

LEASE

THIS LEASE is made as of the October day of 20, 19 92, by and between
Hannon Enterprises
herein called Landlord, and City of San Diego, Property Dept.

herein called Tenant;

WITNESSETH:

That the Landlord, in consideration of the rent herein specified to be paid by the Tenant and the covenants and conditions herein set forth, does hereby lease to Tenant, and Tenant in consideration of the premises and the covenants and conditions herein set forth, does hereby hire from Landlord, those certain premises (hereinafter referred to as the "premises") which are part of a shopping center and commercial development (hereinafter referred to as the "Shopping Center") located in the City of San Diego in the County of San Diego State of California at the Paradise Valley Shopping Center 6915 Paradise Valley Road, Suite 1A. The premises are more

particularly described as a certain store to be constructed in accordance with Paragraph 5 hereof entitled "Building." Said store is to be located within the area outlined in red and is located within Building B all as delineated in Exhibit "A" attached hereto and made a part hereof. Building B is located on the land legally described in Exhibit "B" attached hereto and made a part hereof. Final location to be determined by Landlord. Tenant acknowledges that Landlord, in Landlord's sole discretion, may change the shape, size, location, number and extent of the improvements shown on Exhibit "A" and may eliminate or add any improvements to any portion of the Shopping Center, provided Landlord shall not change the size or location of the premises without Tenant's consent. Landlord reserves the absolute right to effect such other tenancies in the Shopping Center as Landlord in the exercise of its sole business judgment shall determine to best promote the interest of the Shopping Center; Tenant does not rely on the fact nor does Landlord represent that any specific tenant or number of tenants shall during the term of this lease occupy any space in the Shopping Center. Landlord reserves to itself the use of the roof, exterior walls and the area beneath the premises, together with the right to install, use, maintain and replace equipment, machinery, pipes, conduits and wiring through the premises, which serve other parts of the Shopping Center, in a manner and in locations which do not unreasonably interfere with Tenant's use of the premises. This lease shall include parking and other rights as set forth in Paragraph 6 hereof entitled "Common Area." This lease is subject to covenants, conditions, reservations, restrictions, easements, rights, rights of way and other matters of record, if any, in the office of the County Recorder of the County in which the premises are located.

This lease is entered into and executed subject to the covenants, conditions, rules and regulations hereinafter set forth and both the Landlord and the Tenant herein, respectively, agree to perform each and all of the covenants, conditions, rules and regulations hereinafter contained to be by each, respectively, performed as follows, to wit:

1. TERM: The term of this lease shall commence on the expiration of sixty (60) days after Tenant is given notice by Landlord that the demised premises are ready for possession or on the date on which Tenant opens for business ~~or first sells merchandise on or from the premises, whichever shall first occur~~. Said term shall expire three (3) years after the last day of the calendar month in which it so commences.

As soon as the commencement date of the term of this lease has been determined as provided in the aforementioned manner, the parties hereto shall enter into a written agreement in which the date of commencement of this lease is specified.

The opening for business by Tenant shall constitute acceptance of the demised premises by Tenant and constitute recognition that the premises are in good condition and repair.

It is understood and agreed that should the commencement date of the lease not occur on or before two (2) years from the date hereof, this lease shall thereupon be and become automatically null and void and of no further force or effect whatsoever.

2. DELIVERY OF POSSESSION: Notification by Landlord that the demised premises are ready for possession shall constitute delivery of possession.

If Landlord is unable for any reason to deliver possession of the demised premises to Tenant on or before one (1) year from the date hereof, then at any time thereafter Landlord may, by serving notice to Tenant by registered or certified mail, return receipt requested, cancel this lease. Five (5) days after serving such notice, this lease shall automatically cease and terminate and both Landlord and Tenant shall be released of all obligations and liabilities assumed hereunder.

3. RENT: Tenant shall pay Landlord rent as follows:

A. Minimum Rent: Tenant shall pay to Landlord without prior demand, deduction, or offset, a minimum rental at the rate of One dollar and no/100

(\$1.00) per ~~year~~ ^{year} ~~anniversary year~~ payable in advance upon the commencement of the first month of the term hereof and thereafter on the first day of each ~~calendar month~~ ^{calendar month}. The minimum rent for the initial and terminal fractions of a month shall be prorated.

~~**B. Percentage Rent:** As percentage rent the amount, if any, by which _____ percent (____%) of the gross receipts for any lease year exceeds the minimum rent, if any, actually paid for such lease year. Said percentage rent for convenience purposes shall be paid in monthly installments in an amount equal to _____ percent (____%) of the gross receipts for said month or fraction of a month, less the amount of minimum rent, if any, paid for such month or fraction of a month. On or before the tenth (10th) day of each calendar month Tenant shall mail to Landlord a statement of its gross receipts for the preceding calendar month or fraction of month and shall concurrently therewith pay the monthly installment of percentage rent, if any, for the period covered by said statement.~~

On or before the thirtieth (30th) day of the calendar month following the expiration of each lease year of the term hereof, Tenant shall furnish Landlord with a statement setting forth the gross receipts for the preceding lease year. At that time any adjustment required to keep the percentage rent on a lease year basis shall be made.

C. Gross Receipts: The term "gross receipts" as used herein shall be the gross sales herein defined, less the deductions herein authorized.

(1) Gross Sales: Gross sales shall include all "gross sales" of Tenant as well as Tenant's subtenants, concessionaires and licensees, and said term "Gross Sales" wherever used in this lease shall be deemed to refer to and embrace, as to any period, the entire amount derived from the business conducted in, on or from the herein "demised premises" and shall include the actual sales price, or charge, whether for cash, credit, conditional contracts of sale, or otherwise, for all merchandise, services, alterations, repairs and any other receipts whatsoever including all deposits not refunded to purchasers, the gross amount received and/or charged for merchandise or services sold, ordered or arranged for in, at or through the demised premises, irrespective of the point from which such goods are delivered or at which such services are performed or the point or agency at or through which collection therefor is arranged or effected; and the gross amount received from any and all other sources of income derived from the business conducted upon the demised premises; in case of sales on credit or conditional contracts of sale, the entire amount shall be included irrespective of whether or not payment is actually made therefor.

~~LESS-~~

~~(2) Deductions: Any amounts collected as or for sales or excise taxes imposed by any duly constituted Governmental authority; any refunds and allowances made to customers by Tenant in connection with merchandise sold by or returned to Tenant; any and all carrying charges and interest on conditional sales contracts; and any and all delivery charges, the amount whereof had theretofore been included by Tenant in Tenant's gross sales.~~

Furthermore, gross receipts shall not include exchange of goods and merchandise between the stores of Tenant where such exchange of goods and merchandise is made solely for the convenient operation of the business of Tenant and not for the purpose of consummating a sale which has theretofore been made at, in, from or upon the herein demised premises. Gross receipts shall be deemed to be attributable to the period in which the services are rendered or the goods delivered, irrespective of whether the sale or transaction out of which they arise is for credit, cash, or both, or whether title to the goods sold passes upon delivery or is to pass subsequent to delivery. Tenant shall pay to Landlord in lawful money of the United States at the address provided for notices in Article 22, or at such other place as Landlord may from time to time designate in writing to Tenant, all sums due from Tenant under this lease as rent or otherwise.

D. Lease Year: The term "lease year" means:

That period of 12 or less consecutive months which ends on December 31st of each year and which falls within the term of this Lease and the period from the last December 31st during the term to and including the last day of the term.

