, Buyer may assign this Contract to a wholly owned subsidiary at Buyer's election.



Exhibit A
Legal Description of Lifeloc Parcel

RE QY

Exhibit B
Legal Description of WWP Parcel

BY QJ



Loan Agreement

Date of Agreement: October 29, 2014

Principal Amount:	\$1,612,981.00	Account Number:	25-0001103705
--------------------------	-----------------------	------------------------	----------------------

Introduction. This Agreement dated and effective as of October 29, 2014, is entered into between LIFELOC TECHNOLOGIES, INC. (the "Borrower") and Bank of America, N.A (the "Bank"). The Borrower agrees to the following terms and conditions:

1. LOAN

1.1 Loan Amount. The Bank agrees to provide a term loan to the Borrower in the amount of One Million SixHundred Twelve Thousand Nine Hundred Eighty-One and 00/100 Dollars (\$1,612,981.00) (the "Commitment").

1.2 Availability Period. The loan is available in one disbursement from the Bank on the date of this Agreement

1.3 Interest Rate. The interest rate is **4.45%** per year.

1.4 Repayment Terms. The Borrower will repay principal and interest in equal combined installments of Eight Thousand Nine Hundred Seventy-Eight and 06/100 Dollars (\$8,978.06) beginning on November 29, 2014, and on the Last day of each month thereafter, and ending on October 29, 2024 (the "Repayment Period"). In any event, on the last day of the Repayment Period, the Borrower will repay the remaining principal balance plus any interest then due. Each installment, when paid, will be applied first to the payment of interest accrued. The balance of each installment will be applied to the repayment of principal.

1.5 Prepayments.

- (a) The Borrower may prepay the credit in full or in part at any time. The prepayment will be applied to the most remote payment of principal due under this Agreement.
- (b) Each prepayment, whether voluntary, by reason of acceleration or otherwise, will be accompanied by the amount of accrued interest on the amount prepaid, and, if the prepayment is made during a Fixed Interest Rate Period, the prepayment fee described below.
- (c) The prepayment fee is intended to compensate the Bank for the funding costs of the prepaid credit, if any. The prepayment fee will be determined by calculating the funding costs incurred by the Bank, based on the cost of funds at the time the interest rate was fixed, and subtracting the interest income which can be earned by the Bank by reinvesting the prepaid funds at the Reinvestment Rate. The calculation is defined more fully below.
- (d) The "Fixed Interest Rate Period" is the period during which the interest rate in effect at the time of the prepayment does not change. If the Fixed Interest Rate Period does not extend for the entire remaining life of the credit, then the following rules will apply:
 - (i) For any portion of the prepaid principal for which the scheduled payment date is after the end of the Fixed Interest Rate Period, the prepayment fee for that portion shall be calculated based only on the period through the end of the Fixed Interest Rate Period, as described below.
 - (ii) If a prepayment is made on a date on which the interest rate resets, then there will be no prepayment fee.

- (e) The prepayment fee calculation is made separately for each Prepaid Installment. A "Prepaid Installment" is the amount of the prepaid principal that would have been due on a particular scheduled payment date (the "Scheduled Payment Date"). However, as explained in the preceding paragraph, all amounts of the credit which would have been paid after the end of the Fixed Interest Rate Period shall be considered a single Prepaid Installment with a Scheduled Payment Date (for the purposes of this calculation) equal to the last day of the Fixed Interest Rate Period.

- (f) The prepayment fee for a particular Prepaid Installment will be calculated as follows:
 - (i) Calculate the monthly interest payments that would have accrued on the Prepaid Installment through the applicable Scheduled Payment Date, if the prepayment had not been made. The interest payments will be calculated using the Original Cost of Funds Rate.
 - (ii) Next, calculate the monthly interest income which could be earned on the Prepaid Installment if it were reinvested by the Bank at the Reinvestment Rate through the Scheduled Payment Date.
 - (iii) Calculate the monthly differences of the amounts calculated in (i) minus the amounts calculated in (ii). (iv) If the remaining term of the Fixed Interest Rate Period is greater than one year, calculate the present value of the amounts calculated in (iii), using the Reinvestment Rate. The result of the present value calculation is the prepayment fee for the Prepaid Installment.
- (g) Finally, the prepayment fees for all of the Prepaid Installments are added together. The sum, if greater than zero, is the total prepayment fee due to the Bank.
- (h) The following definitions will apply to the calculation of the prepayment fee:
 - (i) "Original Cost of Funds Rate" means the fixed interest rate per annum determined solely by the Bank, at which the Bank would be able to borrow funds in the Bank Funding Markets for the duration of the Fixed Interest Rate Period in the amount of the prepaid principal and with a term, interest payment frequency, and principal repayment schedule matching the prepaid principal.
 - (ii) "Bank Funding Markets" means one or more wholesale funding markets available to the Bank, including the LIBOR, Eurodollar, and SWAP markets as applicable and available, or such other appropriate money market as determined by the Bank in its sole discretion.
 - (iii) "Reinvestment Rate" means the fixed rate per annum, determined solely by the Bank, as the rate at which the Bank would be able to reinvest funds in the amount of the Prepaid Installment in the Bank Funding Markets on the date of prepayment for a period of time approximating the period starting on the date of prepayment and ending on the Scheduled Payment Date.
- (i) The Original Cost of Funds Rate and the Reinvestment Rate are the Bank's estimates only and the Bank is under no obligation to actually purchase or match funds for any transaction or reinvest any prepayment. The Bank may adjust the Original Cost of Funds Rate and the Reinvestment Rate to reflect the compounding, accrual basis, or other costs of the prepaid amount. The rates shall include adjustments for reserve requirements, federal deposit insurance and any other similar adjustment which the Bank deems appropriate. These rates are not fixed by or related in any way to any rate the Bank quotes or pays for deposits accepted through its branch system.

2. COLLATERAL

2.1 Real Property – Parcel #1.

- (a) The Borrower's obligations to the Bank under this Agreement will be secured by a lien covering the following real property owned by the Borrower:

12441 West 49th Ave Units 11-18
Wheat Ridge, CO 80033

3. LOAN ADMINISTRATION AND FEES

3.1 Fees.

- (a) The Borrower will pay to the Bank the fees set forth on Schedule A

3.2 Collection of Payments.

- (a) Payments will be made by debit to a deposit account, if direct debit is provided for in this Agreement or is otherwise authorized by the Borrower. For payments not made by direct debit, payments will be made by mail to the address shown on the Borrower's statement, or by such other method as may be permitted by the Bank.
- (b) Each disbursement by the Bank and each payment by the Borrower will be evidenced by records kept by the Bank which will, absent manifest error, be conclusively presumed to be correct and accurate and constitute an account stated between the Borrower and the Bank.

3.3 Borrower's Instructions.

- (a) Subject to the terms, conditions and procedures stated elsewhere in this Agreement, the Bank may honor instructions for advances or repayments and any other instructions under this Agreement given by the Borrower (if an individual), or by any one of the individuals the Bank reasonably believes is authorized to sign loan agreements on behalf of the Borrower, or any other individual(s) designated by any one of such authorized signers (each an "Authorized Individual"). The Bank may honor any such instructions made by any one of the Authorized Individuals, whether such instructions are given in writing or by telephone, telefax or Internet and intranet websites designated by the Bank with respect to separate products or services offered by the Bank.

3.4 Direct Debit.

- (a) The Borrower agrees that on the due date of any amount due under this Agreement, the Bank will debit the amount due from deposit account number **CO 457023873333** owned by the Borrower, or such other of the Borrower's accounts with the Bank as designated in writing by the Borrower (the "Designated Account"). Should there be insufficient funds in the Designated Account to pay all such sums when due, the full amount of such deficiency shall be immediately due and payable by the Borrower.
- (b) The Borrower may terminate this direct debit arrangement at any time by sending written notice to the Bank. If the Borrower terminates this arrangement, then the principal amount outstanding under this Agreement will at the option of the Bank bear interest at a rate per annum which is one (1.0) percentage point higher than the rate of interest otherwise provided under this Agreement and the amount of each payment will be increased accordingly.

3.5 Banking Days. Unless otherwise provided in this Agreement, a banking day is a day other than a Saturday, Sunday or other day on which commercial banks are authorized to close, or are in fact closed, in the state where the Bank's lending office is located. All payments and disbursements which would be due or which are received on a day which is not a banking day will be due or applied, as applicable, to the credit on the next banking day.

3.6 Interest Calculation. Except as otherwise stated in this Agreement, all interest and fees, if any, will be computed on the basis of a 360-day year and the actual number of days elapsed. This results in more interest or a higher fee than if a 365-day year is used. Installments of principal which are not paid when due under this Agreement shall continue to bear interest until paid.

3.7 Default Rate. Upon the occurrence of any default or after maturity or after judgment has been rendered on any obligation under this Agreement, all amounts outstanding under this Agreement, including any unpaid interest, fees, or costs, will at the option of the Bank bear interest at a rate which is 6.0 percentage point(s) higher than the rate of interest otherwise provided under this Agreement. This may result in compounding of interest. This will not constitute a waiver of any default.

4. CONDITIONS

Before the Bank is required to extend any credit to the Borrower under this Agreement, it must receive any documents and other items it may reasonably require, in form and content acceptable to the Bank, including any items specifically listed below.

4.1 Authorizations. If the Borrower or any guarantor is anything other than a natural person, evidence that the execution, delivery and performance by the Borrower and/or such guarantor of this Agreement and any instrument or agreement required under this Agreement have been duly authorized.

4.2 Governing Documents. If required by the Bank, a copy of the Borrower's organizational documents.

4.3 Perfection and Evidence of Priority. Evidence that the security interests and liens in favor of the Bank are valid enforceable, properly perfected in a manner acceptable to the Bank and prior to all others' rights and interests, except those the Bank consents to in writing. All title documents for motor vehicles which are part of the collateral must show the Bank's interest.

4.4 Payment of Fees. Payment of all fees, expenses and other amounts due and owing to the Bank. If any fee is not paid in cash, the Bank may, in its discretion, treat the fee as a principal advance under this Agreement or deduct the fee from the loan proceeds.

4.5 Deed of Trust. Signed and acknowledged original deed of trust, as required by the Bank, encumbering the real property collateral.

4.6 Title Insurance. An ALTA lender's title insurance policy (on a form acceptable to the Bank and from a title company acceptable to the Bank), for at least One Million Six Hundred Twelve Thousand Nine Hundred Eighty-One and 00/100 Dollars (\$1,612,981.00), insuring the Bank's interest in the real property collateral, with only such exceptions as may be approved by the Bank and together with such endorsements as the Bank may require.

4.7 Environmental Information. A completed Bank form Environmental Questionnaire.

5. REPRESENTATIONS AND WARRANTIES

When the Borrower signs this Agreement, and until the Bank is repaid in full, the Borrower makes the following representations and warranties. Each request for an extension of credit constitutes a renewal of these representations and warranties as of the date of the request:

5.1 Formation. If the Borrower is anything other than a natural person, it is duly formed and existing under the laws of the state or other jurisdiction where organized.

5.2 Authorizations. This Agreement, and any instrument or agreement required under this Agreement, are within the Borrower's powers, have been duly authorized, and do not conflict with any of its organizational papers.

5.3 Good Standing. In each state in which the Borrower does business, it is properly licensed, in good standing, and, where required, in compliance with fictitious name statutes.

5.4 Financial Information. All financial and other information that has been or will be supplied to the Bank is sufficiently complete to give the Bank accurate knowledge of the Borrower's (and any guarantor's) financial condition, including all material contingent liabilities. Since the date of the most recent financial statement provided to the Bank, there has been no material adverse change in the business condition (financial or otherwise), operations, properties or prospects of the Borrower (or any guarantor). If the Borrower is comprised of the trustees of a trust, the above representations shall also pertain to the trustor(s) of the trust.

5.5 Lawsuits. There is no lawsuit, tax claim or other dispute pending or threatened against the Borrower which, if lost, would impair the Borrower's financial condition or ability to repay the loan, except as have been disclosed in writing to the Bank.

5.6 Other Obligations. The Borrower is not in default on any obligation for borrowed money, any purchase money obligation or any other material lease, commitment, contract, instrument or obligation, except as have been disclosed in writing to the Bank.

5.7 Tax Matters. The Borrower has no knowledge of any pending assessments or adjustments of its income tax for any year and all taxes due have been paid, except as have been disclosed in writing to the Bank.

5.8 No Event of Default. There is no event which is, or with notice or lapse of time or both would be a default under this Agreement.

5.9 Collateral. All collateral required in this Agreement is owned by the grantor of the security interest free of any title defects or any liens or interests of others, except those which have been approved by the Bank in writing

5.10 ERISA Plans.

- (a) Each Plan (other than a multiemployer plan) is in compliance in all material respects with ERISA, the Code and other federal or state law, including all applicable minimum funding standards and there have been no prohibited transactions with respect to any Plan (other than a multiemployer plan), which has resulted or could reasonably be expected to result in a material adverse effect.
- (b) With respect to any Plan subject to Title IV of ERISA:
 - (i) No reportable event has occurred under Section 4043(c) of ERISA which requires notice.
 - (ii) No action by the Borrower or any ERISA Affiliate to terminate or withdraw from any Plan has been taken and no notice of intent to terminate a Plan has been filed under Section 4041 or 4042 of ERISA.
- (c) The following terms have the meanings indicated for purposes of this Agreement:
 - (i) "Code" means the Internal Revenue Code of 1986, as amended.
 - (ii) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.
 - (iii) "ERISA Affiliate" means any trade or business (whether or not incorporated) under common control with the Borrower within the meaning of Section 414(b) or (c) of the Code.
 - (iv) "Plan" means a plan within the meaning of Section 3(2) of ERISA maintained or contributed to by the Borrower or any ERISA Affiliate, including any multiemployer plan within the meaning of Section 4001(a)(3) of ERISA.

6. COVENANTS

The Borrower agrees, so long as credit is available under this Agreement and until the Bank is repaid in full:

6.1 Use of Proceeds. To use the proceeds of the credit only for business purposes

6.2 Financial Information. To provide the following financial information and statements in form and content acceptable to the Bank, and such additional information as requested by the Bank from time to time. The Bank reserves the right, upon written notice to the Borrower, to require the Borrower to deliver financial information and statements to the Bank more frequently than otherwise provided below, and to use such additional information and statements to measure any applicable financial covenants in this Agreement.

(a) Within 120 days of Borrower's fiscal year end:

(i) The annual financial statements of the Borrower, certified and dated by an authorized financial officer. These financial statements must be audited (with an opinion satisfactory to the Bank) by a Certified Public Accountant acceptable to the Bank. The statements shall be prepared on a consolidated basis

(ii) Each financial statement of the Borrower required above must be accompanied by a certificate substantially in the form of the Compliance Certificate required by the Bank, signed by the party submitting the information or, if such party is a business entity, an authorized financial officer of the party. The Compliance Certificate shall state whether there existed as of the date of such financial statements, and whether there exists as of the date of the certificate, any event of default under this Agreement and, if any such default exists, specifying the nature thereof and the action the party is taking and proposes to take with respect thereto.

6.3 Basic Fixed Charge Coverage Ratio. To maintain on a consolidated basis a Basic Fixed Charge Coverage Ratio of at least 1.25:1.0.

"Basic Fixed Charge Coverage Ratio" means the ratio of (a) the sum of EBITDA plus lease expense and rent expense, minus income tax, minus dividends, withdrawals, and other distributions, to (b) the sum of interest expense, lease expense, rent expense, the current portion of long term debt and the current portion of capitalized lease obligations.

"EBITDA" means net income, less income or plus loss from discontinued operations and extraordinary items plus income taxes, plus interest expense, plus depreciation, depletion, and amortization.

This ratio will be calculated at the end of each reporting period for which the Bank requires financial statements using the results of the twelve-month period ending with that reporting period. The current portion of long-term liabilities will be measured as of the last day of the calculation period.

6.4 Other Debts. Not to have outstanding or incur any direct or contingent liabilities or lease obligations (other than those to the Bank or to any affiliate of the Bank), or become liable for the liabilities of others, without the Bank's written consent. This does not prohibit:

- (a) Acquiring goods, supplies, or merchandise on normal trade credit.
- (b) Liabilities, lines of credit and leases in existence on the date of this Agreement disclosed in writing to the Bank.
- (c) If the Borrower is a natural person, additional debts of the Borrower as an individual for consumer purposes

6.5 Other Liens. Not to create, assume, or allow any security interest or lien (including judicial liens) on property the Borrower now or later owns, except:

- (a) Liens and security interests in favor of the Bank or any affiliate of the Bank
- (b) Liens outstanding on the date of this Agreement disclosed in writing to the Bank

6.6 Maintenance of Assets.

- (a) Not to sell, assign, lease, transfer or otherwise dispose of any part of the Borrower's business or the Borrower's assets except inventory sold in the ordinary course of the Borrower's business.
- (b) Not to sell, assign, lease, transfer or otherwise dispose of any assets for less than fair market value or enter into any agreement to do so.
- (c) Not to enter into any sale and leaseback agreement covering any of its fixed assets.
- (d) To maintain and preserve all rights, privileges, and franchises the Borrower now has.
- (e) To make any repairs, renewals, or replacements to keep the Borrower's properties in good working condition

6.7 Loans. Not to make any loans, advances or other extensions of credit to any individual or entity except for extensions of credit in the nature of accounts receivable or notes receivable arising from the sale or lease of goods or services in the ordinary course of business to non-affiliated entities.

6.8 Change of Management. Not to make any substantial change in the present executive or management personnel of the Borrower.

6.9 Change of Ownership. If the Borrower is anything other than a natural person, not to cause, permit, or suffer any change in capital ownership such that there is a material change, as determined by the Bank in its sole discretion, in the direct or indirect capital ownership of the Borrower.

6.10 Additional Negative Covenants. Not to, without the Bank's written consent:

- (a) Enter into any consolidation, merger, or other combination, or become a partner in a partnership, a member of a joint venture, or a member of a limited liability company.
- (b) Acquire or purchase a business or its assets, if the purchase price is over One Million Dollars (\$1,000,000.00), in aggregate, from the date of this agreement until the "Repayment Period".