Each lease year shall constitute a separate accounting period for the purpose of computing percentage rate, and gross sales for any one lease year shall not be carried over into any other.

E. Statements and Audit: Tenant shall at all times during the term hereof keep and maintain on the demised premises and at the principal office of Tenant adequate books of accounts reflecting all transactions necessary or convenient for the determination of Tenant's gross receipts and of the rent hereunder. Landlord and/or its duly authorized accountants, agents or attorneys shall have the right from time to time during the term hereof and for a reasonable time thereafter to inspect, at reasonable business hours, the sales books, sales records and sales tax returns of Tenant pertaining to the demised premises. If such inspection discloses substantial error, (Two percent [2%] or more), then the cost of the inspection shall be paid by Tenant. Said books and records shall be preserved for at least two (2) years after the period to which they relate. Should any such statement be found to be inaccurate or incomplete, adjustment shall be made forthwith in accordance with the true condition of business for the period represented by said statement. It shall be deemed to be a violation of the term of this lease, and in that respect Landlord shall have the right to cancel and terminate this lease in addition to all other legal remedies, in the event that any statement required to be furnished by Tenant to Landlord under the provisions of this paragraph shall be made falsely or fraudulently, knowingly or with intent to furnish incorrect data as the basis for the fixing of the rentals hereunder.

Furthermore, the Tenant agrees to install a cash register or register to be equipped with an accumulative total which shall be sealed in a manner approved by Landlord for the use of Tenant its agents, servants, representatives and employees and said Tenant agrees to register or cause to be registered upon said cash register all sales made upon the premises or originating therefrom, whether for cash or credit or C.O.D. or conditional contract of sale or otherwise, and such registration shall be made immediately at the time the sale is made and receipt from the cash register showing the correct amount of purchase shall be delivered to the purchase at the time the purchase is made, and failure to do so shall constitute violation of this lease. Landlord shall have and is hereby granted the right to examine and check the total on said cash register daily, weekly, or monthly, as said Landlord may elect, to determine therefrom the amount of gross receipts and of determining therefrom the amount of rental to be paid by the Tenant as in this lease provided for. Tenant agrees to keep daily and dated detailed strip from said cash register or registers on file and Landlord shall have the privilege of inspecting these detailed strips when desired. The term "sales" as used in this paragraph shall include all of the gross sales of Tenant and/or any subtenant or concessionaire as defined in Paragraph 3(C) hereof.

4. SECURITY DEPOSIT: Tenant shall deposit with Landlord upon execution hereof the sum of _____ (\$ _____) Dollars

as security for Tenant's faithful performance of Tenant's obligations hereunder. If Tenant fails to pay rent or other charges due, hereunder, or otherwise defaults with respect to any provision of this Lease, Landlord may use, or retain all or any portion of said deposit for the payment of any rent or other charge in default or for the payment of any other sum to which Landlord may become obligated by reason of Tenant's default, or to compensate Landlord for any loss or damage which Landlord may suffer thereby. If Landlord so uses or applies all or any portion of said deposit, Tenant shall within ten (10) days after written demand therefor deposit cash with Landlord in an amount sufficient to restore said deposit to the full amount hereinabove stated and Tenant's failure to do so shall be a breach of this Lease, and Landlord may at his option terminate this Lease. Landlord shall not be required to keep said deposit separate from its general accounts. If Tenant performs all of Tenant's obligations hereunder, said deposit or so much thereof as had not theretofore been applied by Landlord, shall be returned, without payment of interest or other increment for its use, to Tenant or, at Landlord's option, to the last assignee, if any, of Tenant's interest hereunder within fifteen (15) days after the expiration of the term hereof, or after Tenant has vacated the Premises, whichever is later.

5. BUILDING: Landlord shall at its own expense cause to be constructed the store herein demised, containing approximately

548

square feet and having an approximate frontage of

22

feet by an approximate depth of

25

feet. Said store shall at Landlord's option be either a separate building

or part of a larger building. Within ten (10) days after the execution of this lease, Tenant shall provide Landlord with a fixture plan for the store. Said store shall be constructed in accordance with the applicable Building Codes and in accordance with plans and specifications prepared by an architect selected and retained by Landlord. Should said plans not be provided as herein defined, after written notice from Landlord, Tenant shall have fifteen (15) days to provide said plans. Should these plans not be provided in that time Landlord shall have the option of terminating this lease and retaining the Security Deposit, notwithstanding anything to the contrary contained herein.

In the event that Tenant should elect to make changes and/or additions to the Memorandum Specifications marked Exhibit "C" and made a part hereof, then and in that event he shall submit the same in written form to Landlord for its approval. Landlord will approve such changes and/or additions provided that they are not, in its sole judgment, detrimental to Landlord's building or to the architectural appearance thereof. Upon Landlord's so approving such changes and/or additions, it will secure an estimate of the additional cost of complying with such Tenant's requirements and notify the Tenant thereof. Tenant shall then pay to Landlord the amount of such estimated cost. Upon Landlord's receipt of such payment from Tenant, it is agreed that said changes and additions shall be incorporated in and become a part of the Memorandum Specifications marked Exhibit "C." Landlord and Tenant hereby agree that at the time construction is completed and the actual cost determined, Landlord and Tenant shall make the appropriate adjustment with Landlord refunding to Tenant the amount, if any, by which the actual cost was less than the estimate and Tenant paying to Landlord the amount, if any, by which the actual cost exceeded the estimate.

Said Landlord's and Tenant's approval of the plans and specifications shall not be unreasonably withheld or delayed, provided that said plans and specifications provide for the completion of a store in accordance with the provisions of the Memorandum Specifications marked Exhibit "C." It is specifically agreed that Landlord shall not be required to approve such suggested corrections and/or amendments if in the sole judgment of the Landlord any or all of the proposed corrections and/or amendments would affect adversely either the proposed store structure, the adjoining stores, the building in which the store is located, the over-all design of the shopping center, the general utility of the store, or unreasonably increase the cost of construction, or are such as to increase the anticipated cost of repairs

or rate of obsolescence or depreciation. If Landlord fails to approve the plans and specifications within the thirty (30) days, then and in that event, at Landlord's option, it may cancel this lease, in which event Tenant shall have no right in or to the premises or against the Landlord. Furthermore, Tenant shall be entitled to have returned by the Landlord any monies which have been paid by Tenant to Landlord pursuant to the paragraph hereof entitled "Rent," less an amount equal to the reasonable costs paid or incurred by Landlord for architect's fees, costs in connection with the preparation of the plans and specifications, and for real estate broker's fees paid for the securing of this lease, all of which Tenant hereby agrees to pay.

After the approval of the plans and specifications by Landlord and Tenant, it is agreed that any changes made by Tenant are subject to Landlord's approval. Tenant agrees to pay to Landlord an amount sufficient to guarantee Tenant's reimbursing Landlord in full for the architectural and construction costs involved in such change.

6. COMMON AREAS: Landlord shall make available at all times during the term of this lease on such portions of the Shopping Center as Landlord shall from time to time designate or relocate such automobile parking and other common areas as Landlord shall from time to time deem appropriate. Tenant shall have the non-exclusive right during the term of this lease to use the common areas for itself, its employees, agents, customers, invitees and licensees.