- (c) Engage in any business activities substantially different from the Borrower's present business. (d) Liquidate or dissolve the Borrower's business.

6.11 Notices to Bank. To promptly notify the Bank in writing of:

- (a) Any event of default under this Agreement, or any event which with notice or lapse of time or both, would constitute an event of default.
- (b) Any change in the Borrower's name, legal structure, principal residence, or name on any driver's license or special identification card issued by any state (for an individual), state of registration (for a registered entity), place of business, or chief executive office if the Borrower has more than one place of business.

6.12 Insurance

- (a) General Business Insurance. To maintain insurance as is usual for the business it is in..
- (b) Insurance Covering Collateral. To maintain all risk property damage insurance policies (including without limitation windstorm coverage, and hurricane coverage as applicable) covering the tangible property comprising the collateral. Each insurance policy must be for the full replacement cost of the collateral and include a replacement cost endorsement. The insurance must be issued by an insurance company acceptable to the Bank and must include a lender's loss payable endorsement in favor of the Bank in a form acceptable to the Bank.
- (c) Evidence of Insurance. Upon the request of the Bank, to deliver to the Bank a copy of each insurance policy or, if permitted by the Bank, a certificate of insurance listing all insurance in force.

6.13 Compliance with Laws. To comply with the laws (including any fictitious or trade name statute) regulations, and orders of any government body with authority over the Borrower's business. The Bank shall have no obligation to make any advance to the Borrower except in compliance with all applicable laws and regulations and the Borrower shall fully cooperate with the Bank in complying with all such applicable laws and regulations.

6.14 Books and Records. To maintain adequate books and records.

6.15 Audits. To allow the Bank and its agents to inspect the Borrower's properties and examine audit, and make copies of books and records at any reasonable time. If any of the Borrower's properties, books or records are in the possession of a third party, the Borrower authorizes that third party to permit the Bank or its agents to have access to perform inspections or audits and to respond to the Bank's requests for information concerning such properties, books and records.

6.16 Perfection of Liens. To help the Bank perfect and protect its security interests and liens and reimburse it for related costs it incurs to protect its security interests and liens.

6.17 Cooperation. To take any action reasonably requested by the Bank to carry out the intent of this Agreement.

6.18 Bank as Principal Depository. To maintain the Bank or one of its affiliates as its principal depository bank, including for the maintenance of business, cash management, operating and administrative deposit accounts

6.19 Flood and Other Insurance. If any improved real property collateral is located in a designated flood hazard area, or becomes located in a designated flood hazard area after the date of this Agreement as a result of any re-mapping of flood insurance maps by the Federal Emergency Management Agency, the Borrower will be required to maintain flood insurance on the real property and on any tangible personal property collateral located on the real property. In addition, the Borrower shall maintain such other insurance as the Bank may require to comply with the Bank's regular requirements and practices in similar transactions, which may include earthquake insurance and insurance covering acts of terrorism .

6.20 Inspections and Appraisals of Real Property. To allow the Bank and its agents to visit the real property collateral at any reasonable time for the purpose of inspecting the real property and conducting appraisals, and deliver to the Bank any financial or other information concerning the real property as the Bank may request.

6.21 Use or Leasing of the Real Property Collateral.

- (a) To occupy the real property collateral for the conduct of its regular business The Borrower will not change its intended use of the real property without the Bank's prior written approval.

6.22 Indemnity Regarding Use of Real Property. To indemnify, defend with counsel acceptable to the Bank and hold the Bank harmless from and against all liabilities, claims, actions, damages, costs and expenses (including all legal fees and expenses of Bank's counsel) arising out of or resulting from the construction of any improvements on the real property collateral, or the ownership, operation, or use of the real property collateral, whether such claims are based on theories of derivative liability comparative negligence or otherwise. The Borrower's obligations to the Bank under this Paragraph shall survive termination of this Agreement and repayment of the Borrower's obligations to the Bank under this Agreement, and shall also survive as unsecured obligations after any acquisition by the Bank of the real property collateral or any part of it by foreclosure or any other means.

7. HAZARDOUS SUBSTANCES

7.1 Indemnity Regarding Hazardous Substances. The Borrower agrees to indemnify and hold the Bank harmless from and against all liabilities, claims, actions, foreseeable and unforeseeable consequential damages, costs and expenses (including sums paid in settlement of claims and all consultant, expert and legal fees and expenses of the Bank's counsel) or loss directly or indirectly arising out of or resulting from any of the following:

- (a) Any hazardous substance being present at any time, whether before, during or after any construction in or around any part of the real property collateral securing this Agreement (the "Real Property"), or in the soil, groundwater or soil vapor on or under the Real Property, including those incurred in connection with any investigation of site conditions or any cleanup, remedial, removal or restoration work, or any resulting damages or injuries to the person or property of any third parties or to any natural resources.
- (b) Any use, generation, manufacture, production, storage, release, threatened release, discharge, disposal or presence of a hazardous substance. This indemnity will apply whether the hazardous substance is on, under or about any of the Borrower's property or operations or property leased to the Borrower, whether or not the property has been taken by the Bank as collateral.

Upon demand by the Bank, the Borrower will defend any investigation, action or proceeding alleging the presence of any hazardous substance in any such location, which affects the Real Property or which is brought or commenced against the Bank whether alone or together with the Borrower or any other person, all at the Borrower's own cost and by counsel to be approved by the Bank in the exercise of its reasonable judgment. In the alternative, the Bank may elect to conduct its own defense at the expense of the Borrower. The Borrower's obligations to the Bank under this Article, except the obligation to give notices to the Bank, shall survive termination of this Agreement, repayment of the Borrower's obligations to the Bank under this Agreement, and foreclosure of the deed of trust or mortgage encumbering the Real Property or similar proceedings.

7.2 Representation and Warranty Regarding Hazardous Substances. Before signing this Agreement, the Borrower researched and inquired into the previous uses and ownership of the Real Property. Based on that due diligence, the Borrower represents and warrants that to the best of its knowledge, no hazardous substance has been disposed of or released or otherwise exists in, on, under or onto the Real Property, except as the Borrower has disclosed to the Bank in writing.

7.3 Compliance Regarding Hazardous Substances. The Borrower has complied, and will comply and cause all occupants of the Real Property to comply, with all current and future laws, regulations and ordinances or other requirements of any governmental authority relating to or imposing liability or standards of conduct concerning protection of health or the environment or hazardous substances ("Environmental Laws"). The Borrower shall promptly, at the Borrower's sole cost and expense, take all reasonable actions with respect to any hazardous substances or other environmental condition at, on, or under the Real Property necessary to (i) comply with all applicable Environmental Laws; (ii) allow continued use, occupation or operation of the Real Property; or (iii) maintain the fair market value of the Real Property. The Borrower acknowledges that hazardous substances may permanently and materially impair the value and use of the Real Property.

7.4 Notices Regarding Hazardous Substances. Until full repayment of the loan, the Borrower will promptly notify the Bank in writing if it knows, suspects or believes there may be any hazardous substance in or around the Real Property, or in the soil, groundwater or soil vapor on or under the Real Property, or that the Borrower or the Real Property may be subject to any threatened or pending investigation by any governmental agency under any current or future law, regulation or ordinance pertaining to any hazardous substance.

7.5 Site Visits, Observations and Testing. The Bank and its agents and representatives will have the right at any reasonable time, after giving reasonable notice to the Borrower, to enter and visit the Real Property and any other locations where any personal property collateral securing this Agreement is located, for the purposes of observing the Real Property and the personal property collateral, taking and removing environmental samples, and conducting tests on any part of the Real Property. The Borrower shall reimburse the Bank on demand for the costs of any such environmental investigation and testing. The Bank will make reasonable efforts during any site visit, observation or testing conducted pursuant to this paragraph to avoid interfering with the Borrower's use of the Real Property and the personal property collateral. The Bank is under no duty, however, to visit or observe the Real Property or the personal property collateral or to conduct tests, and any such acts by the Bank will be solely for the purposes of protecting the Bank's security and preserving the Bank's rights under this Agreement. No site visit, observation or testing or any report or findings made as a result thereof ("Environmental Report") (i) will result in a waiver of any default of the Borrower; (ii) impose any liability on the Bank; or (iii) be a representation or warranty of any kind regarding the Real Property or the personal property collateral (including its condition or value or compliance with any laws) or the Environmental Report (including its accuracy or completeness). In the event the Bank has a duty or obligation under applicable laws, regulations or other requirements to disclose an Environmental Report to the Borrower or any other party, the Borrower authorizes the Bank to make such a disclosure. The Bank may also disclose an Environmental Report to any regulatory authority, and to any other parties as necessary or appropriate in the Bank's judgment. The Borrower further understands and agrees that any Environmental Report or other information regarding a site visit, observation or testing that is disclosed to the Borrower by the Bank or its agents and representatives is to be evaluated (including any reporting or other disclosure obligations of the Borrower) by the Borrower without advice or assistance from the Bank.

7.6 Definition of Hazardous Substance. "Hazardous substance" means any substance, material or waste that is or becomes designated or regulated as "toxic," "hazardous," "pollutant," or "contaminant" or a similar designation or regulation under any current or future federal, state or local law (whether under common law, statute, regulation or otherwise) or judicial or administrative interpretation of such, including without limitation petroleum or natural gas.

8. DEFAULT AND REMEDIES

If an event of default under Section 8 has occurred and is continuing beyond any applicable cure period without limiting any of the Bank's rights and remedies in this Agreement, if any of the following events of default occurs, the Bank may do one or more of the following without prior notice: declare the Borrower in default, stop making any additional credit available to the Borrower, and require the Borrower to repay its entire debt immediately. If an event which, with notice or the passage of time, will constitute an event of default has occurred and is continuing, the Bank has no obligation to make advances or extend additional credit under this Agreement. In addition, if any event of default occurs the Bank shall have all rights, powers and remedies available under any instruments and agreements required by or executed in connection with this Agreement, as well as all rights and remedies available at law or in equity. If an event of default occurs under the paragraph entitled "Bankruptcy/Receivers," below with respect to the Borrower, then the entire debt outstanding under this Agreement will automatically be due immediately. Notwithstanding the foregoing, it shall not be an event of default, and Bank shall have no additional remedies unless and until Borrower has been provided a thirty (30) day opportunity to cure any of 8.2, 8.3, 8.4, 8.9, 8.11 and 8.13 below.

8.1 Failure to Pay. If an event of default under Section 8 has occurred and is continuing beyond any applicable cure period, the Borrower fails to make a payment under the Agreement within ten (10) days of when due.

8.2 Covenants. If an event of default under Section 8 has occurred and is continuing beyond any applicable cure period, any default in the performance of or compliance with any obligation, agreement or other provision contained in this Agreement (other than those specifically described as an event of default in this Article).

8.3 Other Bank Agreements. If an event of default under Section 8 has occurred and is continuing beyond any applicable cure period, any default occurs under any guaranty, subordination agreement, security agreement, deed of trust, mortgage, or other document required by or delivered in connection with this Agreement or any such document is no longer in effect, or any guarantor purports to revoke or disavow the guaranty; or any representation or warranty made by any guarantor is false when made or deemed to be made; or any default occurs under any other agreement the Borrower (or any Obligor) has with the Bank or any affiliate of the Bank. For purposes of this Agreement, "Obligor" shall mean any guarantor, any party pledging collateral to the Bank or, if the Borrower is comprised of the trustees of a trust, any trustor.

8.4 Cross-default. If an event of default under Section 8 has occurred and is continuing beyond any applicable cure period, any default occurs under any agreement in connection with any credit the Borrower (or any Obligor) has obtained from anyone else or which the Borrower (or any Obligor) or any of the Borrower's related entities or affiliates has guaranteed.

8.5 False Information. The Borrower or any Obligor has given the Bank false or misleading information or representations.

8.6 Bankruptcy/Receivers. The Borrower, any Obligor, or any general partner of the Borrower or of any Obligor files a bankruptcy petition, a bankruptcy petition is filed against any of the foregoing parties and such petition is not dismissed within a period of forty-five (45) days after the filing, or the Borrower, any Obligor, or any general partner of the Borrower or of any Obligor makes a general assignment for the benefit of creditors; or a receiver or similar official is appointed for a substantial portion of Borrower's or any Obligor's business; or the business is terminated, or such Obligor is liquidated or dissolved.

8.7 Revocation or Termination. If the Borrower is comprised of the trustee(s) of a trust, the trust is revoked or otherwise terminated or all or a substantial part of the Borrower's assets are distributed or otherwise disposed of.

8.8 Lien Priority. The Bank fails to have an enforceable first lien (except for any prior liens to which the Bank has consented in writing) on or security interest in any property given as security for this Agreement (or any guaranty).

8.9 Judgments. If an event of default under Section 8 has occurred and is continuing beyond any applicable cure period, any judgments or arbitration awards are entered against the Borrower or any Obligor.

8.10 Death. If the Borrower or any Obligor is a natural person, the Borrower or such Obligor dies or becomes legally incompetent; if the Borrower or any Obligor is a trust, a trustor dies or becomes legally incompetent; if the Borrower or any Obligor is a partnership, any general partner dies or becomes legally incompetent.

8.11 Material Adverse Change. If an event of default under Section 8 has occurred and is continuing beyond any applicable cure period, any material adverse change occurs, or is reasonably likely to occur, in the Borrower's (or any Obligor's) business condition (financial or otherwise), operations, or properties, or ability to repay the credit.

8.12 Government Action. Any government authority takes action that the Bank believes materially adversely affects the Borrower's or any Obligor's financial condition or ability to repay.

8.13 ERISA Plans. If an event of default under Section 8 has occurred and is continuing beyond any applicable cure period, a reportable event occurs under Section 4043(c) of ERISA, or any Plan termination (or commencement of proceedings to terminate a Plan) or the full or partial withdrawal from a Plan under Section 4041 or 4042 of ERISA occurs; provided such event or events could reasonably be expected, in the judgment of the Bank, to have a material adverse effect.

9. ENFORCING THIS AGREEMENT; MISCELLANEOUS

9.1 GAAP. Except as otherwise stated in this Agreement, all financial information provided to the Bank and all financial covenants will be made under generally accepted accounting principles, consistently applied or another basis acceptable to the Bank.

9.2 Governing Law. Except to the extent that any law of the United States may apply, this Agreement shall be governed and interpreted according to the laws of Colorado (the "Governing Law State"), without regard to any choice of law, rules or principles to the contrary. Nothing in this paragraph shall be construed to limit or otherwise affect any rights or remedies of the Bank under federal law.

9.3 Venue and Jurisdiction. The Borrower agrees that any action or suit against the Bank arising out of or relating to this Agreement shall be filed in federal court or state court located in the Governing Law State. The Borrower agrees that the Bank shall not be deemed to have waived its rights to enforce this section by filing an action or suit against the Borrower in a venue outside of the Governing Law State. If the Bank does commence an action or suit arising out of or relating to this Agreement, the Borrower agrees that the case may be filed in federal court or state court in the Governing Law State. The Bank reserves the right to commence an action or suit in any other jurisdiction where the Borrower, any Guarantor, or any collateral has any presence or is located. The Borrower consents to personal jurisdiction and venue in such forum selected by the Bank and waives any right to contest jurisdiction and venue and the convenience of any such forum. The provisions of this section are material inducements to the Bank's acceptance of this Agreement.

9.4 Successors and Assigns. This Agreement is binding on the Borrower's and the Bank's successors and assignees. The Borrower agrees that it may not assign this Agreement without the Bank's prior consent.

9.5 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION HERewith OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (a) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (b) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER DOCUMENTS CONTEMPLATED HEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION AND (c) CERTIFIES THAT THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE.

9.6 Severability; Waivers. If any part of this Agreement is not enforceable, the rest of the Agreement may be enforced. The Bank retains all rights, even if it makes a loan after default. If the Bank waives a default, it may enforce a later default. Any consent or waiver under this Agreement must be in writing.

9.7 Expenses.

- (a) The Borrower shall pay to the Bank immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees, expended or incurred by the Bank in connection with (i) the negotiation and preparation of this Agreement and any related agreements, the Bank's continued administration of this Agreement and such related agreements, and the preparation of any amendments and waivers related to this Agreement or such related agreements, (ii) filing, recording and search fees, appraisal fees, field examination fees, title report fees, and documentation fees with respect to any collateral and books and records of the Borrower or any Obligor, (iii) the Bank's costs or losses arising from any changes in law which are allocated to this Agreement or any credit outstanding under this Agreement, and (iv) costs or expenses required to be paid by the Borrower or any Obligor that are paid, incurred or advanced by the Bank.
- (b) The Borrower will indemnify and hold the Bank harmless from any loss, liability, damages, judgments, and costs of any kind relating to or arising directly or indirectly out of (i) this Agreement or any document required hereunder, (ii) any credit extended or committed by the Bank to the Borrower hereunder, and (iii) any litigation or proceeding related to or arising out of this Agreement, any such document, or any such credit, including, without limitation, any act resulting from the Bank complying with instructions the Bank reasonably believes are made by any Authorized Individual. This paragraph will survive this Agreement's termination, and will benefit the Bank and its officers, employees, and agents.
- (c) The Borrower shall reimburse the Bank for any reasonable costs and attorneys' fees incurred by the Bank in connection with (i) the enforcement or preservation of the Bank's rights and remedies and/or the collection of any obligations of the Borrower which become due to the Bank and in connection with any "workout" or restructuring, and (ii) the prosecution or defense of any action in any way related to this Agreement, the credit provided hereunder or any related agreements, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by the Bank or any other person) relating to the Borrower or any other person or entity.

9.8 Individual Liability. If the Borrower is a natural person, the Bank may proceed against the Borrower's business and non-business property in enforcing this and other agreements relating to this loan. If the Borrower is a partnership, the Bank may proceed against the business and non-business property of each general partner of the Borrower in enforcing this and other agreements relating to this loan.

9.9 Joint and Several Liability. If two or more Borrowers sign this Agreement, each Borrower agrees that it is jointly and severally liable to the Bank for the payment of all obligations arising under this Agreement, and that such liability is independent of the obligations of the other Borrowers.

9.10 Set-Off. Upon and after the occurrence of an event of default under this Agreement, (a) the Borrower hereby authorizes the Bank, at any time and from time to time, without notice, which is hereby expressly waived by the Borrower, and whether or not the Bank shall have declared any credit subject hereto to be due and payable in accordance with the terms hereof, to set off against, and to appropriate and apply to the payment of, the Borrower's Obligations (whether matured or unmatured, fixed or contingent, liquidated or unliquidated), any and all amounts owing by the Bank to the Borrower (whether payable in U.S. dollars or any other currency, whether matured or unmatured, and in the case of deposits, whether general or special (except trust and escrow accounts), time or demand and however evidenced), and (b) pending any such action, to the extent necessary, to hold such amounts as collateral to secure such Obligations and to return as unpaid for insufficient funds any and all checks and other items drawn against any deposits so held as the Bank, in its sole discretion, may elect. The Borrower hereby grants to the Bank a security interest in all deposits and accounts maintained with the Bank to secure the payment of all Obligations of the Borrower to the Bank under this Agreement and all agreements, instruments and documents related to this Agreement. "Obligations" means all obligations, now or hereafter existing, of the Borrower to the Bank under this Agreement and under any other agreement or instrument executed in connection with this Agreement.

9.11 One Agreement. This Agreement and any related security or other agreements required by this Agreement constitute the entire agreement between the Borrower and the Bank with respect to each credit subject hereto and supersede all prior negotiations, communications, discussions and correspondence concerning the subject matter hereof.

In the event of any conflict between this Agreement and any other agreements required by this Agreement, this Agreement will prevail.

9.12 Notices. Unless otherwise provided in this Agreement or in another agreement between the Bank and the Borrower, all notices required under this Agreement shall be personally delivered or sent by first class mail, postage prepaid, or by overnight courier to the addresses on the signature page of this Agreement, or to such other addresses as the Bank and the Borrower may specify from time to time in writing. Notices and other communications shall be effective (i) if mailed, upon the earlier of receipt or five (5) days after deposit in the U.S. mail, first class, postage prepaid, or (ii) if hand-delivered, by courier or otherwise (including telegram, lettergram or mailgram), when delivered.

9.13 Headings. Article and paragraph headings are for reference only and shall not affect the interpretation or meaning of any provisions of this Agreement.

9.14 Counterparts. This Agreement may be executed in any number of counterparts, each of which, when so executed, shall be deemed to be an original, and all of which when taken together shall constitute one and the same Agreement. Delivery of an executed counterpart of this Agreement (or of any agreement or document required by this Agreement and any amendment to this Agreement) by telecopy or other electronic imaging means shall be as effective as delivery of a manually executed counterpart of this Agreement; provided, however, that the telecopy or other electronic image shall be promptly followed by an original if required by the Bank.

9.15 Borrower Information; Reporting to Credit Bureaus. The Borrower authorizes the Bank at any time to verify or check any information given by the Borrower to the Bank, check the Borrower's credit references, verify employment, and obtain credit reports. The Borrower agrees that the Bank shall have the right at all times to disclose and report to credit reporting agencies and credit rating agencies such information pertaining to the Borrower and/or all guarantors as is consistent with the Bank's policies and practices from time to time in effect.

9.16 Customary Advertising Material. The Borrower and each Obligor consent to the publication by the Bank of customary advertising material relating to the transactions contemplated hereby using the name, product photographs, logo or trademark of the Borrower or such Obligor.

9.17 Amendments. This Agreement may be amended or modified only in writing signed by each party hereto.

This Agreement is executed as of the date stated at the top of the first page. Bank:

Bank of America, N.A.

By: /s/ Kirk R. Fronckiewicz

Kirk R. Fronckiewicz, Senior Vice President

Borrower:

LIFELOC TECHNOLOGIES, INC.

By: /s/ Barry Knott

Barry Knott, President/CEO

Address where notices to LIFELOC TECHNOLOGIES, INC. are to be sent:

12441 West 49th Ave Unit 4
Wheat Ridge, CO 80033
US

Telephone: 303-431-9500

Address where notices to the Bank are to be sent:

Bank of America, N.A.
Doc Retention Center
CT2-515-BB-03
70 Batterson Park Road
Farmington, CT 06032

Facsimile:
866-255-9922

Federal law requires Bank of America N.A. (the "Bank") to provide the following notice. The notice is not part of the foregoing agreement or instrument and may not be altered. Please read the notice carefully.

(1) USA PATRIOT ACT NOTICE

Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account or obtains a loan. The Bank will ask for the Borrower's legal name, address, tax ID number or social security number and other identifying information. The Bank may also ask for additional information or documentation or take other actions reasonably necessary to verify the identity of the Borrower, guarantors or other related persons.

SCHEDULE A FEES

- (a) Loan Fee. The Borrower agrees to pay a loan fee in the amount of Seven Thousand Five Hundred and 00/100 Dollars (\$7,500.00). This fee is due on the date of this Agreement.
- (b) Waiver Fee. If the Bank, at its discretion, agrees to waive or amend any terms of this Agreement, the Borrower will, at the Bank's option, pay the Bank a fee for each waiver or amendment in an amount advised by the Bank at the time the Borrower requests the waiver or amendment. Nothing in this paragraph shall imply that the Bank is obligated to agree to any waiver or amendment requested by the Borrower. The Bank may impose additional requirements as a condition to any waiver or amendment.
- (c) Late Fee. To the extent permitted by law, the Borrower agrees to pay a late fee in an amount not to exceed four percent (4%) of any payment that is more than fifteen (15) days late. The imposition and payment of a late fee shall not constitute a waiver of the Bank's rights with respect to the default.

RECORDING REQUESTED BY AND WHEN RECORDED
MAIL TO:

Bank of America, N.A. Doc Retention Center
CT2-515-BB-03
70 Batterson Park Road
Farmington, CT 06032

Space above this line for Recorder's Use

**DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY AGREEMENT
AND FIXTURE FILING**

This Deed of Trust is made as of October 29, 2014, by LIFELOC TECHNOLOGIES, INC., as trustor ("Trustor"), with an address at 12441 West 49th Ave Unit 4, Wheat Ridge, CO 80033, to the Public Trustee of Jefferson County, Colorado, as trustee ("Trustee"), for the benefit of Bank of America, N.A., a national banking association as beneficiary ("Beneficiary") with an address at Doc Retention Center, CT2-515-BB-03, 70 Batterson Park Road, Farmington, CT 06032.

1. GRANT IN TRUST.

1.1 The Property. For the purpose of securing payment and performance of the Secured Obligations defined in Section 2 below, Trustor hereby irrevocably and unconditionally grants, bargains, sells, conveys, transfers and assigns to Trustee, in trust for the benefit of Beneficiary, with power of sale and right of entry and possession, all estate, right, title and interest which Trustor now has or may later acquire in the following property (all or any part of such property, or any interest in all or any part of it, together with the Personalty (as hereinafter defined) being hereinafter collectively referred to as the "Property"):

(a) The real property located at **12441 West 49th Street, Units 11 - 18, Wheat Ridge, CO 80234** in the County of Jefferson, as described in Exhibit A hereto (the "Land");

(b) All buildings, structures, improvements, fixtures and appurtenances now or hereafter placed on the Land, and all apparatus and equipment now or hereafter attached in any manner to the Land or any building on the Land, including all pumping plants, engines, pipes, ditches and flumes, and also all gas, electric, cooking, heating, cooling, air conditioning, lighting, refrigeration and plumbing fixtures and equipment (collectively, the "Improvements");

(c) All easements and rights of way appurtenant to the Land; all crops growing or to be grown on the Land (including all such crops following severance from the Land); all standing timber upon the Land (including all such timber following severance from the Land); all development rights or credits and air rights; all roads, streets, alleys and other rights of way (open or proposed) to the centerline, minerals, oil, gas, and other hydrocarbon substances and rights thereto in, on, under, or upon the Land;

(d) All water and water rights, whether tributary, nontributary, not nontributary, or other groundwater that is subject to the provisions of Colorado Revised Statutes Section 37-90- 137(4) or the corresponding provisions of any successor statute, whether adjudicated or unadjudicated, absolute or conditional, and all ditches and ditch rights, water wells and well rights, State Engineer filings, well registration statements and well permits, water taps, reservoirs and reservoir rights, springs, all decrees and pending water court applications, and all water company and mutual ditch or reservoir company stock, and all right, title and interest under any decreed or pending plan of augmentation or water exchange plan, which are, have been, or may be used on or in connection with, or appurtenant to, or located on or underlying, or in any way associated with, the Land, with all appurtenances;

(e) All existing and future leases, subleases, subtenancies, licenses, occupancy agreements and concessions relating to the use and enjoyment of all or any part of the Land or the Improvements, and any and all guaranties and other agreements relating to or made in connection with any of the foregoing;

(f) All proceeds, including all claims to and demands for them, of the voluntary or involuntary conversion of any of the Land, Improvements, or the other property described above into cash or liquidated claims, including proceeds of all present and future fire, hazard or casualty insurance policies, whether or not such policies are required by Beneficiary, and all condemnation awards or payments now or later to be made by any public body or decree by any court of competent jurisdiction for any taking or in connection with any condemnation or eminent domain proceeding, and all causes of action and their proceeds for any breach of warranty, misrepresentation, damage or injury to, or defect in, the Land, Improvements, or the other property described above or any part of them; and

(g) All proceeds of, additions and accretions to, substitutions and replacements for, and changes in any of the property described above.

1.2 Fixture Filing. This Deed of Trust constitutes a financing statement filed as a fixture filing under the Colorado Uniform Commercial Code, as amended or recodified from time to time, covering any Property which now is or later may become a fixture attached to the Land or any building located thereon, as extracted collateral or timber to be cut. This Deed of Trust is to be recorded in the real estate records of the county or city and county in which the fixtures are located. The address of Trustor, as the debtor, and of Beneficiary, as the secured party, are as set forth in Section 7.13

2. THE SECURED OBLIGATIONS.

2.1 Purpose of Securing. Trustor makes the grant, conveyance, transfer and assignment set forth in Section 1, makes the irrevocable and absolute assignment set forth in Section 3, and grants the security interest set forth in Section 4, all for the purpose of securing the following obligations (the "Secured Obligations") in any order of priority that Beneficiary may choose:

(a) Payment of all obligations of LIFELOC TECHNOLOGIES INC. ("Obligor") to Beneficiary arising under the following instrument(s) or agreement(s) (collectively, the "Debt Instrument"):

(i) A certain Loan Agreement dated as of October 29, 2014, between Obligor and Beneficiary which provides for extensions of credit in a principal amount not exceeding One Million Six Hundred Twelve Thousand Nine Hundred Eighty-One Dollars and No Cents (\$1,612,981.00).

This Deed of Trust also secures payment of all obligations of Obligor under the Debt Instrument which arise after the Debt Instrument is extended, renewed, modified or amended pursuant to any written agreement between Obligor and Beneficiary, and all obligations of Obligor under any successor agreement or instrument which restates and supersedes the Debt Instrument in its entirety;

(b) Payment and performance of all obligations of Trustor under this Deed of Trust;

(c) Payment and performance of all obligations of Obligor under any Swap Contract with respect to which there is a writing evidencing the parties' agreement that said Swap Contract shall be secured by this Deed of Trust. "Swap Contract" means any document, instrument or agreement with Beneficiary, now existing or entered into in the future, relating to an interest rate swap transaction, forward rate transaction, interest rate cap, floor or collar transaction, any similar transaction, any option to enter into any of the foregoing and any combination of the foregoing, which agreement may be oral or in writing, including, without limitation, any master agreement relating to or governing any or all of the foregoing and any related schedule or confirmation, each as amended from time to time;

(d) Payment and performance of all future advances and other obligations that Trustor (or any successor in interest to Trustor) or Obligor (if different from Trustor) may agree to pay and/or perform (whether as principal, surety or guarantor) to or for the benefit of Beneficiary, when a writing signed by Trustor (or any successor in interest to Trustor) evidences said parties' agreement that such advance or obligation be secured by this Deed of Trust; and

(e) If this Deed of Trust is foreclosed, either through the Trustee or the courts, payment of an amount equal to any prepayment fee or premium that would be payable under the Debt Instrument if the Debt Instrument were prepaid in full on the date of the foreclosure sale.

This Deed of Trust does not secure any obligation which expressly states that it is unsecured, whether contained in the foregoing Debt Instrument or in any other document, agreement or instrument.

The date on which the final payment or performance of the obligation(s) under the Debt Instrument is due is as follows: October 29, 2039.

Notwithstanding any provision to the contrary, "Secured Obligations" secured hereby shall not include obligations arising under any Swap Contract to the extent that the grant of a lien hereunder to secure such Swap Contract would violate the Commodity Exchange Act by virtue of the Trustor's failure to constitute an "eligible contract participant" as defined in the Commodity Exchange Act at the time such grant of such lien becomes effective with respect to such Swap Contract. "Commodity Exchange Act" means 7 U.S.C. Section 1 *et seq.*, as amended from time to time, any successor statute, and any rules, regulations and orders applicable thereto.

2.2 Terms of Secured Obligations. All persons who may have or acquire an interest in all or any part of the Property will be considered to have notice of, and will be bound by, the terms of the Debt Instrument described in Paragraph 21(a) and each other agreement or instrument made or entered into in connection with each of the Secured Obligations. These terms include any provisions in the Debt Instrument which permit borrowing, repayment and reborrowing, or which provide that the interest rate on one or more of the Secured Obligations may vary from time to time.

2.3 Maximum Amount Secured. This Deed of Trust secures up to a total maximum principal amount of \$1,612,981.00, and shall be effective to secure payment of all advances both obligatory and optional, up to such maximum principal amount to the same extent and with the same effect and priority as if such total maximum principal amount had been fully disbursed on or before the date this Deed of Trust was recorded.

3. ASSIGNMENT OF RENTS.

3.1 Assignment. Trustor hereby irrevocably, absolutely, presently and unconditionally assigns to Beneficiary all rents, royalties, issues, profits, revenue, income and proceeds of the Property, whether now due, past due or to become due including all prepaid rents and security deposits (collectively, the "Rents"), and confers upon Beneficiary the right to collect such Rents with or without taking possession of the Property. In the event that anyone establishes and exercises any right to develop bore for or mine for any water, gas, oil or mineral on or under the surface of the Property, any

sums that may become due and payable to Trustor as bonus or royalty payments, and any damages or other compensation payable to Trustor in connection with the exercise of any such rights, shall also be considered Rents assigned under this Paragraph. THIS IS AN ABSOLUTE ASSIGNMENT, NOT AN ASSIGNMENT FOR SECURITY ONLY.

3.2 Grant of License. Notwithstanding the provisions of Paragraph 3.1, Beneficiary hereby confers upon Trustor a license ("License") to collect and retain the Rents as they become due and payable, so long as no Event of Default, as defined in Paragraph 6.2, shall exist and be continuing. If an Event of Default has occurred and is continuing Beneficiary shall have the right, which it may choose to exercise in its sole discretion, to terminate this License without notice to or demand upon Trustor, and without regard to the adequacy of the security for the Secured Obligations.

4. SECURITY INTEREST IN RELATED PERSONALTY.

4.1 Grant of Security Interest. Trustor grants to Beneficiary a security interest in, and pledges and assigns to Beneficiary, all of Trustor's right, title and interest, whether presently existing or hereafter acquired in and to all of the following property (collectively, the "Personalty"):

(a) All materials, supplies, goods, tools, furniture, fixtures, equipment, and machinery which in all cases is affixed or attached, or to be affixed or attached, in any manner on the Land or the Improvements;

(b) All crops growing or to be grown on the Land (and after severance from the Land); all standing timber upon the Land (and after severance from the Land); all sewer, water and water rights, whether tributary, nontributary, not nontributary, or other groundwater that is subject to the provisions of Colorado Revised Statutes Section 3790-137(4) or the corresponding provisions of any successor statute, whether adjudicated or unadjudicated, absolute or conditional, and all ditches and ditch rights, water wells and well rights, State Engineer filings, well registration statements and well permits, water taps, reservoirs and reservoir rights, springs, all decrees and pending water court applications and all water company and mutual ditch or reservoir company stock, and all right, title and interest under any decreed or pending plan of augmentation or water exchange plan, which are, have been, or may be used on or in connection with, or appurtenant to, or located on or underlying, or in any way associated with, the Land, with all appurtenances; and all architectural and engineering plans, specifications and drawings which arise from or relate to the Land or the Improvements;

(c) All permits, licenses and claims to or demands for the voluntary or involuntary conversion of any of the Land, Improvements, or other Property into cash or liquidated claims proceeds of all present and future fire, hazard or casualty insurance policies relating to the Land and the Improvements, whether or not such policies are required by Beneficiary, and all condemnation awards or payments now or later to be made by any public body or decree by any court of competent jurisdiction for any taking or in connection with any condemnation or eminent domain proceeding, and all causes of action and their proceeds for any breach of warranty, misrepresentation, damage or injury to, or defect in, the Land, Improvements, or other Property or any part of them;

(d) All substitutions, replacements, additions, and accessions to any of the above property, and all books, records and files relating to any of the above property, including, without limitation, all general intangibles related to any of the above property and all proceeds of the above property.

5. RIGHTS AND DUTIES OF THE PARTIES.

5.1 Representations and Warranties. Trustor represents and warrants that Trustor lawfully possesses and holds fee simple title to all of the Land and the Improvements, unless Trustor's present interest in the Land and the Improvements is described in Exhibit A as a leasehold interest, in which case Trustor lawfully possesses and holds a leasehold interest in the Land and the Improvements as stated in Exhibit A.

5.2 Taxes, Assessments, Liens and Encumbrances. Trustor shall pay prior to delinquency all taxes, levies, charges and assessments, including assessments on appurtenant water stock imposed by any public or quasi-public authority or utility company which are (or if not paid, may become) a lien on all or part of the Property or any interest in it, or which may cause any decrease in the value of the Property or any part of it. Trustor shall immediately discharge any lien on the Property which Beneficiary has not consented to in writing, and shall also pay when due each obligation secured by or reducible to a lien, charge or encumbrance which now or hereafter encumbers or appears to encumber all or part of the Property, whether the lien, charge or encumbrance is or would be senior or subordinate to this Deed of Trust.