The term "common area" shall mean the portions of the Shopping Center which have at the time in question been designated and improved for common use by or for the benefit of more than one tenant or concessionaire of the Shopping Center, including any of the following (the specific recitation of which shall not be deemed to limit the definition of "common area"); the land and facilities utilized as parking areas; access and perimeter roads; truck passageways (which may be in whole or in part subsurface); service corridors and stairways providing access from store premises; landscaped areas; exterior walks, arcades, stairways, elevators, escalators and/or ramps; interior corridors, elevators, stairs, arcades and/or balconies; directory equipment; wash rooms, comfort rooms, drinking fountains, toilets and other public facilities; and bus stations and taxi stands, but excluding any portion thereof when designated by Landlord for a non-common use, provided any portion of the Shopping Center which was not included within common areas shall be so included when so designated and improved for common use.

All common areas shall be subject to the exclusive control and management of Landlord or such other persons or nominees as Landlord may have delegated or assigned to exercise such management or control, in whole or in part, in Landlord's place and stead. In no event shall Tenant have the right to sell or solicit in any manner in any of the common areas.

Landlord shall have the right to close, if necessary, all or any portion of the common areas to such extent as may in the opinion of Landlord's counsel be legally necessary to prevent a dedication thereof or the accrual of any rights of any person or of the public therein; to close temporarily all or any portion of the common areas to discourage non customer use; to use portions of the common areas while engaged in making additional improvements or repairs or alterations to the Shopping Center; and to do and perform such other acts in, to, and with respect to, the common areas as in the use of good business judgment Landlord shall determine to be appropriate for the Shopping Center.

Landlord shall have the right to increase the size of the common areas, including the expansion thereof to adjacent property; to reduce the common areas; to rearrange the parking spaces and improvements on the common areas; and to make such changes therein and thereto from time to time which in its opinion are deemed to be desirable and for the best interests of all persons using the common areas.

Tenant agrees that it and its concessionaires, agents, employees, and vendors, suppliers and other independent contractors will use such access roads and will operate trucks and trailers delivering merchandise to and from the premises upon and over such access roads as are designated therefor by Landlord as a means of ingress to and egress from the premises.

Landlord shall have the right to establish, and from time to time to change, alter and amend, and to enforce against Tenant and the other users of the common areas such reasonable rules and regulations (including the exclusion of employees' parking therefrom) as may be deemed necessary or advisable for the proper and efficient operation and maintenance of the common area. Such rules and regulations may provide, without limitation, the hours during which the common areas shall be open for use. Landlord may, if in its opinion the same be advisable, establish a system or systems of validation or other type operation to control the parking areas, including a system of charges against non-validated parking checks of users. Tenant agrees to abide by and conform to such rules and regulations; to cause its concessionaires, employees and agents, so to abide and conform; and to use its best efforts to cause its customers, invitees and licensees to so abide and conform.

It is understood that the employees of Tenant and the other tenants of Landlord within the Shopping Center shall not be permitted to park their automobiles in the automobile parking areas which may from time to time be designated for patrons of the Shopping Center. Landlord may, at Landlord's election, designate space for employee parking either within the Shopping Center parking area or in an area reasonably close thereto, which may be areas on the public streets if allowed by the City in which the premises are located. Landlord shall have the right to change such designated parking area from time to time. Tenant and its employees shall park their cars only in those portions of the parking areas, if any, designated for that purpose by Landlord. Tenant shall furnish Landlord with its and its employees' automobile license number within fifteen (15) days after opening for business and Tenant shall thereafter notify Landlord of any changes within five (5) days after such change occurs. If Tenant or its employees fail to park their cars in designated employee parking areas, then Landlord may charge Tenant ten dollars (\$10.00) per day for each day or partial day per car parked in any areas other than those so designated. Tenant hereby authorizes Landlord to tow away from the Shopping Center at Tenant's expense any improperly parked car or cars belonging to Tenant or Tenant's employees and/or to attach violation stickers or notices to such cars.

During the term of this lease Landlord shall keep or cause the common areas to be kept in a neat, clean and orderly condition, properly lighted and landscaped, and shall repair any damage to the facilities thereof, but all costs and expenses incurred by Landlord in connection therewith shall be charged and prorated in the manner hereinafter set forth. It is understood and agreed that the term "costs and expenses incurred" shall mean all sums expended by Landlord for payment of all work deemed necessary by Landlord for the operation, maintenance, replacement and repair of the common areas, including the following (the specific recitation of which shall not be deemed to limit the definition of such costs and expenses); resurfacing, restriping, cleaning and sweeping the parking areas; trash removal; painting; janitorial services; maintenance, repair and replacement when necessary of sidewalks, curbs, bumpers, all shopping center signs, planting and landscaping, and lighting and other utilities; operation, maintenance and repair of any common fire protection systems, automatic sprinkler systems and storm drainage systems; personnel to implement such services including the cost of security guards; police and fire protection services; any assessments imposed by governmental agencies; costs of utility services; depreciation on maintenance and operating machinery and equipment, if owned, and rental paid for such machinery and equipment if rented; public liability and property damage insurance on the common areas; Worker's Compensation insurance for personnel; and an amount equal to fifteen percent (15%) of the aforementioned expenses for each calendar year to Landlord for Landlord's administration and supervision of the common areas.

~~Tenant shall pay to Landlord upon demand, but not more often than monthly, Tenant's prorata share of the amount of all costs and expenses incurred by Landlord as set forth in this article. Tenant's prorata share shall be equal to the ratio which the floor area of Tenant's premises bears to the total floor area of all buildings and similar structures then constructed in the Shopping Center. Landlord reserves the right to bill Tenant monthly an estimated amount of all expenses to be incurred by Landlord under this paragraph. In such event, Landlord shall provide Tenant with a statement at the end of each calendar year setting forth all expenses actually incurred and shall make any appropriate adjustments.~~

Landlord shall keep accurate records for at least two (2) years showing in detail all such costs and expenses incurred. The manner in which the common areas shall be operated and maintained and the expenditures thereto shall be in Landlord's sole discretion. Landlord reserves the right to appoint a substitute operator to operate and maintain the common area and may enter into a contract thereto with

such operator on such terms and conditions and from such period or term as Landlord shall deem proper; and if Landlord does so, the substitute operator rather than the Landlord shall be entitled to receive the management fee provided above.

~~7. TAXES: Tenant agrees to pay Landlord its proportionate share of all taxes levied and assessed during the term of this lease~~ upon the land, buildings and personal property comprising the Shopping Center including the common areas of the Shopping Center. The share of taxes to be paid by Tenant shall be deemed to be the product derived by multiplying the total of the taxes levied or assessed against the Shopping Center by a fraction, the numerator of which is the floor area (as defined in this lease) contained in the premises and the denominator of which is the total floor area contained in the Shopping Center, exclusive of any portion of the total floor area which may be assessed and taxed separately from the portion of the Shopping Center in which the premises are located. Tenant shall pay one-twelfth (1/12th) of the amount estimated by Landlord to be Tenant's share of such taxes with each monthly installment of minimum annual rent due hereunder. Following Landlord's receipt of the applicable tax bill, Landlord shall notify Tenant relative to any additional amount owing, and Tenant shall pay such additional amount to Landlord within ten (10) days thereafter. In the event Tenant's monthly tax payment exceeds the taxes attributable to the premises, such excess shall be credited against Tenant's future tax obligations. Taxes from the first and last years of the term hereof shall be prorated between Landlord and Tenant. For the purposes of this Article, "taxes" shall include all assessments from public improvements levied or assessed against the Shopping Center; any tax assessed upon or measured by the rents received by Landlord hereunder; any tax, fee or charge on the operation and use of the Shopping Center and/or the common area imposed by the United States Environmental Protection Agency or any other federal, state or local governmental entity; and shall also include any taxes or assessments which in the future may be imposed upon Landlord in lieu of any presently imposed tax or assessment.