5.3 Damages and Insurance and Condemnation Proceeds.

(a) Trustor hereby absolutely and irrevocably assigns to Beneficiary, and authorizes the payor to pay to Beneficiary, the following claims, causes of action, awards, payments and rights to payment (collectively, the "Claims"):

(i) all awards of damages and all other compensation payable directly or indirectly because of a condemnation, proposed condemnation or taking for public or private use which affects all or part of the Property or any interest in it;

(ii) all other awards, claims and causes of action, arising out of any breach of warranty or misrepresentation affecting all or any part of the Property, or for damage or injury to, or defect in, or decrease in value of all or part of the Property or any interest in it;

(iii) all proceeds of any insurance policies payable because of loss sustained to all or part of the Property, whether or not such insurance policies are required by Beneficiary; and

(iv) all interest which may accrue on any of the foregoing.

(b) Trustor shall immediately notify Beneficiary in writing if:

(i) any damage occurs or any injury or loss is sustained to all or part of the Property or any action or proceeding relating to any such damage, injury or loss is commenced; or

(ii) any offer is made, or any action or proceeding is commenced which relates to any actual or proposed condemnation or taking of all or part of the Property.

If Beneficiary chooses to do so, it may in its own name appear in or prosecute any action or proceeding to enforce any cause of action based on breach of warranty or misrepresentation, or for damage or injury to, defect in, or decrease in value of all or part of the Property, and it may make any compromise or settlement of the action or proceeding Beneficiary, if it so chooses, may participate in any action or proceeding relating to condemnation or taking of all or part of the Property, and may join Trustor in adjusting any loss covered by insurance.

(c) All proceeds of the Claims assigned to Beneficiary under this Paragraph shall be paid to Beneficiary. In each instance, Beneficiary shall apply those proceeds first toward reimbursement of all of Beneficiary's costs and expenses of recovering the proceeds, including attorneys' fees. Trustor further authorizes Beneficiary, at Beneficiary's option and in Beneficiary's sole discretion, and regardless of whether there is any impairment of the Property, (i) to apply the balance of such proceeds, or any portion of them, to pay or prepay some or all of the Secured

Obligations in such order or proportion as Beneficiary may determine or (ii) to hold the balance of such proceeds or any portion of them, in an interest-bearing account to be used for the cost of reconstruction repair or alteration of the Property, or (iii) to release the balance of such proceeds, or any portion of them, to Trustor. If any proceeds are released to Trustor, neither Beneficiary nor Trustee shall be obligated to see to, approve or supervise the proper application of such proceeds. If the proceeds are held by Beneficiary to be used to reimburse Trustor for the costs of restoration and repair of the Property, the Property shall be restored to the equivalent of its original condition or such other condition as Beneficiary may approve in writing. Beneficiary may, at Beneficiary's option, condition disbursement of the proceeds on Beneficiary's approval of such plans and specifications prepared by an architect satisfactory to Beneficiary, contractor's cost estimates, architect's certificates, waivers of liens, sworn statements of mechanics and materialmen, and such other evidence of costs percentage of completion of construction, application of payments, and satisfaction of liens as Beneficiary may reasonably require.

5.4 Insurance. Trustor shall provide and maintain in force at all times all risk property damage insurance (including without limitation windstorm coverage, and hurricane coverage as applicable) on the Property and such other type of insurance on the Property as may be required by Beneficiary in its reasonable judgment. At Beneficiary's request, Trustor shall provide Beneficiary with a counterpart original of any policy, together with a certificate of insurance setting forth the coverage, the limits of liability, the carrier, the policy number and the expiration date. Each such policy of insurance shall be in an amount, for a term and in form and content satisfactory to Beneficiary, and shall be written only by companies approved by Beneficiary. In addition, each policy of hazard insurance shall include a Form 438BFU or equivalent loss payable endorsement in favor of Beneficiary.

5.5 Maintenance and Preservation of Property.

(a) Trustor shall keep the Property in good condition and repair and shall not commit or allow waste of the Property. Trustor shall not remove or demolish the Property or any part of it, or alter, restore or add to the Property or initiate or allow any change in any zoning or other land use classification which affects the Property or any part of it, except with Beneficiary's express prior written consent in each instance.

(b) If all or part of the Property becomes damaged or destroyed, Trustor shall promptly and completely repair and/or restore the Property in a good and workmanlike manner in accordance with sound building practices, regardless of whether or not Beneficiary agrees to disburse insurance proceeds or other sums to pay costs of the work of repair or reconstruction under Paragraph 5.3.

(c) Trustor shall not commit or allow any act upon or use of the Property which would violate any applicable law or order of any governmental authority, whether now existing or later to be enacted and whether foreseen or unforeseen, or any public or private covenant, condition, restriction or equitable servitude affecting the Property. Trustor shall not bring or keep any article on the Property or cause or allow any condition to exist on it, if that could invalidate or would be prohibited by any insurance coverage required to be maintained by Trustor on the Property or any part of it under this Deed of Trust.

(d) If Trustor's interest in the Property is a leasehold interest, Trustor shall observe and perform all obligations of Trustor under any lease or leases and shall refrain from taking any actions prohibited by any lease or leases. Trustor shall preserve and protect the leasehold estate and its value.

(e) If the Property is agricultural, Trustor shall farm the Property in a good and husbandlike manner. Trustor shall keep all trees, vines and crops on the Property properly cultivated irrigated, fertilized, sprayed and fumigated, and shall replace all dead or unproductive trees or vines with new ones. Trustor shall prepare for harvest, harvest, remove and sell any

crops growing on the Property. Trustor shall keep all buildings, fences, ditches, canals, wells and other farming improvements on the Property in first class condition, order and repair.

(f) Trustor shall perform all other acts which from the character or use of the Property may be reasonably necessary to maintain and preserve its value.

5.6 Releases, Extensions, Modifications and Additional Security. Without affecting the personal liability of any person, including Trustor (or Obligor, if different from Trustor), for the payment of the Secured Obligations or the lien of this Deed of Trust on the remainder of the Property for the unpaid amount of the Secured Obligations, Beneficiary and Trustee are respectively empowered as follows:

(a) Beneficiary may from time to time and without notice:

(i) release any person liable for payment of any Secured Obligation;

(ii) extend the time for payment, or otherwise alter the terms of payment, of any Secured Obligation;

(iii) accept additional real or personal property of any kind as security for any Secured Obligation whether evidenced by deeds of trust, mortgages, security agreements or any other instruments of security; or

(iv) alter, substitute or release any property securing the Secured Obligations.

(b) Trustee may perform any of the following acts when requested to do so by Beneficiary in writing:

(i) consent to the making of any plat or map of the Property or any part of it;

(ii) join in granting any easement or creating any restriction affecting the Property;

(iii) join in any subordination or other agreement affecting this Deed of Trust or the lien of it; or

(iv) reconvey the Property or any part of it without any warranty

5.7 Reconveyance. When all of the Secured Obligations have been paid in full and no further commitment to extend credit continues, Trustee shall reconvey the Property, or so much of it as is then held under this Deed of Trust, without warranty to the person or persons legally entitled to it. In the reconveyance, the grantee may be described as "the person or persons legally entitled thereto," and the recitals of any matters or facts shall be conclusive proof of their truthfulness. Neither Beneficiary nor Trustee shall have any duty to determine the rights of persons claiming to be rightful grantees of any reconveyance.

5.8 Compensation and Reimbursement of Costs and Expenses.

(a) Trustor agrees to pay fees in the maximum amounts legally permitted, or reasonable fees as may be charged by Beneficiary and Trustee when the law provides no maximum limit, for any services that Beneficiary or Trustee may render in connection with this Deed of Trust, including Beneficiary's providing a statement of the Secured Obligations or Trustee's rendering of services in connection with a reconveyance. Trustor shall also pay or reimburse all of Beneficiary's and Trustee's costs and expenses which may be incurred in rendering any such services.

(b) Trustor further agrees to pay or reimburse Beneficiary for all costs, expenses and other advances which may be incurred or made by Beneficiary or Trustee to protect or preserve the Property or to enforce any terms of this Deed of Trust, including the exercise of any rights or remedies afforded to Beneficiary or Trustee or both of them under Paragraph 6.3, whether any lawsuit is filed or not, or in defending any action or proceeding arising under or relating to this Deed of Trust, including attorneys' fees and other legal costs, costs of any sale of the Property and any cost of evidence of title.

(c) Trustor shall pay all obligations arising under this Paragraph immediately upon demand by Trustee or Beneficiary. Each such obligation shall be added to, and considered to be part of the principal of the Secured Obligations, and shall bear interest from the date the obligation arises at the rate provided in any instrument or agreement evidencing the Secured Obligations. If more than one rate of interest is applicable to the Secured Obligations, the highest rate shall be used for purposes hereof.

5.9 Exculpation and Indemnification.

(a) Beneficiary shall not be directly or indirectly liable to Trustor or any other person as a consequence of any of the following:

(i) Beneficiary's exercise of or failure to exercise any rights, remedies or powers granted to it in this Deed of Trust;

(ii) Beneficiary's failure or refusal to perform or discharge any obligation or liability of Trustor under any agreement related to the Property or under this Deed of Trust;

(iii) Beneficiary's failure to produce Rents from the Property or to perform any of the obligations of the lessor under any lease covering the Property;

(iv) any waste committed by lessees of the Property or any other parties, or any dangerous or defective condition of the Property; or

(v) any loss sustained by Trustor or any third party resulting from any act or omission of Beneficiary in operating or managing the Property upon exercise of the rights or remedies afforded Beneficiary under Paragraph 6.3, unless the loss is caused by the willful misconduct and bad faith of Beneficiary.

Trustor hereby expressly waives and releases all liability of the types described above, and agrees that no such liability shall be asserted against or imposed upon Beneficiary.

(b) Trustor agrees to indemnify Trustee and Beneficiary against and hold them harmless from all losses, damages, liabilities, claims, causes of action, judgments, court costs, attorneys' fees and other legal expenses, cost of evidence of title, cost of evidence of value, and other costs and expenses which either may suffer or incur in performing any act required or permitted by this Deed of Trust or by law or because of any failure of Trustor to perform any of its obligations. This agreement by Trustor to indemnify Trustee and Beneficiary shall survive the release and cancellation of any or all of the Secured Obligations and the full or partial release and/or reconveyance of this Deed of Trust.

5.10 Defense and Notice of Claims and Actions. At Trustor's sole expense, Trustor shall protect, preserve and defend the Property and title to and right of possession of the Property, and the security of this Deed of Trust and the rights and powers of Beneficiary and Trustee created under it, against all adverse claims. Trustor shall give Beneficiary and Trustee prompt notice in writing if any claim is asserted which does or could affect any of these matters, or if any action or proceeding is commenced which alleges or relates to any such claim.

5.11 Substitution of Trustee. From time to time, Beneficiary may substitute a successor to any Trustee named in or acting under this Deed of Trust in any manner now or later to be provided at law, or by a written instrument executed and acknowledged by Beneficiary and recorded in the office of the recorder of the county where the Property is situated. Any such instrument shall be conclusive proof of the proper substitution of the successor Trustee, who shall automatically upon recordation of the instrument succeed to all estate, title, rights, powers and duties of the predecessor Trustee, without conveyance from it.

5.12 Representation and Warranty Regarding Hazardous Substances. Before signing this Deed of Trust, Trustor researched and inquired into the previous uses and ownership of the Property. Based on that due diligence, Trustor represents and warrants that to the best of its knowledge, no hazardous substance has been disposed of or released or otherwise exists in, on, under or onto the Property, except as Trustor has disclosed to Beneficiary in writing. Trustor further represents and warrants that Trustor has complied, and will comply and cause all occupants of the Property to comply, with all current and future laws regulations and ordinances or other requirements of any governmental authority relating to or imposing liability or standards of conduct concerning protection of health or the environment or hazardous substances ("Environmental Laws"). Trustor shall promptly, at Trustor's sole cost and expense, take all reasonable actions with respect to any hazardous substances or other environmental condition at, on, or under the Property necessary to (i) comply with all applicable Environmental Laws; (ii) allow continued use, occupation or operation of the Property; or (iii) maintain the fair market value of the Property. Trustor acknowledges that hazardous substances may permanently and materially impair the value and use of the Property. "Hazardous substance" means any substance, material or waste that is or becomes designated or regulated as "toxic," "hazardous," "pollutant," or "contaminant" or a similar designation or regulation under any current or future federal, state or local law (whether under common law, statute, regulation or otherwise) or judicial or administrative interpretation of such, including without limitation petroleum or natural gas.

5.13 Site Visits, Observation and Testing. Beneficiary and its agents and representatives shall have the right at any reasonable time, after giving reasonable notice to Trustor, to enter and visit the Property for the purposes of performing appraisals, observing the Property, taking and removing environmental samples, and conducting tests on any part of the Property. Trustor shall reimburse Beneficiary on demand for the costs of any such environmental investigation and testing. Beneficiary will make reasonable efforts during any site visit, observation or testing conducted pursuant this Paragraph to avoid interfering with Trustor's use of the Property. Beneficiary is under no duty, however, to visit or observe the Property or to conduct tests and any such acts by Beneficiary will be solely for the purposes of protecting Beneficiary's security and preserving Beneficiary's rights under this Deed of Trust. No site visit, observation or testing or any report or findings made as a result thereof ("Environmental Report") (i) will result in a waiver of any default of Trustor; (ii) impose any liability on Beneficiary; or (iii) be a representation or warranty of any kind regarding the Property (including its condition or value or compliance with any laws) or the Environmental Report (including its accuracy or completeness). In the event Beneficiary has a duty or obligation under applicable laws regulations or other requirements to disclose an Environmental Report to Trustor or any other party, Trustor authorizes Beneficiary to make such a disclosure. Beneficiary may also disclose an Environmental Report to any regulatory authority and to any other parties as necessary or appropriate in Beneficiary's judgment. Trustor further understands and agrees that any Environmental Report or other information regarding a site visit, observation or testing that is disclosed to Trustor by Beneficiary or its agents and representatives is to be evaluated (including any reporting or other disclosure obligations of Trustor) by Trustor without advice or assistance from Beneficiary.

5.14 Additional Provisions Relating to Condominiums. If the Property is subject to a condominium declaration of conditions, covenants and restrictions recorded in the office of the Clerk and Recorder of the county in which the Property is located (the "Declaration"), the following provisions shall apply.

(a) The provisions contained in this Deed of Trust are obligations of Trustor in addition to Trustor's obligations under the Declaration with respect to similar matters, and shall not restrict or limit Trustor's duties and obligations to keep and perform promptly all of its obligations as unit owner under the Declaration.

(b) Trustor shall at all times fully perform and comply with all the agreements, covenants, terms and conditions imposed upon unit owners under the Declaration, and if Trustor fails to do so, Beneficiary may (but shall not be obligated to) take any action Beneficiary deems necessary or desirable to prevent or cure any default thereunder. Beneficiary may also take such action as it deems necessary or desirable to cure a default under the Declaration by Trustor or any other party occupying the unit(s) (a "Unit Occupant") encumbered by this Deed of Trust, upon receipt by Beneficiary from the condominium association under the Declaration (the "Association") of written notice of such default, even though the existence of such default or the nature thereof may be questioned or denied by Trustor or by any party on behalf of Trustor. Beneficiary may pay and expend such sums of money as Beneficiary in its sole discretion deems necessary to prevent or cure any default by Trustor or a Unit Occupant, and Trustor hereby agrees to pay to Beneficiary, immediately and without demand, all such sums so paid and expended by Beneficiary, together with interest thereon from the date of each such payment at the rate (the "Demand Rate") of two percent (2%) in excess of the then current rate of interest under the Debt Instrument. All sums so paid and expended by Beneficiary, and the interest thereon, shall be added to and be secured by the lien of this Deed of Trust. At Beneficiary's request, Trustor will submit satisfactory evidence of payment of all of its monetary obligations under the Declaration (including but not limited to rents, taxes, assessments, insurance premiums and operating expenses).

(c) At Beneficiary's request, Trustor will submit satisfactory evidence of payment of all of its monetary obligations under the Declaration (including but not limited to rents, taxes, assessments, insurance premiums and operating expenses).

(d) Trustor shall advise Beneficiary in writing of the giving of any notice to Trustor by the Association under the Declaration of any default by Trustor as unit owner or by a Unit Occupant thereunder in the performance or observance of any of the terms, conditions and covenants to be performed or observed by Trustor or such Unit Occupant thereunder and Trustor shall deliver to Beneficiary a true copy of each such notice.

(e) If any action, proceeding, motion or notice shall be commenced or filed in respect of the Association in connection with any case (including a case commenced or filed under the Bankruptcy Code), Beneficiary shall have the option, to the exclusion of Trustor, exercisable upon notice from Beneficiary to Trustor, to conduct and control any such litigation with counsel of Beneficiary's choice. Beneficiary may proceed in its own name or in the name of Trustor in connection with any such litigation, and Trustor agrees to execute any and all powers, authorizations, consents or other documents required by Beneficiary in connection therewith. Trustor shall, upon demand, pay to Beneficiary all costs and expenses (including attorneys' fees) paid or incurred by Beneficiary in connection with the prosecution or conduct of any such proceedings. Any such costs or expenses not paid by Trustor as aforesaid shall be secured by the lien of this Deed of Trust and shall be added to the principal amount of the indebtedness secured hereby. Trustor shall not commence any action, suit, proceeding or case, or file any application or make any motion in respect of the Declaration in any such case without the prior written consent of Beneficiary.

(f) Trustor will use its best efforts to obtain and deliver to Beneficiary within twenty (20) days after written request by Beneficiary, an estoppel certificate from the Association setting forth (i) the name of the unit owner, (ii) that the Declaration has not been modified or, if it has been modified, the date of each modification (together with copies of each such modification), (iii) the amount of common expenses and other assessments payable by Trustor as unit owner

under the Declaration, (iv) the date to which all common expenses and other assessments have been paid by Trustor as unit owner under the Declaration, (v) whether there are any alleged defaults by Trustor or a Unit Occupant under the Declaration and, if so, setting forth the nature thereof in reasonable detail, and (vi) as to such other matters as Beneficiary may reasonably request.