Tenant shall also pay before delinquency any and all taxes, assessments, license fees and public charges levied, assessed or imposed at any time and which become payable during the term of this lease upon Tenant's leasehold improvements, fixtures, equipment, furniture, inventories or merchandise and any other personal property installed or located on the premises whether or not such assessment is made against Tenant or against Landlord, either separately or as part of the assessment of the Shopping Center, and whether installed by Landlord or by Tenant.

It is agreed and understood that the term "taxes" as used herein shall not include any franchise, excise, gift, estate, inheritance, succession, capital levy or transfer tax of Landlord arising out of or in connection with this lease or Landlord's rights in the premises, or any net income, excess profits or revenue tax, charge or levy against Landlord.

8. USE OF PREMISES: Tenant shall use the premises solely for the purposes and under the trade name as follows:
Permitted use: Counseling center. Trade Name: San Diego Police Dept.

Trade name: _____

A. Tenant shall not use or permit the premises to be used for any other purpose or purposes or under any other trade name whatsoever without the written consent of Landlord first had and obtained. Tenant further covenants and agrees that it will not use or suffer or permit any person or persons to use the premises or any part thereof from conducting therein a secondhand store, auction, distress or fire sale or bankruptcy or going-out-of-business sale, or from any use or purpose in violation of the laws of the United States of America or the State of California or the ordinances, regulations and requirements of the City and County wherein the premises are situated. Tenant further covenants and agrees that during the term hereof the premises, and every part thereof, shall be kept by Tenant in a clean and wholesome condition, free of any objectionable noises, odors or nuisances, and that all health and policy regulations shall, in all respects and at all times, be fully complied with by Tenant.

B. Tenant agrees that all trash and rubbish of Tenant shall be deposited within receptacles and that Tenant shall not cause or permit any trash receptacles to remain outside the Building. In the event Landlord provides or designates trash receptacles, Tenant agrees to cause such receptacles to be emptied and trash removed at its own cost and expense. Tenant agrees to first bag the trash before depositing it in the authorized trash area. Landlord reserves the right to contract for trash removal and bill Tenant for said service as provided in Article 6 herein.

C. Tenant may not display or sell merchandise or allow carts, portable signs, devices or any other objects to be stored or to remain outside the exterior walls and permanent doorways of the premises. Tenant shall not permit any audible noise from any source or device of any nature to be heard outside of the premises. Tenant shall not place or authorize to have placed or affixed handbills or other advertising materials on automobiles or buildings within the Shopping Center.

~~9. UTILITIES SERVICES: Tenant shall pay for all water, gas, power and electric current and all other utilities used by Tenant~~ on the premises from and after the delivery of possession thereof by Landlord. If any such charges are not paid when due, Landlord may pay the same, and any amount so paid by Landlord shall thereupon become due to Landlord from Tenant as additional rent. Landlord shall have the option of requiring Tenant to install its own meter, at its expense. In the event that any utilities are furnished by Landlord, then and in that event the rates charged Tenant shall not exceed those of the local public utility company as if its services were furnished directly to Tenant, and shall not be less than its prorata share of any jointly metered service based upon the square footage of the buildings served. Landlord shall not be liable for damages or otherwise for any failure or interruption of any utility service being furnished the premises, and no such failure or interruptions shall entitle Tenant to terminate this lease or to abate payment of any portion of the rent due hereunder. Nothing contained in this lease shall limit Landlord in any way from granting or using easements on, across, and under ~~the Shopping Center for the purpose of providing utility services.~~

10. REPAIRS AND MAINTENANCE, AND ALTERATIONS:

A. Tenant shall, during the term of this lease, keep the premises, including all improvements constructed by Tenant therein, in good order, condition and repair, including the interior surface of exterior walls; all windows, doors, door frames, and door closures; all plate glass, storefronts and showcases; all carpeting and other floor covering; all electrical equipment; all heating and air conditioning equipment; and all plumbing and sprinkler systems, if any, installed therein; and shall as necessary, or when required by governmental authority, make modifications or replacements thereof. Landlord shall have no obligation to repair or maintain the premises or improvements constructed therein except as in this lease provided. Tenant hereby waives the right to make repairs at Landlord's expense under the provisions of any laws permitting repairs by a tenant at the expense of the Landlord (including section 1942 of the Civil Code of the State of California) to the extent allowed by law, in that Landlord and Tenant have by this lease made specific provision for such repairs and have defined their respective obligations relating thereto. Tenant expressly agrees that the use of roof areas shall be limited to ingress for maintenance purposes only, and that said roof areas shall not be used for storage of inventory or for any other use.

B. If Tenant refuses or neglects to make repairs and/or maintain the premises, or any part thereof, in a manner reasonably satisfactory to Landlord, Landlord shall have the right, but shall not be obligated, to make such repairs or perform such maintenance on behalf of and for the account of Tenant. In such event, such work shall be paid for by Tenant as additional rent promptly upon demand. In the event of emergency repairs, Tenant hereby grants to Landlord the right to enter upon the premises at any time.

C. Landlord shall keep in good order, condition and repair the foundation, exterior walls (excluding the interior of all walls and the exterior or interior of any windows, doors, plate glass and display windows) and roof (excluding interior ceiling) of the Building, except for any damage thereto caused by any act, negligence or omission of Tenant, except for reasonable wear and tear, and except for any structural alterations or improvements required by any governmental agency by reason of Tenant's use and occupancy of the premises. Landlord shall have the right, but shall not be obligated to, contract with a service company for the maintenance of the heating and air

conditioning equipment for the premises, on behalf of and for the account of Tenant. ~~Tenant shall reimburse Landlord for Tenant's prorata share of the cost which Landlord incurs in performing its repairs and maintenance as aforesaid, with respect to the Building. Said prorata share shall be equal to the ratio which the floor area of Tenant's premises bears to the total floor area of the Building. Tenant shall pay its prorata share of such costs and expenses to Landlord within ten (10) days after receipt of an invoice for the cost of same from Landlord, provided, however, if Landlord reasonably anticipates incurring such costs during any calendar year during the term of this lease, Landlord may submit monthly billings to Tenant of the amount which Landlord estimates to be Tenant's prorata share of same. In such event, Tenant's actual share shall be computed as aforesaid and appropriate adjustments shall be made following completion of such maintenance and repair.~~

D. Tenant shall not make any alterations, additions, changes or improvements (collectively called "improvements") to the interior or exterior of the premises nor make any contract therefor without first procuring Landlord's written consent. All improvements, including floor coverings, made by Tenant to or upon the premises, except light fixtures, signs, cases, counters or other removable trade fixtures, shall at once when made or installed be deemed to have become the property of Landlord; provided, however, if prior to termination of this lease, or within fifteen (15) days thereafter, Landlord so directs by written notice to Tenant, Tenant shall promptly remove the improvements which were placed in or on the premises by Tenant and which are designated in said notice and shall repair any damage occasioned by such removal, and in default thereof Landlord may effect said removals and repairs at Tenant's expense. All work with respect to improvements must be done in a good and workmanlike manner and diligently prosecuted to completion to the end that the improvements on the premises shall at all times be a complete unit except during the period of work. Any such improvements shall be performed and done strictly in accordance with the laws and ordinances relating thereto, and with the requirements of all carriers of insurance on the premises and the Board of Underwriters, Fire Rating Bureau, or similar organization. In performing the work of any such improvements, Tenant shall have the work performed in such a manner so as not to obstruct the access to the Shopping Center of any other tenant in the Shopping Center. Before commencing any such work or construction in or about the premises, Tenant shall notify Landlord in writing of the expected date of commencement thereof. Landlord shall have the right at any time and from time to time to post and maintain on the premises such notices as Landlord deems necessary to protect the premises and Landlord from the liens of mechanics, laborers, materialmen, suppliers or vendors.

11. INSURANCE:

~~A. Use, Rate: Tenant shall not carry any stock of goods or do anything in or about the premises which will in any way tend to increase insurance rates on the building in which the premises are located. In no event shall Tenant carry on any activities which would invalidate any insurance coverage thereon.~~

B. Liability and Property Damage Insurance:

(1) Tenant shall during the lease term at its sole expense maintain in full force a policy or policies of comprehensive public liability insurance issued by one or more insurance carriers, insuring against liability for injury to or death of persons and loss of or damage to property occurring in or on the premises and any portion of the common area which is subject to Tenant's exclusive control. Said liability insurance shall be in an amount of not less than \$500,000.00 combined single limit for bodily injury and property damage.

(2) Landlord shall during the lease term maintain in full force a policy or policies of comprehensive public liability insurance issued by one or more insurance carriers, insuring against liability for injury to or death of persons and loss of or damage to property occurring in or on the common area, except any portion thereof subject to Tenant's exclusive control. Said liability insurance shall be in an amount of not less than \$500,000.00 combined single limit for bodily injury and property damage.

(3) Workmen's Compensation Insurance: Tenant shall at all times maintain Workmen's Compensation Insurance in compliance with California law.

(4) Fire and Casualty Insurance: Landlord shall pay for and shall maintain in full force and effect during the term of this lease a policy or policies of fire and casualty insurance which may include endorsements of Landlord's selection, or any other coverage required by Landlord's lender or government agency. Tenant shall reimburse Landlord for its prorata share of the premium paid by Landlord for such insurance within ten (10) days after delivery to Tenant of an itemized statement therefore. Landlord reserves the right to bill Tenant monthly an estimated amount of all expenses to be incurred by Landlord under this paragraph. In such event, Landlord shall provide Tenant with a statement at the end of each calendar year setting forth all expenses actually incurred and shall make any appropriate adjustments.

(5) Waiver of Subrogation: Each party ("Insured") hereby waives its right of recovery to the extent of insurance recovery against the other party, the other party's officers, directors, agents, representatives, employees, successors and assigns with respect to any loss or damage, including consequential loss or damage, to the insured's property caused or occasioned by any peril or perils (including negligent acts) covered by any policy or policies carried by the insured.

C. General Requirements:

(1) All policies of insurance required to be carried hereunder by Tenant shall be written with companies satisfactory to Landlord and licensed to do business in the State of California.

(2) Each policy of public liability insurance required to be carried under paragraphs 11-B-1 and 11-B-2 shall provide that it will be deemed primary and noncontributing with the insurance carried by the other party.

(3) Each policy required under paragraphs 11-B-1 and 11-B-2 shall expressly include, severally and not collectively, as named or additionally named insured thereunder, the other party and any person or firm designated by the other party and having an insurable interest thereunder, hereinafter called "additional insured," as their respective interests may appear.

(4) Said insurance shall not be subject to cancellation or reduction in coverage except upon at least ten (10) days' prior written notice to each additional insured. The policies of insurance or duly executed certificates evidencing them, together with satisfactory evidence of the payment of premiums thereon, shall be deposited with each additional insured at the commencement of the term and not less than thirty (30) days prior to the expiration of the term of such coverage. If the primary insured fails to comply with this requirement, any additional insured may obtain such insurance and keep it in effect, and the primary insured shall pay to the additional insured the premium cost thereof upon demand with interest from date of payment by the additional insured to the date of repayment by the primary insured.

~~D. Blanket Insurance: Each party shall be entitled to fulfill its insurance obligations hereunder by maintaining a so called "blanket" policy or policies of insurance in such form as to provide by specific endorsement coverage not less than that which is required hereunder for the particular property or interest referred to herein.~~

12. DAMAGE AND RESTORATION:

A. **Duty to Restore:** If the improvements on the premises or the shopping center are partially or totally damaged by fire or other casualty so as to become partially or totally untenable, which damage is insured against under any policy of fire and extended coverage insurance then covering the damaged improvements, they shall be rebuilt by Landlord with due diligence at Landlord's expense unless Landlord elects not to do so as provided in paragraph 12-B and fixed minimum rent only shall be abated until restoration provided that if Tenant continues to conduct business in the premises, said rent shall be abated in the proportion which the untenable portion bears to the entire premises before the damage occurred.

B. **Election to Terminate:** If the improvements on the premises or the shopping center, whether or not the premises are a part thereof, are damaged for any cause whatsoever, whether insured against or not, to the extent of at least twenty-five percent (25%)

of the then replacement cost during the term of this lease or to the extent of at least ten percent (10%) thereof during the last three (3) years of said term, Landlord shall, within not more than ninety (90) days after such damage, notify Tenant of Landlord's election to terminate this lease or to restore the improvements on the premises and such portion of the improvements in the balance of the shopping center as in Landlord's sole discretion is necessary to create an economically feasible commercial unit. If Landlord elects to repair or restore the damaged improvements, then with respect to the premises, Landlord and Tenant each shall restore them in the same manner and to the same extent as work was done by each of them in the original construction and fixturing of the improvements, and the damaged improvements in the balance of the shopping center shall likewise be restored to the extent required in the preceding sentence. If Landlord elects not to restore as aforesaid, this lease shall terminate effective as of the date of such damage upon the giving of notice of election by Landlord as aforesaid.

13. EMINENT DOMAIN:

A. Definition: If there is any taking of or damage to all or any part of the shopping center or any interest therein because of the exercise of the power of eminent domain, whether by condemnation proceedings or otherwise, or any transfer of any part thereof or any interest therein made in avoidance of the exercise of the power of eminent domain (all of the foregoing being hereinafter referred to as "taking") prior to or during the term hereof the rights and obligations of the parties with respect to such taking shall be provided in this paragraph 13.

B. Total Condemnation: If there is a taking of all of the premises, this lease shall terminate as of the date of such taking.

C. Partial Condemnation: If twenty-five percent (25%) or more of the ground floor area of Tenant's premises shall be taken, either party shall be entitled to terminate this lease, or if twenty-five percent (25%) or more of the ground floor area of all buildings in the shopping center shall be taken whether Tenant's premises are taken or not, Landlord shall be entitled to elect to terminate this lease; and the terminating party shall give the other party written notice of such election not later than thirty (30) days after the date Landlord delivers notice to Tenant that possession or title to the portion of the premises taken has vested in the condemnor. If neither party gives such notice or less than twenty-five percent (25%) of the ground floor area of either Tenant's premises or buildings in the shopping center shall be taken, this lease shall remain in full force and effect and rent shall be adjusted as provided in paragraph 13-G.