(g) Trustor represents and warrants to Beneficiary that as of the date hereof no default under the Declaration has occurred and is continuing.

(h) Trustor shall take such actions as may be reasonable to insure that the Association maintains a public liability insurance policy acceptable in form, amount, and extent of coverage to Beneficiary.

(i) Trustor shall not, except after notice to Beneficiary and with Beneficiary's prior written consent, either partition or subdivide the Property or consent to:

(i) the abandonment or termination of the condominium(s) encumbered by this Deed of Trust, except for abandonment or termination required by law in the case of substantial destruction by fire or other casualty or in the case of a taking by condemnation or eminent domain;

(ii) any amendment to any provision of the Declaration the Association's bylaws or articles or any rules and regulations promulgated by the Association;

(iii) termination of professional management and assumption of self- management of the Association; or

(iv) any action which would have the effect of rendering the public liability insurance coverage maintained by the Association unacceptable to Beneficiary.

6. ACCELERATING TRANSFERS, DEFAULT AND REMEDIES.

6.1 Accelerating Transfers

(a) "Accelerating Transfer" means any sale, contract to sell conveyance, encumbrance, or other transfer, whether voluntary, involuntary, by operation of law or otherwise, of all or any material part of the Property or any interest in it, including any transfer or exercise of any right to drill for or to extract any water (other than for Trustor's own use), oil, gas or other hydrocarbon substances or any mineral of any kind on or under the surface of the Property. If Trustor is a corporation, "Accelerating Transfer" also means any transfer or transfers of shares possessing in the aggregate, more than fifty percent (50%) of the voting power. If Trustor is a partnership, "Accelerating Transfer" also means withdrawal or removal of any general partner, dissolution of the partnership under applicable law, or any transfer or transfers of, in the aggregate, more than fifty percent (50%) of the partnership interests. If Trustor is a limited liability company, "Accelerating Transfer" also means withdrawal or removal of any managing member, termination of the limited liability company or any transfer or transfers of, in the aggregate, more than fifty percent (50%) of the voting power or in the aggregate more than fifty percent of the ownership of the economic interest in the Trustor.

(b) Trustor agrees that Trustor shall not make any Accelerating Transfer, unless the transfer is preceded by Beneficiary's express written consent to the particular transaction and transferee. Beneficiary may withhold such consent in its sole discretion. If any Accelerating Transfer occurs, Beneficiary in its sole discretion may declare all of the Secured Obligations to be immediately due and payable, and Beneficiary and Trustee may invoke any rights and remedies provided by Paragraph 6.3 of this Deed of Trust.

6.2 Events of Default. The occurrence of any one or more of the following events at the option of Beneficiary, shall constitute an event of default ("Event of Default") under this Deed of Trust:

- (a) Obligor fails to make any payment, when due, under the Debt Instrument (after giving effect to any applicable grace period), or any other default occurs under and as defined in the Debt Instrument or in any other instrument or agreement evidencing any of the Secured Obligations and such default continues beyond any applicable cure period;
- (b) Trustor fails to make any payment or perform any obligation which arises under this Deed of Trust;
- (c) Trustor makes or permits the occurrence of an Accelerating Transfer in violation of Paragraph 61;
- (d) Any representation or warranty made in connection with this Deed of Trust or the Secured Obligations proves to have been false or misleading in any material respect when made;
- (e) Any default occurs under any other deed of trust on all or any part of the Property or under any obligation secured by such deed of trust, whether such deed of trust is prior to or subordinate to this Deed of Trust; or
- (f) An event occurs which gives Beneficiary the right or option to terminate any Swap Contract secured by this Deed of Trust.

6.3 Remedies. At any time after the occurrence of an Event of Default, Beneficiary and Trustee shall be entitled to invoke any and all of the rights and remedies described below, as well as any other rights and remedies authorized by law. All of such rights and remedies shall be cumulative, and the exercise of any one or more of them shall not constitute an election of remedies.

- (a) Beneficiary may declare any or all of the Secured Obligations to be due and payable immediately and may terminate any Swap Contract secured by this Deed of Trust in accordance with its terms.
- (b) Beneficiary may apply to any court of competent jurisdiction for, and obtain appointment of a receiver for the Property, ex parte, without notice, and without regard to the solvency of Trustor or Obligor or any impairment to the Property.
- (c) Beneficiary, in person, by agent or by court-appointed receiver, may enter, take possession of, manage and operate all or any part of the Property, and in its own name or in the name of Trustor sue for or otherwise collect any and all Rents, including those that are past due, and may also do any and all other things in connection with those actions that Beneficiary may in its sole discretion consider necessary and appropriate to protect the security of this Deed of Trust. Such other things may include: entering into, enforcing, modifying, or canceling leases on such terms and conditions as Beneficiary may consider proper; obtaining and evicting tenants; fixing or modifying Rents; completing any unfinished construction; contracting for and making repairs and alterations; performing such acts of cultivation or irrigation as necessary to conserve the value of the Property; and preparing for harvest, harvesting and selling any crops that may be growing on the property. Trustor hereby irrevocably constitutes and appoints Beneficiary as its attorney-in-fact to perform such acts and execute such documents as Beneficiary in its sole discretion may consider to be appropriate in connection with taking these measures, including endorsement of Trustor's name on any instruments Trustor agrees to deliver to Beneficiary all books and records pertaining to the Property, including computer-readable memory and any computer hardware or software necessary to access or process such memory, as may reasonably be requested by Beneficiary in order to enable Beneficiary to exercise its rights under this Paragraph

(d) Either Beneficiary or Trustee may cure any breach or default of Trustor, and if it chooses to do so in connection with any such cure, Beneficiary or Trustee may also enter the Property and/or do any and all other things which it may in its sole discretion consider necessary and appropriate to protect the security of this Deed of Trust. Such other things may include: appearing in and/or defending any action or proceeding which purports to affect the security of, or the rights or powers of Beneficiary or Trustee under, this Deed of Trust; paying, purchasing, contesting or compromising any encumbrance, charge, lien or claim of lien which in Beneficiary's or Trustee's sole judgment is or may be senior in priority to this Deed of Trust, such judgment of Beneficiary or Trustee to be conclusive as among the parties to this Deed of Trust; obtaining insurance and/or paying any premiums or charges for insurance required to be carried under this Deed of Trust; otherwise caring for and protecting any and all of the Property; and/or employing counsel, accountants, contractors and other appropriate persons to assist Beneficiary or Trustee. Beneficiary and Trustee may take any of the actions permitted hereunder either with or without giving notice to any person.

(e) Beneficiary may bring an action in any court of competent jurisdiction to foreclose this instrument or to obtain specific enforcement of any of the covenants or agreements of this Deed of Trust.

(f) Beneficiary may foreclose this Deed of Trust either by judicial action or through Trustee Foreclosure through Trustee will be initiated by Beneficiary's filing of its notice of election and demand for sale with Trustee. Upon the filing of such notice of election and demand for sale, Trustee shall promptly comply with all notice and other requirements of the laws of Colorado then in force with respect to such sales. The proceeds of any sale under this section shall be applied first to the fees and expenses of the officer conducting the sale, and then to the reduction or discharge of the Secured Obligations in such order as Beneficiary may elect; any surplus remaining shall be paid over to such person or persons as may be lawfully entitled to such surplus. At the conclusion of any foreclosure sale, the officer conducting the sale shall execute and deliver to the purchaser at the sale such certificates of purchase or deeds or other instruments of conveyance as are permitted in accordance with Colorado law. Nothing in this section dealing with foreclosure procedures or specifying particular actions to be taken by Beneficiary or by Trustee or any similar officer shall be deemed to contradict or add to the requirements and procedures now or hereafter specified by Colorado law, and any such inconsistency shall be resolved in favor of Colorado law applicable at the time of foreclosure.

(g) Beneficiary may proceed under the Uniform Commercial Code as to all or any part of the Personalty, and in conjunction therewith may exercise all of the rights, remedies and powers of a secured creditor under the Uniform Commercial Code. When all time periods then legally mandated have expired, and after such notice of sale as may then be legally required has been given, Trustee may sell the Personalty at a public sale to be held at the time and place specified in the notice of sale. It shall be deemed commercially reasonable for the Trustee to dispose of the Personalty without giving any warranties as to the Personalty and specifically disclaiming all disposition warranties.

(h) Notwithstanding the availability of legal remedies, Beneficiary will be entitled to obtain specific performance, mandatory and prohibitory injunctive relief or other equitable relief requiring Trustor to cure or refrain from repeating any default.

6.4 Application of Sale Proceeds and Rents.

(a) Beneficiary and Trustee shall apply the proceeds of any sale of the Property in the following manner: first, to pay the portion of the Secured Obligations attributable to the costs, fees and expenses of the sale, including costs of evidence of title in connection with the sale; and, second, to pay all other Secured Obligations in any order and proportions as Beneficiary in its sole discretion may choose. The remainder, if any, shall be remitted to the person or persons entitled thereto.

(b) Beneficiary shall apply any and all Rents collected by it, and any and all sums other than proceeds of any sale of the Property which Beneficiary may receive or collect under Paragraph 6.3, in the following manner: first, to pay the portion of the Secured Obligations attributable to the costs and expenses of operation and collection that may be incurred by Trustee, Beneficiary or any receiver; and, second, to pay all other Secured Obligations in any order and proportions as Beneficiary in its sole discretion may choose. The remainder, if any, shall be remitted to the person or persons entitled thereto. Beneficiary shall have no liability for any funds which it does not actually receive.

7. MISCELLANEOUS PROVISIONS

7.1 No Waiver or Cure.

(a) Each waiver by Beneficiary or Trustee must be in writing, and no waiver shall be construed as a continuing waiver. No waiver shall be implied from any delay or failure by Beneficiary or Trustee to take action on account of any default of Trustor. Consent by Beneficiary or Trustee to any act or omission by Trustor shall not be construed as a consent to any other or subsequent act or omission or to waive the requirement for Beneficiary's or Trustee's consent to be obtained in any future or other instance.

(b) If any of the events described below occurs, that event alone shall not cure or waive any breach, Event of Default or notice of default under this Deed of Trust or invalidate any act performed pursuant to any such default or notice; or nullify the effect of any notice of default or sale (unless all Secured Obligations then due have been paid and performed); or impair the security of this Deed of Trust; or prejudice Beneficiary, Trustee or any receiver in the exercise of any right or remedy afforded any of them under this Deed of Trust; or be construed as an affirmation by Beneficiary of any tenancy, lease or option, or a subordination of the lien of this Deed of Trust:

(i) Beneficiary, its agent or a receiver takes possession of all or any part of the Property;

(ii) Beneficiary collects and applies Rents, either with or without taking possession of all or any part of the Property;

(iii) Beneficiary receives and applies to any Secured Obligation proceeds of any Property including any proceeds of insurance policies, condemnation awards, or other claims, property or rights assigned to Beneficiary under this Deed of Trust;

(iv) Beneficiary makes a site visit, observes the Property and/or conducts tests thereon;

(v) Beneficiary receives any sums under this Deed of Trust or any proceeds of any collateral held for any of the Secured Obligations, and applies them to one or more Secured Obligations;

(vi) Beneficiary, Trustee or any receiver performs any act which it is empowered or authorized to perform under this Deed of Trust or invokes any right or remedy provided under this Deed of Trust; or

(vii) Any notice of default and election to sell under this Deed of Trust is cancelled

7.2 Powers of Beneficiary and Trustee.

(a) Trustee shall have no obligation to perform any act which it is empowered to perform under this Deed of Trust unless it is requested to do so in writing and is reasonably indemnified against loss, cost, liability and expense.

(b) Beneficiary may take any of the actions permitted under Paragraphs 6.3(b) and/or 6.3(c) regardless of the adequacy of the security for the Secured Obligations, or whether any or all of the Secured Obligations have been declared to be immediately due and payable, or whether notice of default and election to sell has been given under this Deed of Trust.

(c) From time to time, Beneficiary or Trustee may apply to any court of competent jurisdiction for aid and direction in executing the trust and enforcing the rights and remedies created under this Deed of Trust. Beneficiary or Trustee may from time to time obtain orders or decrees directing, confirming or approving acts in executing this trust and enforcing these rights and remedies.

7.3 Nonborrower Trustor.

(a) If any Trustor ("Nonborrower Trustor") is not the Obligor under the Debt Instrument described in Paragraph 2.1(a), such Nonborrower Trustor authorizes Beneficiary to perform any of the following acts at any time, all without notice to Nonborrower Trustor and without affecting Beneficiary's rights or Nonborrower Trustor's obligations under this Deed of Trust:

(i) Beneficiary may alter any terms of the Debt Instrument or any part of it, including renewing, compromising, extending or accelerating, or otherwise changing the time for payment of, or increasing or decreasing the rate of interest on, the Debt Instrument or any part of it;

(ii) Beneficiary may take and hold security for the Debt Instrument, accept additional or substituted security for the Debt Instrument, and subordinate, exchange, enforce, waive, release, compromise, fail to perfect, sell or otherwise dispose of any such security;

(iii) Beneficiary may apply any security now or later held for the Debt Instrument in any order that Beneficiary in its sole discretion may choose, and may direct the order and manner of any sale of all or any part of it and bid at any such sale;

(iv) Beneficiary may release Obligor of its liability for the Debt Instrument or any part of it;

(v) Beneficiary may substitute, add or release any one or more guarantors or endorsers of the Debt Instrument; and

(vi) Beneficiary may extend other credit to Obligor, and may take and hold security for the credit so extended, whether or not such security also secures the Debt Instrument.

(b) Nonborrower Trustor waives:

(i) Any right it may have to require Beneficiary to proceed against Obligor, proceed against or exhaust any security held from Obligor, or pursue any other remedy in Beneficiary's power to pursue;

(ii) Any defense based on any legal disability of Obligor, any discharge or limitation of the liability of Obligor to Beneficiary, whether consensual or arising by operation of law or any bankruptcy, reorganization, receivership, insolvency, or debtor-relief proceeding, or from any other cause, or any claim that Nonborrower Trustor's obligations exceed or are more burdensome than those of Obligor;

(iii) All presentments, demands for performance, notices of nonperformance, protests, notices of protest, notices of dishonor, notices of acceptance of this Deed of Trust and of the existence, creation, or incurring of new or additional indebtedness of Obligor, and demands and notices of every kind;

(iv) Any defense based on or arising out of any defense that Obligor may have to the payment or performance of the Debt Instrument or any part of it; and

(v) Until the Secured Obligations have been paid and performed in full, all rights of subrogation, reimbursement, indemnification and contribution (contractual, statutory or otherwise), including any claim or right of subrogation under the Bankruptcy Code (Title 11 of the U.S. Code) or any successor statute, all rights to enforce any remedy that the Beneficiary may have against Obligor, and all rights to participate in any security now or later to be held by Beneficiary for the Debt Instrument.

(c) Nonborrower Trustor assumes full responsibility for keeping informed of Obligor's financial condition and business operations and all other circumstances affecting Obligor's ability to pay and perform its obligations to Beneficiary, and agrees that Beneficiary shall have no duty to disclose to Nonborrower Trustor any information which Beneficiary may receive about Obligor's financial condition, business operations, or any other circumstances bearing on its ability to perform.

(d) No provision or waiver in this Deed of Trust shall be construed as limiting the generality of any other provision or waiver contained in this Deed of Trust.

(e) For purposes of this Paragraph 7.3, all references to the Debt Instrument shall also include any instrument or agreement executed by Obligor subsequent to the date of this Deed of Trust which is secured by this Deed of Trust in accordance with the provisions of Paragraphs 2.1(c) and 2.1(d).

7.4 Merger. No merger shall occur as a result of Beneficiary's acquiring any other estate in or any other lien on the Property unless Beneficiary consents to a merger in writing.

7.5 Joint and Several Liability. If Trustor consists of more than one person, each shall be jointly and severally liable for the faithful performance of all of Trustor's obligations under this Deed of Trust.

7.6 Applicable Law. This Deed of Trust shall be governed by the laws of the State of Colorado.

7.7 Successors in Interest. The terms, covenants and conditions of this Deed of Trust shall be binding upon and inure to the benefit of the heirs, successors and assigns of the parties. However, this Paragraph does not waive the provisions of Paragraph 6.1.

7.8 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS DEED OF TRUST OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION HERewith OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (a) CERTIFIES

THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (b) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS DEED OF TRUST AND THE OTHER DOCUMENTS CONTEMPLATED HEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION AND (c) CERTIFIES THAT THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE

7.9 Interpretation. Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. The captions of the sections of this Deed of Trust are for convenience only and do not define or limit any terms or provisions. The word "include(s)" means "include(s), without limitation," and the word "including" means "including, but not limited to." The word "obligations" is used in its broadest and most comprehensive sense, and includes all primary, secondary, direct, indirect, fixed and contingent obligations. It further includes all principal, interest, prepayment charges, late charges, loan fees and any other fees and charges accruing or assessed at any time, as well as all obligations to perform acts or satisfy conditions. No listing of specific instances, items or matters in any way limits the scope or generality of any language of this Deed of Trust. The Exhibits to this Deed of Trust are hereby incorporated in this Deed of Trust.

7.10 In-House Counsel Fees. Whenever Trustor is obligated to pay or reimburse Beneficiary or Trustee for any attorneys' fees, those fees shall include the allocated costs for services of inhouse counsel to the extent permitted by applicable law.

7.11 Waiver of Marshaling. Trustor waives all rights, legal and equitable, it may now or hereafter have to require marshaling of assets or to direct the order in which any of the Property will be sold in the event of any sale under this Deed of Trust. Each successor and assign of Trustor, including any holder of a lien subordinate to this Deed of Trust, by acceptance of its interest or lien agrees that it shall be bound by the above waiver, as if it had given the waiver itself.

7.12 Waiver of Homestead. Trustor hereby abandons and waives all claims of homestead on the Property and does hereby forever release and discharge the Property from any and all claims of homestead.

7.12 Severability. If any provision of this Deed of Trust should be held unenforceable or void, that provision shall be deemed severable from the remaining provisions and in no way affect the validity of this Deed of Trust except that if such provision relates to the payment of any monetary sum, then Beneficiary may, at its option, declare all Secured Obligations immediately due and payable.