D. Parking Area: If twenty-five percent (25%) or more of the parking area within a radius of two hundred (200) feet from the main entrance to the premises shall be taken, either party shall be entitled to elect to cancel and terminate this lease and shall give the other party written notice of such election not later than thirty (30) days after the date Landlord deliver notice to Tenant that possession of title to said portion of the parking area taken has vested in the condemnor. If neither party gives such notice or more than seventy-five percent (75%) of said portion of the parking area will be available after such taking, this lease shall remain in full force and effect. In no event shall Tenant have the right to terminate this lease if Landlord provides additional parking area which, when combined with the remaining parking area provides a parking area which is at least seventy five percent (75%) as large as said portion of the parking area before the taking.

E. Termination Date: If this lease is terminated in accordance with the provisions of this paragraph 13, such termination shall become effective as of the date physical possession of the particular portion is taken.

F. Repair and Restoration: If this lease is not terminated as provided in this paragraph 13, Landlord shall at its sole expense restore with due diligence the remainder of the improvements occupied by Tenant so far as practicable to a complete unit of like quality, character, and condition as that which existed immediately prior to the taking, provided that the scope of the work shall not exceed the scope of the work to be done by Landlord originally in constructing the premises, and further provided that Landlord shall not be obligated to expend an amount greater than that which was awarded to Landlord for such taking.

~~**G. Rent Adjustment:** If this lease is not terminated as provided in this paragraph 13, the fixed minimum rent shall be reduced by that proportion which the floor area taken bears to Tenant's total floor area immediately before the taking.~~

H. Award: The entire award or compensation in such proceedings, whether for a total or partial taking or for diminution in the value of the leasehold or for the fee shall belong to and be the property of Landlord; provided that Tenant shall be entitled to recover from the condemnor such compensation as may be separately awarded by the condemnor to Tenant or recoverable from the condemnor by Tenant for the taking of trade fixtures and equipment owned by Tenant (meaning personal property which may be removed without substantial damage to the premises) and for the expense of removing and relocating them.

14. INDEMNITY; WAIVER:

~~**A. Indemnity:** Tenant shall indemnify and save Landlord harmless from and against any and all liens, claims, demands, actions, causes of action, obligations, penalties, charges, liability, damages, loss, cost or expense, including reasonable attorney's fees for the defense thereof, arising from or connected with the conduct or management of the business conducted by Tenant on or about the premises, or the use or occupancy of Tenant's premises, or from any breach or default on the part of Tenant in the performance of any covenants or agreement on the part of Tenant to be performed pursuant to the terms of this lease or from violations of or noncompliance with any laws, ordinances, rules, regulations, and requirements of any governmental body or authority or the National Board of Underwriters or similar insurance organization, which affect Tenant's premises, or from any acts or omissions of Tenant or any person upon Tenant's premises by license or invitation of Tenant or occupying Tenant's premises or any part thereof under Tenant.~~

B. Waiver: All property kept, stored or maintained in Tenant's premises shall be so kept, stored, or maintained at the sole risk of Tenant; and except in the case of Landlord's affirmative negligence or willful misconduct, Landlord shall not be liable, and Tenant waives all claims against Landlord, for damages to persons or property sustained by Tenant or by any other person or firm resulting from the building in which the premises are located or by reason of Tenant's premises or any equipment located therein becoming out of repair, or through the acts or omission of persons occupying adjoining premises or any part of the building of which the premises are a part, or any persons present in the shopping center, or for loss or damage resulting to Tenant or its property from burst, stopped or leaking sewers, pipes, conduits, or plumbing fixtures, or for interruptions of any utility services, or from any failure of or defect in any electric line, circuit, or facility, or any other type of improvement or service on or furnished to Tenant's premises or resulting from any accident in, on, or about Tenant's premises or the building in which the premises are located, or resulting directly or indirectly from any act or neglect of any other tenant or person in the shopping center.

15. SIGNS: Subject to governmental approval Landlord hereby grants to Tenant the right to install and maintain any ordinary and usual trade signs on the front of the demised premises directly above the store front of the building; however, it is agreed that any sign installed, erected, placed or maintained on the demised premises or the exterior walls thereof shall be of a neat character and design; consistent with Landlord's overall sign plan, and shall advertise or refer to the kind and character of business which Tenant is permitted hereunder to conduct in the demised premises. Furthermore, all exterior signs on the demised premises shall be subject to the written approval of Landlord, which approval shall not be unreasonably or arbitrarily withheld.

No signs shall be displayed by the Tenant, and no showcases, merchandise, obstructions, or any advertising device of any kind whatsoever shall be placed by the Tenant in or on the sidewalks, areaways, pedestrian malls, or other similar common areas, upon which the store building of the demised premises abuts. Furthermore, Tenant shall not install any awnings on the demised premises without the prior written consent of the Landlord.

16. RADIUS CLAUSE: Tenant hereby agrees that it will not directly or indirectly during the term of this lease or any renewals or extensions thereof open, operate, or otherwise become interested in a business similar in nature or in any way competitive to that business

conducted on the demised premises within a three (3) mile radius of the demised premises.

17. TRADE FIXTURES: All trade fixtures and equipment installed by Tenant in the demised premises shall be new and of good quality. So long as Tenant shall not be in default hereunder, all trade fixtures and shelving installed by Tenant in the premises shall remain the personal property of Tenant and be removable by it at any time prior to the termination of this lease. It is agreed that Tenant shall have five (5) days after the expiration of the term of this lease to remove its trade fixtures. Any such removal shall be effected without damage to the building. All such fixtures and shelving shall become a part of the freehold and the property of Landlord upon, but only upon, occurrence of default by Tenant hereunder and its failure to rectify the same within the time and under the conditions hereinafter provided.

18. LIENS: Tenant shall keep the premises and the shopping center free of any liens or claims of lien arising from any work performed, material furnished, or obligations incurred by Tenant in connection with the premises. If Tenant disputes the correctness or validity of any claim of lien, Tenant shall within ten (10) days after written request by Landlord record such bond as will release said property from the lien claimed. If a final judgment establishing the validity or existence of a lien for any amount is entered, Tenant shall pay and satisfy the same at once. If Tenant shall be in default in paying any charge for which a lien claim and suit to foreclose the lien have been filed, and shall not have given Landlord security to protect the premises, the shopping center, and Landlord, then Landlord may, but shall not be obligated to, pay the said claim and any costs and fees related thereto, and the amount so paid, together with reasonable attorneys' fees incurred by Landlord in connection therewith, shall be immediately due and owing from Tenant to Landlord, and Tenant agrees to and shall pay the same with interest at ten percent (10%) per annum from the dates of Landlord's payments.

19. RIGHT OF ACCESS: Landlord and its authorized agents and representatives shall be entitled to enter the premises at all reasonable times for the purposes of: inspecting them, making the repairs which Landlord is obligated to make under this lease; posting any notice provided by law that relieves a landlord from responsibility for the acts of a tenant; exhibiting the premises to prospective buyers, tenants, or lenders; and posting ordinary signs advertising the premises for sale or for lease on the exterior of the building during the last one hundred eighty (180) days of the term or any extended term hereof.

20. DELAYING CAUSES: If either party is delayed in the performance of any covenant of this lease because of any of the following causes (referred to elsewhere in this lease as "delaying cause"): acts of the other party, action of the elements, war, riot, labor disputes, inability to procure or general shortage of labor or materials, delay in transportation, delay in inspections, or any other cause beyond the reasonable control of the party so obligated, whether similar or dissimilar to the foregoing, financial inability excepted, then such performance shall be excused for the period of the delay and the period for such performance shall be extended for a period equivalent to the period of such delay, except that the foregoing shall in no way affect Tenant's obligation to pay rent or the length of the term of this lease.

21. ASSIGNMENT, SUBLETTING AND ENCUMBRANCE:

A. Landlord's Consent Required. Tenant shall not assign, transfer, mortgage, pledge, hypothecate, or encumber this lease or any interest therein, and shall not sublet the premises or any part thereof, without the prior written consent of Landlord and any attempt to do so without such consent being first had and obtained and shall be voidable and, at Landlord's election, shall constitute a default under this lease.

B. Tenant's Application (Assignment and Sublease). In the event that Tenant desires at any time to assign this lease or to sublet the premises or any portion thereof, Tenant shall submit to Landlord at least sixty (60) days prior to the proposed effective date of the assignment or sublease ("Proposed Effective Date"), in writing: (1) a notice of intention to assign or sublease, setting forth the Proposed Effective Date, which shall be no less than 60 or more than 90 days after the sending of such notice; (2) the name of the proposed subtenant or assignee; (3) the nature of the proposed subtenant's or assignee's business to be carried on in the premises; (4) the terms and provisions of the proposed sublease or assignment; and (5) such financial information as Landlord may request concerning the proposed subtenant or assignee.

C. Landlord's Option to Terminate. Landlord shall have the right, to be exercised by giving notice to Tenant within thirty (30) days after receipt of Tenant's above-described notice, to terminate this lease and recapture the premises. If such notice of termination is given by Landlord, it shall serve to cancel and terminate this lease with respect to the premises; provided, however, that no termination of this lease with respect to the premises shall become effective without the prior written consent of the holder of any first deed of trust to which this lease is then subject.

D. Assignment or Sublease Profit. In the event of any assignment or sublease, approved by Landlord, of all or any portion of the premises, where the rental reserved in the assignment or sublease exceeds the rental or prorata portion of the rental, as the case may be, for such space reserved in the Lease, Tenant shall pay Landlord monthly, as additional rent, at the same time as the monthly installments of rent required hereunder, the excess of the rental reserved in the assignment or sublease, over the rental reserved in this Lease, applicable to the assigned or subleased space.

E. Fees for Review. In the event that Tenant shall apply for assignment, sublease or encumbrance under this Article, Tenant shall pay to Landlord the sum of \$150 as a non-refundable fee for Landlord's time and processing incurred in connection with reviewing such application. In addition to said fee, Tenant shall pay to Landlord, in the event that Landlord retains the services of an attorney to review said application, all reasonable attorney's fees incurred by Landlord in connection with such review.

F. No Release of Tenant. No consent by Landlord to any assignment or subletting by Tenant shall relieve Tenant of any obligation to be performed by the Tenant under this lease whether occurring before or after such consent, assignment or subletting. The consent by Landlord to any assignment or subletting shall not relieve Tenant from the obligation to obtain Landlord's express written consent to any other assignment or subletting. The acceptance of rent by Landlord from any other person shall not be deemed to be a waiver by Landlord of any provision of this lease or to be a consent to any assignment subletting or other transfer or to be a release of Tenant from any obligation under this Lease. Consent to one assignment, subletting or other transfer shall not be deemed to constitute consent to any subsequent assignment, subletting or other transfer.

G. Assumption of Obligations. Each assignee or transferee, other than Landlord, shall assume all obligations of the Tenant under this lease and shall be and remain liable jointly and severally with Tenant for the payment of the rent, and for the due performance of all the terms, covenants, conditions and agreements herein contained on Tenant's part to be performed for the term of this lease; provided, however, that the assignee or transferee shall be liable to Landlord for rent only in the amount set forth in the assignment or transfer. No assignment shall be binding on Landlord unless such assignee or Tenant shall deliver to Landlord a counterpart of such assignment and an instrument in recordable form which contains a covenant of assumption by the assignee satisfactory in substance and form to Landlord, consistent with the above requirements (but the failure or refusal of the assignee to execute such instrument of assumption shall not release or discharge the assignee from its liability).

22. NOTICES:

A. Service: Whenever under this lease provision is made for notice or demand, it shall be in writing and signed by or on behalf of the party giving the notice or making the demand and served by registered or certified mail or by telegraph. If served by registered or certified mail, it shall be deposited in the United States mail, postage prepaid, with return receipt requested, addressed to

the party to whom such notice or demand is to be given as provided in paragraph 22-B, and shall be conclusively deemed served twenty-four (24) hours after mailing in California or seventy-two (72) hours after mailing in another state. If served by telegraph, service to the addressee shall be conclusively deemed made as confirmed by the telegraphic agency making delivery.

B. Address: Any notice or demand to either party may be given to it at the address appearing below its signature on the signature page of this lease. The address of either party may be changed for the purpose of this paragraph by notice to the other party.

23. SURRENDER OF POSSESSION:

A. Surrender: At the expiration of the tenancy created hereunder, whether by lapse of time or otherwise, Tenant shall surrender the premises broom clean and in good condition and repair.

B. Holding Over:

(1) If Tenant holds the premises after the expiration of the term hereof with the consent of Landlord, express or implied, such holding over shall, in the absence of a written agreement on the subject, be deemed to have created a tenancy from month to month, terminable on thirty (30) days' written notice by either party to the other, at a minimum monthly rental equal to 1/12th of the total of minimum and percentage rental, paid by Tenant to Landlord during the immediately preceding twelve (12) month period, and otherwise subject to all terms of this lease, including the payment of percentage rental and all other charges payable by Tenant hereunder.

(2) If Tenant fails to surrender the demised premises upon the termination of this lease, Tenant shall indemnify and hold harmless Landlord from loss or liability resulting from such failure, including, without limiting the generality of the foregoing, any claims made by any succeeding tenant arising out of such failure.

24. QUIET ENJOYMENT: Subject to the provisions of this lease and conditioned upon performance of all of the provisions to be performed by Tenant hereunder, Landlord shall secure to Tenant during the lease term the quiet and peaceful possession of the premises and all rights and privileges appertaining thereto.

25. SUBORDINATION: Tenant agrees that this lease, at Landlord's option, shall be subordinate to any first and second mortgages or first and second trust deeds that may hereafter be placed upon said premises and to any and all advances to be made thereunder, and to the interest thereon, and all renewals, replacements and extensions thereof, provided that such mortgages or beneficiaries agree, in writing, to recognize this lease in the event of foreclosure if Tenant is not in default. Tenant shall execute and deliver, without cost to Landlord, whatever instruments may be required to effect such subordination.

26. OFFSET STATEMENT: Tenant shall at any time and from time to time within fifteen (15) days after written request therefore by Landlord deliver a certificate to Landlord or to any proposed mortgagee, trust deed beneficiary, purchaser, or successor in interest, certifying the commencement and expiration dates of the lease term and that this lease is then in full force and effect and setting forth the amount and nature of modifications, defenses, or offsets, if any, claimed by Tenant. If Tenant fails to deliver such certificate within said 15-day period, Tenant hereby appoints Landlord as Tenant's attorney in fact for the purpose of completing, executing and delivering the certificate to the person or firm requesting it.