7.13 Notices. Trustor hereby requests that a copy of notice of default and notice of sale be mailed to it at the address set forth below. That address is also the mailing address of Trustor as debtor under the Uniform Commercial Code. Beneficiary's address given below is the address for Beneficiary as secured party under the Uniform Commercial Code.

Addresses for Notices to Trustor:

LIFELOC TECHNOLOGIES, INC.
12441 West 49th Ave Unit 4
Wheat Ridge, CO 80033

Address for Notices to Beneficiary:

Bank of America, N.A.
Doc Retention Center
CT2-515-BB-03
70 Batterson Park Road
Farmington, CT 06032

IN WITNESS WHEREOF, Trustor has executed this Deed of Trust as of the date first above written.

TRUSTOR:

LIFELOC TECHNOLOGIES, INC.

By: /s/ Barry Knott (Seal)
Barry Knott, President/CEO

ACKNOWLEDGMENT

STATE OF COLORADO)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this day of _____, 2014 by Barry Knott as President and CEO of LIFELOC TECHNOLOGIES, INC., a Colorado corporation.

Witness my hand and official seal.

My commission expires: _____

Notary Public

EXHIBIT A TO DEED OF TRUST

Exhibit A to DEED OF TRUST executed as of October 29, 2014, by LIFELOC TECHNOLOGIES, INC. as "Trustor" to the Public Trustee of Jefferson County, as "Trustee," for the benefit of Bank of America, N.A, a national banking association, as "Beneficiary."

Legal Description

CONDOMINIUM UNITS 1 AND 2, BUILDING NUMBER 1, UNITS 3 THROUGH 10, INCLUSIVE, BUILDING NUMBER 2, AND UNITS 11 THROUGH 18, INCLUSIVE, BUILDING NUMBER 3, WARD WEST INDUSTRIAL PARK CONDOMINIUMS, IN ACCORDANCE WITH THE DECLARATION RECORDED MARCH 2, 2005, AT RECEPTION NO F2179779 AS CORRECTED NOVEMBER 30, 2010 AT RECEPTION NO 2010107445, AND THE CONDOMINIUM MAP RECORDED MARCH 2, 2005 AT RECEPTION NO F2179780 AS CORRECTED DECEMBER 6, 2010 AT RECEPTION NO 2010110022 OF THE RECORDS OF JEFFERSON COUNTY, STATE OF COLORADO.

Street Address

12441 West 49th Street, Units 11 - 18, Wheat Ridge, CO 80234



SECURITY AGREEMENT (Multiple Use)

1. THE SECURITY. The undersigned LIFELOC TECHNOLOGIES, INC. (the "Pledgor") hereby assigns and grants to Bank of America, N.A., its successors and assigns ("BANA"), and to Bank of America Corporation and its subsidiaries and affiliates (BANA and all such secured parties, collectively, the "Bank") a security interest in the following described property now owned or hereafter acquired by the Pledgor (the "Collateral"):

(a) All accounts, and all chattel paper, instruments, deposit accounts, letter of credit rights, and general intangibles related thereto; and all returned or repossessed goods which, on sale or lease, resulted in an account.

(b) All inventory.

(c) All equipment and fixtures now owned or hereafter acquired by the Pledgor, (including, but not limited to, the equipment described in the attached Equipment Description if any).

(d) All negotiable and nonnegotiable documents of title covering any Collateral. (e) All accessions attachments and other additions to the Collateral, and all tools, parts and equipment used in connection with the Collateral.

(f) All substitutes or replacements for any Collateral, all cash or non-cash proceeds (including insurance proceeds), products, rents and profits of the Collateral, and all income, benefits and property receivable on account of the Collateral, and all supporting obligations covering any Collateral

(g) All books, data and records pertaining to any Collateral, whether in the form of a writing, photograph, microfilm or electronic media, including but not limited to any computer- readable memory and any computer software necessary to process such memory ("Books and Records").

2. THE INDEBTEDNESS. The obligations secured by this Agreement are the payment and performance of (a) all present and future Indebtedness of the Pledgor to the Bank; (b) all obligations of the Pledgor and rights of the Bank under this Agreement; and (c) all present and future obligations of the Pledgor to the Bank of other kinds. Each party obligated under any Indebtedness is referred to in this Agreement as a "Debtor." "Indebtedness" is used in its most comprehensive sense and includes any and all advances, debts, obligations and liabilities of the Debtor, now or hereafter existing, absolute or contingent, liquidated or unliquidated, determined or undetermined, voluntary or involuntary, including under any swap, derivative, foreign exchange, hedge, or other arrangement ("Swap"), deposit, treasury management or other similar transaction or arrangement, and whether the Debtor may be liable individually or jointly with others, or whether recovery upon such Indebtedness may be or hereafter becomes unenforceable. "Indebtedness" secured by the Collateral of such Pledgor shall not include obligations arising under any Swap to which it is not party if, and to the extent that, all or a portion of the guaranty by such Pledgor to the Bank of or the grant by such Pledgor of a security interest to the Bank to

secure, such Swap, would violate the Commodity Exchange Act (7 U.S.C., Sec. 1. et. seq.) by virtue of such Pledgor's failure to constitute an "eligible contract participant" as defined in the Commodity Exchange Act at the time such guaranty or grant of such security interest becomes effective with respect to such Swap.

Except as otherwise agreed in writing by the Bank and the Pledgor, if the Indebtedness includes, now or hereafter, any Special Flood Zone Loan, then the following shall apply: The Special Flood Zone Loan shall not be secured under this Agreement by any Collateral which would constitute "contents" located within the Flood Zone Improvements.

3. PLEDGOR'S COVENANTS. The Pledgor represents, covenants and warrants that unless compliance is waived by the Bank in writing:

(a) The Pledgor agrees: (i) to indemnify the Bank against all losses, claims, demands, liabilities and expenses of every kind caused by any Collateral; (ii) to permit the Bank to exercise its rights under this Agreement; (iii) to execute and deliver such documents as the Bank deems necessary to create, perfect and continue the security interests contemplated by this Agreement; (iv) not to change its name (including, for an individual, the Pledgor's name on any driver's license or special identification card issued by any state), and as applicable, its chief executive office, its principal residence or the jurisdiction in which it is organized and/or registered or its business structure without giving the Bank at least 30 days prior written notice; (v) not to change the places where the Pledgor keeps any Collateral or the Pledgor's Books and Records concerning the Collateral without giving the Bank prior written notice of the address to which the Pledgor is moving same; and (vi) to cooperate with the Bank in perfecting all security interests granted by this Agreement and in obtaining such agreements from third parties as the Bank deems necessary, proper or convenient in connection with the preservation, perfection or enforcement of any of its rights under this Agreement.

(b) The Pledgor agrees with regard to the Collateral, unless the Bank agrees otherwise in writing: (i) that the Bank is authorized to file financing statements in the name of the Pledgor to perfect the Bank's security interest in the Collateral; (ii) that the Bank is authorized to notify any account debtors, any buyers of the Collateral, or any other persons of the Bank's interest in the Collateral, (iii) where applicable, to operate the Collateral in accordance with all applicable statutes, rules and regulations relating to the use and control of the Collateral and not to use any Collateral for any unlawful purpose or in any way that would void any insurance required to be carried; (iv) not to remove the Collateral from the Pledgor's premises except in the ordinary course of the Pledgor's business; (v) to pay when due all license fees, registration fees and other charges in connection with any Collateral; (vi) not to permit any lien on the Collateral, including without limitation, liens arising from repairs to or storage of the Collateral, except in favor of the Bank; (vii) not to sell, hypothecate or dispose of, nor permit the transfer by operation of law of, any Collateral or any interest in the Collateral except sales of inventory to buyers in the ordinary course of the Pledgor's business; (viii) to permit the Bank to inspect the Collateral at any time; (ix) to keep, in accordance with generally accepted accounting principles, complete and accurate Books and Records regarding all the Collateral, and to permit the Bank to inspect the same and make copies at any reasonable time; (x) if requested by the Bank, to receive and use reasonable diligence to collect the Collateral consisting of accounts and other rights to payment and proceeds, in trust and as the property of the Bank and to immediately endorse as appropriate and deliver such Collateral to the Bank daily in the exact form in which they are received together with a collection report in form satisfactory to the Bank; (xi) not to commingle the Collateral, or collections with respect to the Collateral, with other property; (xii) to give only normal allowances and credits and to advise the Bank thereof immediately in writing if they affect any rights to payment or proceeds in any material respect; (xiii) from time to time, when requested by the Bank, to prepare and deliver a schedule of all the Collateral subject to this Agreement and to assign in writing and deliver to the Bank all accounts, contracts, leases and other chattel paper, instruments and documents; (xiv) in the event the Bank elects to receive

payments or rights to payment or proceeds hereunder, to pay all expenses incurred by the Bank, including expenses of accounting, correspondence, collection efforts, reporting to account or contract debtors, filing, recording, record keeping and other expenses; and (xv) to provide any service and do any other acts which may be necessary to maintain, preserve and protect all the Collateral and, as appropriate and applicable, to keep all the Collateral in good and saleable condition, to deal with the Collateral in accordance with the standards and practices adhered to generally by users and manufacturers of like property, and to keep all the Collateral free and clear of all defenses, rights of offset and counterclaims

(c) If any Collateral is or becomes the subject of any registration certificate, certificate of deposit or negotiable document of title, including any warehouse receipt or bill of lading, the Pledgor shall immediately deliver such document to the Bank, together with any necessary endorsements

(d) The Pledgor will maintain and keep in force all risk insurance covering the Collateral against fire, theft, liability and extended coverages (including without limitation flood, windstorm coverage and hurricane coverage as applicable), to the extent that any Collateral is of a type which can be so insured. Such insurance shall be in form, amounts, coverages and basis reasonably acceptable to the Bank, shall require losses to be paid on a replacement cost basis, shall be issued by insurance companies acceptable to the Bank and include a lender loss payable endorsement and additional insured endorsement in favor of the Bank in a form acceptable to the Bank. Upon the request of the Bank, the Pledgor will deliver to the Bank a copy of each insurance policy, or, if permitted by the Bank, a certificate of insurance listing all insurance in force.

(e) The Pledgor will not attach any Collateral to any real property or fixture in a manner which might cause such Collateral to become a part thereof unless the Pledgor first obtains the written consent of any owner, holder of any lien on the real property or fixture, or other person having an interest in such property to the removal by the Bank of the Collateral from such real property or fixture. Such written consent shall be in form and substance acceptable to the Bank and shall provide that the Bank has no liability to such owner, holder of any lien, or any other persons.

4. BANK RIGHTS. The Pledgor appoints the Bank its attorney in fact to perform any of the following rights which are coupled with an interest, are irrevocable until termination of this Agreement and may be exercised from time to time by the Bank's officers and employees, or any of them, whether or not the Pledgor is in default: (a) to perform any obligation of the Pledgor hereunder in the Pledgor's name or otherwise; (b) to release persons liable on the Collateral and to give receipts and acquittances and compromise disputes; (c) to release or substitute security; (d) to prepare, execute, file, record or deliver notes, assignments, schedules, designation statements, financing statements, continuation statements, termination statements, statements of assignment, applications for registration or like documents to perfect, preserve or release the Bank's interest in the Collateral; (e) to take cash, instruments for the payment of money and other property to which the Bank is entitled; (f) to verify facts concerning the Collateral by inquiry of obligors thereon, or otherwise, in its own name or a fictitious name; (g) to endorse, collect, deliver and receive payment under instruments for the payment of money constituting or relating to the Collateral; (h) to prepare, adjust, execute, deliver and receive payment under insurance claims, and to collect and receive payment of and endorse any instrument in payment of loss or returned premiums or any other insurance refund or return, and to apply such amounts received by the Bank, at the Bank's sole option, toward repayment of the Indebtedness or, where appropriate, replacement of the Collateral; (i) to enter onto the Pledgor's premises in inspecting the Collateral; (j) to make withdrawals from and to close deposit accounts or other accounts with any financial institution, wherever located, into which proceeds may have been deposited, and to apply funds so withdrawn to payment of the Indebtedness; (k) to preserve or release the interest evidenced by chattel paper to which the Bank is entitled and to endorse and deliver any evidence of title; and (l) to do all acts and things and execute all documents in the name of the Pledgor or otherwise, deemed by the Bank as necessary, proper and convenient in connection with the preservation, perfection or enforcement of its rights.

5. DEFAULTS. Any one or more of the following shall be a default hereunder:

(a) The occurrence of any defined or described event of default under, or any default in the performance of or compliance with any obligation, agreement, representation, warranty, or other provision contained in (i) this Agreement, but only after Borrower has been provided a thirty (30) day opportunity to cure, or (ii) any other contract or instrument evidencing the Indebtedness if such default is beyond any applicable cure period in such other contract or instrument evidencing the Indebtedness.

(b) Any involuntary lien of any kind or character attaches to any Collateral, except for liens for taxes not yet due, and such lien is not removed within sixty (60) days of the day such lien attaches.

6. BANK'S REMEDIES AFTER DEFAULT. In the event of any default, the Bank may do any one or more of the following, to the extent permitted by law:

(a) Declare any Indebtedness immediately due and payable, without notice or demand.

(b) Enforce the security interest given hereunder pursuant to the Uniform Commercial Code and any other applicable law.

(c) Enforce the security interest of the Bank in any deposit account of the Pledgor maintained with the Bank by applying such account to the Indebtedness.

(d) Require the Pledgor to obtain the Bank's prior written consent to any sale, lease, agreement to sell or lease, or other disposition of any Collateral consisting of inventory.

(e) Require the Pledgor to segregate all collections and proceeds of the Collateral so that they are capable of identification and deliver daily such collections and proceeds to the Bank in kind.

(f) Require the Pledgor to direct all account debtors to forward all payments and proceeds of the Collateral to a post office box under the Bank's exclusive control.

(g) Give notice to others of the Bank's rights in the Collateral to enforce or forebear from enforcing the same and make extension and modification agreements.

(h) Require the Pledgor to assemble the Collateral, including the Books and Records, and make them available to the Bank at a place designated by the Bank.

(i) Enter upon the property where any Collateral, including any Books and Records, are located and take possession of such Collateral and such Books and Records, and use such property (including any buildings and facilities) and any of the Pledgor's equipment, if the Bank deems such use necessary or advisable in order to take possession of, hold, preserve, process, assemble, prepare for sale or lease, market for sale or lease, sell or lease, or otherwise dispose of, any Collateral.

(j) Demand and collect any payments on and proceeds of the Collateral. In connection therewith the Pledgor irrevocably authorizes the Bank to endorse or sign the Pledgor's name on all checks, drafts, collections, receipts and other documents, and to take possession of

and open the mail addressed to the Pledgor and remove therefrom any payments and proceeds of the Collateral

(k) Grant extensions and compromise or settle claims with respect to the Collateral for less than face value all without prior notice to the Pledgor.

(l) Use or transfer any of the Pledgor's rights and interests in any Intellectual Property now owned or hereafter acquired by the Pledgor, if the Bank deems such use or transfer necessary or advisable in order to take possession of, hold, preserve, process, assemble, prepare for sale or lease, market for sale or lease, sell or lease, or otherwise dispose of, any Collateral. The Pledgor agrees that any such use or transfer shall be without any additional consideration to the Pledgor. As used in this paragraph, "Intellectual Property" includes, but is not limited to, all trade secrets, computer software, service marks, trademarks, trade names, trade styles, copyrights, patents, applications for any of the foregoing, customer lists, working drawings, instructional manuals, and rights in processes for technical manufacturing, packaging and labeling, in which the Pledgor has any right or interest, whether by ownership, license, contract or otherwise.

(m) Have a receiver appointed by any court of competent jurisdiction to take possession of the Collateral. The Pledgor hereby consents to the appointment of such a receiver and agrees not to oppose any such appointment.

(n) Take such measures as the Bank may deem necessary or advisable to take possession of, hold, preserve, process, assemble, insure, prepare for sale or lease, market for sale or lease, sell or lease, or otherwise dispose of, any Collateral, and the Pledgor hereby irrevocably constitutes and appoints the Bank as the Pledgor's attorney-in-fact to perform all acts and execute all documents in connection therewith.

(o) Without notice or demand to the Pledgor, set off and apply against any and all of the Indebtedness any and all deposits (general or special, time or demand, provisional or final) and any other indebtedness at any time held or owing by the Bank or any of the Bank's agents or affiliates to or for the credit of the account of the Pledgor or any guarantor or endorser of the Pledgor's Indebtedness.

(p) Exercise all rights, powers and remedies which the Pledgor would have, but for this Agreement, with respect to all Collateral.

(q) Receive, open and read mail addressed to the Pledgor.

(r) Resort to the Collateral under this Agreement, and any other collateral related to the Indebtedness in any order.

(s) Exercise any other remedies available to the Bank at law or in equity

7. MISCELLANEOUS.

(a) Any waiver, express or implied, of any provision hereunder and any delay or failure by the Bank to enforce any provision shall not preclude the Bank from enforcing any such provision thereafter.

(b) The Pledgor shall, at the request of the Bank, execute such other agreements, documents, instruments, or financing statements in connection with this Agreement as the Bank may reasonably deem necessary.

(c) All notes, security agreements, subordination agreements and other documents executed by the Pledgor or furnished to the Bank in connection with this Agreement must be in form and substance satisfactory to the Bank.

(d) Governing Law. Except to the extent that any law of the United States may apply, this Agreement shall be governed and interpreted according to the laws of Colorado (the "Governing Law State"), without regard to any choice of law, rules or principles to the contrary. Nothing in this paragraph shall be construed to limit or otherwise affect any rights or remedies of the Bank under federal law.

(e) All rights and remedies herein provided are cumulative and not exclusive of any rights or remedies otherwise provided by law. Any single or partial exercise of any right or remedy shall not preclude the further exercise thereof or the exercise of any other right or remedy.

(f) All terms not defined herein are used as set forth in the Uniform Commercial Code.

(g) The Pledgor shall pay to the Bank immediately upon demand the full amount of all payments, advances, and expenses, including reasonable attorneys' fees, expended or incurred by the Bank in connection with (a) the perfection and preservation of the Collateral or the Bank's interest therein, and (b) the realization, enforcement and exercise of any right, power, privilege or remedy conferred by this Agreement, relating to the Pledgor, or in any way affecting any of the Collateral or the Bank's ability to exercise any of its rights or remedies with respect to the Collateral.

(h) In the event the Bank seeks to take possession of any or all of the Collateral by judicial process, the Pledgor irrevocably waives any bonds and any surety or security relating thereto that may be required by applicable law as an incident to such possession, and waives any demand for possession prior to the commencement of any such suit or action.

(i) This Agreement shall constitute a continuing agreement, applying to all future as well as existing transactions.

(j) This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties, and may be amended or modified only in writing signed by the Bank and the Pledgor.

(k) The secured parties covered by this Agreement include BANA as well as Bank of America Corporation and its subsidiaries and affiliates. Such secured parties are collectively referred to as the "Bank." If from time to time, any of the Indebtedness covered by this Agreement includes obligations to entities other than BANA, then BANA shall act as collateral agent for itself and all such other secured parties. BANA shall have the right to apply proceeds of the Collateral against debts, obligations or liabilities constituting all or part of the Indebtedness in such order as BANA may determine in its sole discretion, unless otherwise agreed by BANA and one or more of the other secured parties.

8. FINAL AGREEMENT. BY SIGNING THIS DOCUMENT EACH PARTY REPRESENTS AND AGREES THAT: (A) THIS DOCUMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF, (B) THIS DOCUMENT SUPERSEDES ANY COMMITMENT LETTER, TERM SHEET, OR OTHER WRITTEN OUTLINE OF TERMS AND CONDITIONS RELATING TO THE SUBJECT MATTER HEREOF, UNLESS SUCH COMMITMENT LETTER, TERM SHEET, OR OTHER WRITTEN OUTLINE OF TERMS AND CONDITIONS EXPRESSLY PROVIDES TO THE CONTRARY, (C) THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES, AND (D) THIS DOCUMENT MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OR UNDERSTANDINGS OF THE PARTIES.

Dated: October 29, 2014.

BANK OF AMERICA, N.A.

By: /s/ Kirk R. Fronckiewicz

Kirk R. Fronckiewicz, Senior Vice President

Address for Notices:

Bank of America, N.A.

Doc Retention Center

CT2-515-BB-03

70 Batterson Park Road

Farmington, CT 06032

LIFELOC TECHNOLOGIES, INC.

By: /s/ Barry Knott

Barry Knott, President/CEO

Pledgor's Location (principal residence, if the Pledgor is an individual; chief executive office, if the Pledgor is not an individual):

12441 West 49th Ave Unit 4

Wheat Ridge, CO 80033

Pledgor's state of incorporation or organization (if the Pledgor is a corporation, partnership, limited liability company or other registered entity):



Loan Agreement

Date of Agreement: October 29, 2014

Principal Amount:	\$250,000.00	Account Number:	25-0001103705
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Introduction. This Agreement dated and effective as of October 29, 2014, is entered into between LIFELOC TECHNOLOGIES, INC. (the "Borrower") and Bank of America, N.A (the "Bank"). The Borrower agrees to the following terms and conditions:

1. LINE OF CREDIT

1.1 Line of Credit Amount.

- (a) During the availability period described below, the Bank will provide a line of credit to the Borrower (the "Line of Credit") The amount of the Line of Credit (the "Commitment") is Two Hundred Fifty Thousand and 00/100 Dollars (\$250,000.00).
- (b) This is a revolving line of credit. During the availability period, the Borrower may repay principal amounts and reborrow them.
- (c) The Borrower agrees not to permit the principal balance outstanding to exceed the Commitment. If the Borrower exceeds this limit, the Borrower will immediately pay the excess to the Bank upon the Bank's demand.

1.2 Availability Period. The Line of Credit is available between the date of this Agreement and October 29, 2015, or such earlier date as the availability may terminate as provided in this Agreement (the "Expiration Date").

The availability period for this Line of Credit will be considered renewed if and only if the Bank has sent to the Borrower a written notice of renewal for the Line of Credit (the "Renewal Notice"). If this Line of Credit is renewed, it will continue to be subject to all the terms and conditions set forth in this Agreement except as modified by the Renewal Notice. If this Line of Credit is renewed, the term "Expiration Date" shall mean the date set forth in the Renewal Notice as the Expiration Date, and all outstanding principal plus all accrued interest shall be paid on the Expiration Date. The same process for renewal will apply to any subsequent renewal of this Line of Credit. A renewal fee may be charged at the Bank's option. The amount of the renewal fee will be specified in the Renewal Notice. If this Line of Credit is not renewed, the Bank in its sole discretion may allow the outstanding balance to be repaid in installments over a term specified by the Bank at the time. The Borrower specifically understands that the interest rate applicable to the Line of Credit may be increased upon term-out and that the new interest rate will apply to the entire outstanding principal balance due hereunder. A transaction fee may be charged at the Bank's option. If so, the amount will be specified in the term-out notice.

1.3 Repayment Terms.

- (a) The Borrower will pay interest on November 29 2014, and then on the last day of each month thereafter until payment in full of any principal outstanding under this Agreement.
- (b) The Borrower will repay in full any principal, interest or other charges outstanding under this Agreement no later than the Expiration Date.

1.4 Prepayments. The Borrower may prepay principal in full or in part at any time without the payment of a prepayment fee or premium. The prepayment will be applied to the most remote payment of principal due under this Agreement.

1.5 Interest Rate.

- (1) The interest rate is a rate per year equal to the LIBOR Daily Floating Rate plus 2.5 percentage point(s)
- (b) The LIBOR Daily Floating Rate is a fluctuating rate of interest which can change on each banking day. The rate will be adjusted on each banking day to equal the London Interbank Offered Rate (or a comparable or successor rate which is approved by the Bank) for U.S. Dollar deposits for delivery on the date in question for a one month term beginning on that date. The Bank will use the London Interbank Offered Rate as published by Bloomberg (or other commercially available source providing quotations of such rate as selected by the Bank from time to time) as determined at approximately 11:00 a.m. London time two (2) London Banking Days prior to the date in question, as adjusted from time to time in the Bank's sole discretion for reserve requirements, deposit insurance assessment rates and other regulatory costs. If such rate is not available at such time for any reason, then the rate will be determined by such alternate method as reasonably selected by the Bank. A "London Banking Day" is a day on which banks in London are open for business and dealing in offshore dollars.

2. COLLATERAL

2.1 Personal Property. The personal property listed below now owned or owned in the future by the parties listed below will secure Borrower's obligations to the Bank under this Agreement. The collateral is further defined in security agreement(s) executed by the owners of the collateral. In addition, all personal property collateral owned by the Borrower securing this Agreement shall also secure all other present and future obligations of the Borrower to the Bank and to any affiliate of the Bank (excluding any consumer credit covered by the federal Truth in Lending law, unless the Borrower has otherwise agreed in writing or received written notice thereof). All personal property collateral securing any other present or future obligations of the Borrower to the Bank shall also secure this Agreement.

- (a) Equipment and fixtures owned by the Borrower.
- (b) Inventory owned by the Borrower.
- (c) Receivables owned by the Borrower.

3. LOAN ADMINISTRATION AND FEES

3.1 Fees.

- (a) The Borrower will pay to the Bank the fees set forth on Schedule A

3.2 Collection of Payments.

- (a) Payments will be made by debit to a deposit account, if direct debit is provided for in this Agreement or is otherwise authorized by the Borrower. For payments not made by direct debit, payments will be made by mail to the address shown on the Borrower's statement, or by such other method as may be permitted by the Bank.
- (b) Each disbursement by the Bank and each payment by the Borrower will be evidenced by records kept by the Bank which will, absent manifest error, be conclusively presumed to be correct and accurate and constitute an account stated between the Borrower and the Bank.

3.3 Borrower's Instructions.

- (a) Subject to the terms, conditions and procedures stated elsewhere in this Agreement, the Bank may honor instructions for advances or repayments and any other instructions under this Agreement given by the Borrower (if an individual), or by any one of the individuals the Bank reasonably believes is authorized to sign loan agreements on behalf of the Borrower, or any other individual(s) designated by any one of such authorized signers (each an "Authorized Individual"). The Bank may honor any such instructions made by any one of the Authorized Individuals, whether such instructions are given in writing or by telephone, telefax or Internet and intranet websites designated by the Bank with respect to separate products or services offered by the Bank.
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3.4 Direct Debit.

- (a) The Borrower agrees that on the due date of any amount due under this Agreement, the Bank will debit the amount due from deposit account number **CO 457023873333** owned by the Borrower, or such other of the Borrower's accounts with the Bank as designated in writing by the Borrower (the "Designated Account"). Should there be insufficient funds in the Designated Account to pay all such sums when due, the full amount of such deficiency shall be immediately due and payable by the Borrower.
- (b) The Borrower may terminate this direct debit arrangement at any time by sending written notice to the Bank. If the Borrower terminates this arrangement, then the principal amount outstanding under this Agreement will at the option of the Bank bear interest at a rate per annum which is one (1.0) percentage point higher than the rate of interest otherwise provided under this Agreement and the amount of each payment will be increased accordingly.

3.5 Banking Days. Unless otherwise provided in this Agreement, a banking day is a day other than a Saturday, Sunday or other day on which commercial banks are authorized to close, or are in fact closed, in the state where the Bank's lending office is located, and, if such day relates to amounts bearing interest at an offshore rate (if any) means any such day on which dealings in dollar deposits are conducted among banks in the offshore dollar interbank market. All payments and disbursements which would be due or which are received on a day which is not a banking day will be due or applied, as applicable, to the credit on the next banking day.

3.6 Interest Calculation. Except as otherwise stated in this Agreement, all interest and fees, if any, will be computed on the basis of a 360-day year and the actual number of days elapsed. This results in more interest or a higher fee than if a 365-day year is used. Installments of principal which are not paid when due under this Agreement shall continue to bear interest until paid.

3.7 Default Rate. Upon the occurrence of any default or after maturity or after judgment has been rendered on any obligation under this Agreement, all amounts outstanding under this Agreement, including any unpaid interest, fees, or costs, will at the option of the Bank bear interest at a rate which is 6.0 percentage point(s) higher than the rate of interest otherwise provided under this Agreement. This may result in compounding of interest. This will not constitute a waiver of any default.

4. CONDITIONS

Before the Bank is required to extend any credit to the Borrower under this Agreement, it must receive any documents and other items it may reasonably require, in form and content acceptable to the Bank, including any items specifically listed below.

4.1 Authorizations. If the Borrower or any guarantor is anything other than a natural person, evidence that the execution, delivery and performance by the Borrower and/or such guarantor of this Agreement and any instrument or agreement required under this Agreement have been duly authorized.

4.2 Governing Documents. If required by the Bank, a copy of the Borrower's organizational documents.

4.3 Security Agreements. Signed original security agreements covering the personal property collateral which the Bank requires.

4.4 Perfection and Evidence of Priority. Evidence that the security interests and liens in favor of the Bank are valid enforceable, properly perfected in a manner acceptable to the Bank and prior to all others' rights and interests, except those the Bank consents to in writing. All title documents for motor vehicles which are part of the collateral must show the Bank's interest.

4.5 Payment of Fees. Payment of all fees, expenses and other amounts due and owing to the Bank. If any fee is not paid in cash, the Bank may, in its discretion, treat the fee as a principal advance under this Agreement or deduct the fee from the loan proceeds.

5. REPRESENTATIONS AND WARRANTIES

When the Borrower signs this Agreement, and until the Bank is repaid in full, the Borrower makes the following representations and warranties. Each request for an extension of credit constitutes a renewal of these representations and warranties as of the date of the request:

5.1 Formation. If the Borrower is anything other than a natural person, it is duly formed and existing under the laws of the state or other jurisdiction where organized.

5.2 Authorization. This Agreement, and any instrument or agreement required under this Agreement, are within the Borrower's powers, have been duly authorized, and do not conflict with any of its organizational papers

5.3 Good Standing. In each state in which the Borrower does business, it is properly licensed, in good standing, and, where required, in compliance with fictitious name statutes

5.4 Financial Information. All financial and other information that has been or will be supplied to the Bank is sufficiently complete to give the Bank accurate knowledge of the Borrower's (and any guarantor's) financial condition, including all material contingent liabilities. Since the date of the most recent financial statement provided to the Bank, there has been no material adverse change in the business condition (financial or otherwise), operations, properties or prospects of the Borrower (or any guarantor). If the Borrower is comprised of the trustees of a trust, the above representations shall also pertain to the trustor(s) of the trust.

5.5 Lawsuits. There is no lawsuit, tax claim or other dispute pending or threatened against the Borrower which if lost, would impair the Borrower's financial condition or ability to repay the loan, except as have been disclosed in writing to the Bank

5.6 Other Obligations. The Borrower is not in default on any obligation for borrowed money any purchase money obligation or any other material lease, commitment, contract, instrument or obligation, except as have been disclosed in writing to the Bank

5.7 Tax Matters. The Borrower has no knowledge of any pending assessments or adjustments of its income tax for any year and all taxes due have been paid, except as have been disclosed in writing to the Bank.

5.8 No Event of Default. There is no event which is, or with notice or lapse of time or both would be a default under this Agreement.

5.9 Collateral. All collateral required in this Agreement is owned by the grantor of the security interest free of any title defects or any liens or interests of others, except those which have been approved by the Bank in writing

5.10 ERISA Plans.

- (a) Each Plan (other than a multiemployer plan) is in compliance in all material respects with ERISA, the Code and other federal or state law, including all applicable minimum funding standards and there have been no prohibited transactions with respect to any Plan (other than a multiemployer plan), which has resulted or could reasonably be expected to result in a material adverse effect.
 - (b) With respect to any Plan subject to Title IV of ERISA:
 - (i) No reportable event has occurred under Section 4043(c) of ERISA which requires notice.
 - (ii) No action by the Borrower or any ERISA Affiliate to terminate or withdraw from any Plan has been taken and no notice of intent to terminate a Plan has been filed under Section 4041 or 4042 of ERISA.
 - (c) The following terms have the meanings indicated for purposes of this Agreement: (i) "Code" means the Internal Revenue Code of 1986, as amended.
 - (ii) "ERISA" means the Employee Retirement Income Security Act of 1974 as amended.
 - (iii) "ERISA Affiliate" means any trade or business (whether or not incorporated) under common control with the Borrower within the meaning of Section 414(b) or (c) of the Code.
 - (iv) "Plan" means a plan within the meaning of Section 3(2) of ERISA maintained or contributed to by the Borrower or any ERISA Affiliate, including any multiemployer plan within the meaning of Section 4001(a)(3) of ERISA.
-

6. COVENANTS

The Borrower agrees, so long as credit is available under this Agreement and until the Bank is repaid in full:

6.1 Use of Proceeds. To use the proceeds of the credit only for business purposes

6.2 Financial Information. To provide the following financial information and statements in form and content acceptable to the Bank, and such additional information as requested by the Bank from time to time. The Bank reserves the right, upon written notice to the Borrower, to require the Borrower to deliver financial information and statements to the Bank more frequently than otherwise provided below, and to use such additional information and statements to measure any applicable financial covenants in this Agreement.

(a) Within 120 days of Borrower's fiscal year end:

(i) The annual financial statements of the Borrower, certified and dated by an authorized financial officer. These financial statements must be audited (with an opinion satisfactory to the Bank) by a Certified Public Accountant acceptable to the Bank. The statements shall be prepared on a consolidated basis

(ii) Each financial statement of the Borrower required above must be accompanied by a certificate substantially in the form of the Compliance Certificate required by the Bank, signed by the party submitting the information or, if such party is a business entity, an authorized financial officer of the party. The Compliance Certificate shall state whether there existed as of the date of such financial statements, and whether there exists as of the date of the certificate, any event of default under this Agreement and, if any such default exists, specifying the nature thereof and the action the party is taking and proposes to take with respect thereto.

6.3 Basic Fixed Charge Coverage Ratio. To maintain on a consolidated basis a Basic Fixed Charge Coverage Ratio of at least 1.25:1.0.

"Basic Fixed Charge Coverage Ratio" means the ratio of (a) the sum of EBITDA plus lease expense and rent expense, minus income tax, minus dividends, withdrawals, and other distributions, to (b) the sum of interest expense, lease expense, rent expense, the current portion of long term debt and the current portion of capitalized lease obligations.

"EBITDA" means net income, less income or plus loss from discontinued operations and extraordinary items, plus income taxes, plus interest expense, plus depreciation, depletion, and amortization.

This ratio will be calculated at the end of each reporting period for which the Bank requires financial statements using the results of the twelve-month period ending with that reporting period. The current portion of long-term liabilities will be measured as of the last day of the calculation period.

6.4 Other Debts. Not to have outstanding or incur any direct or contingent liabilities or lease obligations (other than those to the Bank or to any affiliate of the Bank), or become liable for the liabilities of others, without the Bank's written consent. This does not prohibit:

(a) Acquiring goods, supplies, or merchandise on normal trade credit.

(b) Liabilities, lines of credit and leases in existence on the date of this Agreement disclosed in writing to the Bank. (c) If the Borrower is a natural person, additional debts of the Borrower as an individual for consumer purposes

6.5 Other Liens. Not to create, assume, or allow any security interest or lien (including judicial liens) on property the Borrower now or later owns, except:

(a) Liens and security interests in favor of the Bank or any affiliate of the Bank

(b) Liens outstanding on the date of this Agreement disclosed in writing to the Bank

6.6 Maintenance of Assets.

- (a) Not to sell, assign, lease, transfer or otherwise dispose of any part of the Borrower's business or the Borrower's assets except inventory sold in the ordinary course of the Borrower's business.
- (b) Not to sell, assign, lease, transfer or otherwise dispose of any assets for less than fair market value or enter into any agreement to do so.
- (c) Not to enter into any sale and leaseback agreement covering any of its fixed assets. (d) To maintain and preserve all rights, privileges, and franchises the Borrower now has.
- (d) To make any repairs, renewals, or replacements to keep the Borrower's properties in good working condition.

6.7 Loans. Not to make any loans, advances or other extensions of credit to any individual or entity except for extensions of credit in the nature of accounts receivable or notes receivable arising from the sale or lease of goods or services in the ordinary course of business to non-affiliated entities.

6.8 Change of Management. Not to make any substantial change in the present executive or management personnel of the Borrower.

6.9 Change of Ownership. If the Borrower is anything other than a natural person, not to cause, permit, or suffer any change in capital ownership such that there is a material change, as determined by the Bank in its sole discretion, in the direct or indirect capital ownership of the Borrower.

6.10 Additional Negative Covenants. Not to, without the Bank's written consent:

- (a) Enter into any consolidation, merger, or other combination, or become a partner in a partnership, a member of a joint venture, or a member of a limited liability company.
- (b) Acquire or purchase a business or its assets, if the purchase price is over One Million Dollars (\$1,000,000.00), in aggregate, from the date of this agreement until the "Repayment Period".
- (c) Engage in any business activities substantially different from the Borrower's present business. (d) Liquidate or dissolve the Borrower's business.

6.11 Notices to Bank. To promptly notify the Bank in writing of:

- (a) Any event of default under this Agreement, or any event which, with notice or lapse of time or both, would constitute an event of default.
- (b) Any change in the Borrower's name, legal structure, principal residence, or name on any driver's license or special identification card issued by any state (for an individual), state of registration (for a registered entity), place of business, or chief executive office if the Borrower has more than one place of business.

6.12 Insurance

- (a) General Business Insurance. To maintain insurance as is usual for the business it is in.
- (b) Insurance Covering Collateral. To maintain all risk property damage insurance policies (including without limitation windstorm coverage, and hurricane coverage as applicable) covering the tangible property comprising the collateral. Each insurance policy must be for the full replacement cost of the collateral and include a replacement cost endorsement. The insurance must be issued by an insurance company acceptable to the Bank and must include a lender's loss payable endorsement in favor of the Bank in a form acceptable to the Bank.
- (c) Evidence of Insurance. Upon the request of the Bank, to deliver to the Bank a copy of each insurance policy or, if permitted by the Bank, a certificate of insurance listing all insurance in force.

6.13 Compliance with Laws. To comply with the laws (including any fictitious or trade name statute) regulations, and orders of any government body with authority over the Borrower's business. The Bank shall have no obligation to make any advance to the Borrower except in compliance with all applicable laws and regulations and the Borrower shall fully cooperate with the Bank in complying with all such applicable laws and regulations.

6.14 Books and Records. To maintain adequate books and records

6.15 Audits. To allow the Bank and its agents to inspect the Borrower's properties and examine audit, and make copies of books and records at any reasonable time. If any of the Borrower's properties, books or records are in the possession of a third party, the Borrower authorizes that third party to permit the Bank or its agents to have access to perform inspections or audits and to respond to the Bank's requests for information concerning such properties, books and records.

6.16 Perfection of Liens. To help the Bank perfect and protect its security interests and liens and reimburse it for related costs it incurs to protect its security interests and liens.

6.17 Cooperation. To take any action reasonably requested by the Bank to carry out the intent of this Agreement.

6.18 Bank as Principal Depository. To maintain the Bank or one of its affiliates as its principal depository bank, including for the maintenance of business, cash management, operating and administrative deposit accounts

7. DEFAULT AND REMEDIES

If an event of default under Section 7 has occurred and is continuing beyond any applicable cure period without limiting any of the Bank's rights and remedies in this Agreement, if any of the following events of default occurs, the Bank may do one or more of the following without prior notice: declare the Borrower in default, stop making any additional credit available to the Borrower, and require the Borrower to repay its entire debt immediately. If an event which, with notice or the passage of time, will constitute an event of default has occurred and is continuing, the Bank has no obligation to make advances or extend additional credit under this Agreement. In addition, if any event of default occurs the Bank shall have all rights, powers and remedies available under any instruments and agreements required by or executed in connection with this Agreement, as well as all rights and remedies available at law or in equity. If an event of default occurs under the paragraph entitled "Bankruptcy/Receivers," below with respect to the Borrower, then the entire debt outstanding under this Agreement will automatically be due immediately. Notwithstanding the foregoing, it shall not be an event of default, and Bank shall have no additional remedies unless and until Borrower has been provided a thirty (30) day opportunity to cure any of 7.2, 7.3 7.4, 7.9, 7.11 and 7.13 below.

7.1 Failure to Pay. If an event of default under Section 7 has occurred and is continuing beyond any applicable cure period, the Borrower fails to make a payment under the Agreement within ten (10) days of when due

7.2 Covenants. If an event of default under Section 7 has occurred and is continuing beyond any applicable cure period, any default in the performance of or compliance with any obligation, agreement or other provision contained in this Agreement (other than those specifically described as an event of default in this Article).

7.3 Other Bank Agreements. If an event of default under Section 7 has occurred and is continuing beyond any applicable cure period, any default occurs under any guaranty, subordination agreement, security agreement, deed of trust, mortgage, or other document required by or delivered in connection with this Agreement or any such document is no longer in effect, or any guarantor purports to revoke or disavow the guaranty; or any representation or warranty made by any guarantor is false when made or deemed to be made; or any default occurs under any other agreement the Borrower (or any Obligor) has with the Bank or any affiliate of the Bank. For purposes of this Agreement, "Obligor" shall mean any guarantor, any party pledging collateral to the Bank or, if the Borrower is comprised of the trustees of a trust, any trustor.

7.4 Cross-default. If an event of default under Section 8 has occurred and is continuing beyond any applicable cure period, any default occurs under any agreement in connection with any credit the Borrower (or any Obligor) has obtained from anyone else or which the Borrower (or any Obligor) or any of the Borrower's related entities or affiliates has guaranteed.

7.5 False Information. The Borrower or any Obligor has given the Bank false or misleading information or representations.

7.6 Bankruptcy/Receivers. The Borrower, any Obligor, or any general partner of the Borrower or of any Obligor files a bankruptcy petition, a bankruptcy petition is filed against any of the foregoing parties and such petition is not dismissed within a period of forty-five (45) days after the filing, or the Borrower, any Obligor, or any general partner of the Borrower or of any Obligor makes a general assignment for the benefit of creditors; or a receiver or similar official is appointed for a substantial portion of Borrower's or any Obligor's business; or the business is terminated, or such Obligor is liquidated or dissolved.

7.7 Revocation or Termination. If the Borrower is comprised of the trustee(s) of a trust, the trust is revoked or otherwise terminated or all or a substantial part of the Borrower's assets are distributed or otherwise disposed of.

7.8 Lien Priority. The Bank fails to have an enforceable first lien (except for any prior liens to which the Bank has consented in writing) on or security interest in any property given as security for this Agreement (or any guaranty).

7.9 Judgments. If an event of default under Section 8 has occurred and is continuing beyond any applicable cure period, any judgments or arbitration awards are entered against the Borrower or any Obligor.

7.10 Death. If the Borrower or any Obligor is a natural person, the Borrower or such Obligor dies or becomes legally incompetent; if the Borrower or any Obligor is a trust, a trustor dies or becomes legally incompetent; if the Borrower or any Obligor is a partnership, any general partner dies or becomes legally incompetent.

7.11 Material Adverse Change. If an event of default under Section 7 has occurred and is continuing beyond any applicable cure period, any material adverse change occurs, or is reasonably likely to occur, in the Borrower's (or any Obligor's) business condition (financial or otherwise), operations, or properties, or ability to repay the credit.

7.12 Government Action. Any government authority takes action that the Bank believes materially adversely affects the Borrower's or any Obligor's financial condition or ability to repay.

7.13 ERISA Plans. If an event of default under Section 7 has occurred and is continuing beyond any applicable cure period, a reportable event occurs under Section 4043(c) of ERISA, or any Plan termination (or commencement of proceedings to terminate a Plan) or the full or partial withdrawal from a Plan under Section 4041 or 4042 of ERISA occurs; provided such event or events could reasonably be expected, in the judgment of the Bank to have a material adverse effect.

8. ENFORCING THIS AGREEMENT; MISCELLANEOUS

8.1 GAAP. Except as otherwise stated in this Agreement, all financial information provided to the Bank and all financial covenants will be made under generally accepted accounting principles, consistently applied or another basis acceptable to the Bank.

8.2 Governing Law. Except to the extent that any law of the United States may apply, this Agreement shall be governed and interpreted according to the laws of Colorado (the "Governing Law State"), without regard to any choice of law, rules or principles to the contrary. Nothing in this paragraph shall be construed to limit or otherwise affect any rights or remedies of the Bank under federal law.

8.3 Venue and Jurisdiction. The Borrower agrees that any action or suit against the Bank arising out of or relating to this Agreement shall be filed in federal court or state court located in the Governing Law State. The Borrower agrees that the Bank shall not be deemed to have waived its rights to enforce this section by filing an action or suit against the Borrower in a venue outside of the Governing Law State. If the Bank does commence an action or suit arising out of or relating to this Agreement, the Borrower agrees that the case may be filed in federal court or state court in the Governing Law State. The Bank reserves the right to commence an action or suit in any other jurisdiction where the Borrower, any Guarantor, or any collateral has any presence or is located. The Borrower consents to personal jurisdiction and venue in such forum selected by the Bank and waives any right to contest jurisdiction and venue and the convenience of any such forum. The provisions of this section are material inducements to the Bank's acceptance of this Agreement.

8.4 Successors and Assigns. This Agreement is binding on the Borrower's and the Bank's successors and assignees. The Borrower agrees that it may not assign this Agreement without the Bank's prior consent.

8.5 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION HERewith OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (a) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS

REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (b) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER DOCUMENTS CONTEMPLATED HEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION AND (c) CERTIFIES THAT THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE

8.6 Severability; Waivers. If any part of this Agreement is not enforceable, the rest of the Agreement may be enforced. The Bank retains all rights, even if it makes a loan after default. If the Bank waives a default, it may enforce a later default. Any consent or waiver under this Agreement must be in writing.

8.7 Expenses.

- (a) The Borrower shall pay to the Bank immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees, expended or incurred by the Bank in connection with (i) the negotiation and preparation of this Agreement and any related agreements, the Bank's continued administration of this Agreement and such related agreements, and the preparation of any amendments and waivers related to this Agreement or such related agreements, (ii) filing, recording and search fees, appraisal fees, field examination fees, title report fees, and documentation fees with respect to any collateral and books and records of the Borrower or any Obligor, (iii) the Bank's costs or losses arising from any changes in law which are allocated to this Agreement or any credit outstanding under this Agreement, and (iv) costs or expenses required to be paid by the Borrower or any Obligor that are paid, incurred or advanced by the Bank.
- (b) The Borrower will indemnify and hold the Bank harmless from any loss, liability, damages, judgments, and costs of any kind relating to or arising directly or indirectly out of (i) this Agreement or any document required hereunder, (ii) any credit extended or committed by the Bank to the Borrower hereunder, and (iii) any litigation or proceeding related to or arising out of this Agreement, any such document, or any such credit, including, without limitation, any act resulting from the Bank complying with instructions the Bank reasonably believes are made by any Authorized Individual. This paragraph will survive this Agreement's termination, and will benefit the Bank and its officers, employees, and agents.
- (c) The Borrower shall reimburse the Bank for any reasonable costs and attorneys' fees incurred by the Bank in connection with (i) the enforcement or preservation of the Bank's rights and remedies and/or the collection of any obligations of the Borrower which become due to the Bank and in connection with any "workout" or restructuring, and (ii) the prosecution or defense of any action in any way related to this Agreement, the credit provided hereunder or any related agreements, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by the Bank or any other person) relating to the Borrower or any other person or entity.

8.8 Individual Liability. If the Borrower is a natural person, the Bank may proceed against the Borrower's business and non-business property in enforcing this and other agreements relating to this loan. If the Borrower is a partnership, the Bank may proceed against the business and non-business property of each general partner of the Borrower in enforcing this and other agreements relating to this loan.

8.9 Joint and Several Liability. If two or more Borrowers sign this Agreement, each Borrower agrees that it is jointly and severally liable to the Bank for the payment of all obligations arising under this Agreement, and that such liability is independent of the obligations of the other Borrowers.

8.10 Set-Off. Upon and after the occurrence of an event of default under this Agreement, (a) the Borrower hereby authorizes the Bank, at any time and from time to time, without notice, which is hereby expressly waived by the Borrower, and whether or not the Bank shall have declared any credit subject hereto to be due and payable in accordance with the terms hereof, to set off against, and to appropriate and apply to the payment of, the Borrower's Obligations (whether matured or unmatured, fixed or contingent, liquidated or unliquidated), any and all amounts owing by the Bank to the Borrower (whether payable in US. dollars or any other currency, whether matured or unmatured, and in the case of deposits, whether general or special (except trust and escrow accounts), time or demand and however evidenced), and (b) pending any such action, to the extent necessary, to hold such amounts as collateral to secure such Obligations and to return as unpaid for insufficient funds any and all checks and other items drawn against any deposits so held as the Bank, in its sole discretion, may elect. The Borrower hereby grants to the Bank a security interest in all deposits and accounts maintained with the Bank to secure the payment of all Obligations of the Borrower to the Bank under this Agreement and all agreements, instruments and documents related to this Agreement. "Obligations" means all obligations, now or hereafter existing, of the Borrower to the Bank under this Agreement and under any other agreement or instrument executed in connection with this Agreement.

8.11 One Agreement. This Agreement and any related security or other agreements required by this Agreement constitute the entire agreement between the Borrower and the Bank with respect to each credit subject hereto and supersede all prior negotiations, communications, discussions and correspondence concerning the subject matter hereof

In the event of any conflict between this Agreement and any other agreements required by this Agreement, this Agreement will prevail.

8.12 Notices. Unless otherwise provided in this Agreement or in another agreement between the Bank and the Borrower, all notices required under this Agreement shall be personally delivered or sent by first class mail, postage prepaid, or by overnight courier to the addresses on the signature page of this Agreement, or to such other addresses as the Bank and the Borrower may specify from time to time in writing. Notices and other communications shall be effective (i) if mailed, upon the earlier of receipt or five (5) days after deposit in the U.S. mail, first class, postage prepaid, or (ii) if hand-delivered, by courier or otherwise (including telegram, lettergram or mailgram), when delivered.

8.13 Headings. Article and paragraph headings are for reference only and shall not affect the interpretation or meaning of any provisions of this Agreement.

8.14 Counterparts. This Agreement may be executed in any number of counterparts, each of which, when so executed, shall be deemed to be an original, and all of which when taken together shall constitute one and the same Agreement. Delivery of an executed counterpart of this Agreement (or of any agreement or document required by this Agreement and any amendment to this Agreement) by telecopy or other electronic imaging means shall be as effective as delivery of a manually executed counterpart of this Agreement; provided, however, that the telecopy or other electronic image shall be promptly followed by an original if required by the Bank.

8.15 Borrower Information; Reporting to Credit Bureaus. The Borrower authorizes the Bank at any time to verify or check any information given by the Borrower to the Bank, check the Borrower's credit references, verify employment, and obtain credit reports. The Borrower agrees that the Bank shall have the right at all times to disclose and report to credit reporting agencies and credit rating agencies such information pertaining to the Borrower and/or all guarantors as is consistent with the Bank's policies and practices from time to time in effect.

8.16 Customary Advertising Material. The Borrower and each Obligor consent to the publication by the Bank of customary advertising material relating to the transactions contemplated hereby using the name, product photographs, logo or trademark of the Borrower or such Obligor.

8.17 Amendments. This Agreement may be amended or modified only in writing signed by each party hereto. This Agreement is executed as of the date stated at the top of the first page.

Bank:

Bank of America, N.A.

By: /s/ Kirk R. Fronckiewicz
Kirk R. Fronckiewicz, Senior Vice President

Borrower:

LIFELOC TECHNOLOGIES, INC.

By: /s/ Barry Knott
Barry Knott, President/CEO

Address where notices to LIFELOC TECHNOLOGIES, INC. are to be sent:

12441 West 49th Ave Unit 4
Wheat Ridge, CO 80033
US

Telephone:303-431-9500

Address where notices to the Bank are to be sent:

Bank of America, N.A.
Doc Retention Center
CT2-515-BB-03
70 Batterson Park Road
Farmington, CT 06032

Facsimile:
866-255-9922

Federal law requires Bank of America N.A. (the "Bank") to provide the following notice. The notice is not part of the foregoing agreement or instrument and may not be altered. Please read the notice carefully.

(1) USA PATRIOT ACT NOTICE

Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account or obtains a loan. The Bank will ask for the Borrower's legal name, address, tax ID number or social security number and other identifying information. The Bank may also ask for additional information or documentation or take other actions reasonably necessary to verify the identity of the Borrower, guarantors or other related persons.

SCHEDULE A

FEES

- (a) Waiver Fee. If the Bank, at its discretion, agrees to waive or amend any terms of this Agreement, the Borrower will, at the Bank's option, pay the Bank a fee for each waiver or amendment in an amount advised by the Bank at the time the Borrower requests the waiver or amendment. Nothing in this paragraph shall imply that the Bank is obligated to agree to any waiver or amendment requested by the Borrower. The Bank may impose additional requirements as a condition to any waiver or amendment.
- (b) Late Fee. To the extent permitted by law, the Borrower agrees to pay a late fee in an amount not to exceed four percent (4%) of any payment that is more than fifteen (15) days late. The imposition and payment of a late fee shall not constitute a waiver of the Bank's rights with respect to the default.

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Barry R. Knott, certify that:

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

Dated: March 20, 2015

/s/ Barry R. Knott

Barry R. Knott

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Vern D. Kornelsen, certify that:

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

Dated: March 20, 2015

/s/ Vern D. Kornelsen

Vern D. Kornelsen
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Barry R. Knott, Chief Executive Officer of Lifeloc Technologies, Inc. (the "Company"), hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2014 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the period covered by the Report.

Dated: March 20, 2015

/s/ Barry R. Knott

Barry R. Knott
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Vern D. Kornelsen, Chief Financial Officer of Lifeloc Technologies, Inc. (the "Company"), hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2014 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the period covered by the Report.

Dated: March 20, 2015

/s/ Vern D. Kornelsen

Vern D. Kornelsen

Chief Financial Officer

(Principal Financial Officer)