27. DEFAULT:

A. Notice and Remedies: If the rental reserved by this lease or other charges to be paid hereunder by Tenant, or any part thereof, are not paid when due and remain unpaid for a period of three (3) days after notice thereof in writing to Tenant, or if Tenant fails to perform with diligence any other covenants or conditions to be performed by it under this lease within thirty (30) days after receipt of written notice from Landlord specifying the nature of such failure, or if such failure requires more than thirty (30) days to correct, within such further period as is necessary using due diligence at all times, Tenant shall be deemed to be in default and in breach of this lease; and Landlord, without further notice of any kind, may at its option:

(1) Terminate Tenant's right to possession of the premises because of such breach and recover from Tenant all damages allowed under Section 1951.2 of the California Civil Code, including, without limitation, the worth at the time of the award of the amount by which the unpaid rent for the balance of the term after the time award exceeds the amount of such rental loss for the same period that Tenant proves could be reasonably avoided, or;

(2) Not terminate Tenant's right to possession because of such breach, but continue this lease in full force and effect, and in that event Landlord may enforce all rights and remedies under this lease, including the right to recover the rent and all other charges due hereunder as such rent and other charges become due hereunder.

B. Right of Re-entry: In the event of any re-entry, Landlord may remove all persons from the premises, and Landlord may remove all property and any signs located in or about the premises and place such property in storage in a public warehouse at the cost and risk of Tenant.

C. Notice of Termination: No re-entry or re-letting of the premises shall be construed as an election by Landlord to terminate Tenant's right to possession and this lease unless a written notice of such intention is given by Landlord to Tenant; and notwithstanding any such re-letting without such termination, Landlord may, at any time thereafter elect to terminate Tenant's right to possession and this lease in the event that at such time Tenant remains in default hereunder.

D. Non-liability of Landlord: Except in the case of Landlord's affirmative negligence or willful misconduct, Tenant hereby waives all claims or demands for damages that may be caused by Landlord in re-entering and taking possession of the premises as hereinabove provided and all claims or demands for damages which may result from the destruction of or injury to the premises and all claims or demands for damages or loss of property belonging to Tenant or to any other person or firm that may be in or about the premises at the time of such re-entry.

E. Waiver of Notice: Notwithstanding any provision as to notice contained in this paragraph 27 or any other provision of this lease relating to notice, (a) if the Tenant is required to comply with any governmental regulation or order within a period less than that to which Tenant would otherwise be entitled to notice hereunder, Tenant shall not be entitled to notice from Landlord beyond the period within which such compliance may be required by such regulation or order; or (b) if the premises require emergency repairs which Tenant would otherwise be obligated to make under this lease, but which Tenant is then unable or unwilling to make, Landlord may, without notice, elect to make such repairs for the account and at the expense of Tenant.

F. Interest: Any sum accruing to Landlord under the terms and provisions of this lease which shall not be paid when due shall bear interest at the highest lawful rate from the date the same becomes due and payable by the terms and provisions of this lease until paid, unless otherwise specifically provided in this lease.

G. Other Remedies: Nothing contained in this lease shall limit Landlord to the remedies set forth in this paragraph 27 and upon Tenant's default Landlord shall be entitled to exercise any right or remedy then provided by law.

28. INSOLVENCY:

A. Breach of Lease: The filing of any petition by or against Tenant under any chapter of the Bankruptcy Act, or any successor statute thereto, or the adjudication of Tenant as a bankrupt or insolvent; or the appointment of a receiver or trustee to take possession of all or substantially all of the assets of Tenant, or a general assignment by Tenant for the benefit of creditors, or any other

action taken or suffered by Tenant under any state or federal insolvency or bankruptcy act, and the continuance of any of the foregoing events for thirty (30) days shall constitute a default under and breach of this lease by Tenant, regardless of Tenant's compliance with the other provisions of this lease; and Landlord at its option by written notice to Tenant may exercise all rights and remedies provided for in paragraph 27, including the termination of this lease, effective on service of such notice, without the necessity of further notice under paragraph 27.

B. Operation of Law: Neither this lease, nor any interest herein, nor any estate created hereby, shall pass by operation of law under any state or federal insolvency or bankruptcy act to any trustee, receiver, assignee for the benefit of creditors or any other person whatsoever without the prior written consent of Landlord. Any purported transfer in violation of the provisions of this paragraph 28-B shall constitute a default under and breach of this lease, regardless of Tenant's compliance with the other provisions of this lease; and Landlord at its option by written notice to Tenant may exercise all rights and remedies provided for in paragraph 27, including the termination of this lease, effective on service of such notice without the necessity of further notice under paragraph 27.

C. Non-waiver: The acceptance of rent at any time and from time to time by Landlord from Tenant as debtor in possession or from a transferee of the type mentioned in paragraph 28-B shall not preclude Landlord from exercising its rights under this paragraph 28 at any time thereafter.

29. REMEDIES CUMULATIVE: The various rights, elections, and remedies of Landlord and Tenant contained in this lease shall be cumulative, and no one of them shall be construed as exclusive of any of the others, or of any right, priority, or remedy allowed or provided for by law.

30. ATTORNEY'S FEES: If either party (hereinafter called "non-defaulting party") is reasonably required to incur attorneys' fees to enforce or declare or litigate any provision or right hereunder, the other party (hereinafter called "defaulting party") shall be required to pay such fees in a reasonable amount provided that the position of the non defaulting party prevails in the matter for which the attorneys' fees were incurred, whether in litigation or otherwise, provided further that unless ordered by the court, written demand for such attorneys' fees is made upon the defaulting party not later than thirty (30) days after the date when it has been determined that such party has prevailed.

31. WAIVER OF DEFAULT: The waiver by either party of any default in the performance by the other of any covenant contained herein shall not be construed to be a waiver of any preceding or subsequent default of the same or any other covenant contained herein. The subsequent acceptance of rent or other sums hereunder by Landlord shall not be deemed a waiver of any preceding default other than the failure of Tenant to pay the particular rental or other sum or portion thereof so accepted, regardless of Landlord's knowledge of such preceding default at the time of acceptance of such rent or other sum.

32. NO PARTNERSHIP: Landlord shall not in any way or for any purpose be deemed a partner, joint venturer, or member of any joint enterprise with Tenant.

33. SUBTENANCIES: The voluntary or other surrender of this lease by Tenant or a mutual cancellation of this lease shall not effect a merger and shall, at Landlord's option, terminate all existing subtenancies or operate as an assignment to Landlord or any or all of such subtenancies.

34. SUCCESSORS: Each and every covenant and condition of this lease shall bind and shall inure to the benefit of the parties hereto and their successors. The term "successors" is used herein in its broadest possible meaning and includes, but is not limited to, executors and administrators, and every person, partnership, association, or corporation succeeding to any interest in this lease or the premises, of Landlord or Tenant herein, whether such succession results from the act or omission of a party, occurs by operation of law, or as the effect of the operation of law together with the act or omission of such party. Every covenant and condition of this lease shall be binding upon all assignees, subtenants, licensees, and concessionaires of Tenant.

35. REMOVAL OF FIXTURES: Upon the expiration of the term of this lease or upon any earlier termination thereof, Tenant shall remove at its own expense all trade fixtures, equipment and personal property which were installed by Tenant or any subtenant, concessionaire, or licensee in or upon the premises. If Tenant is in default, Landlord may prohibit such removal by notice in writing to Tenant. In case of any injury or damage to the building or any portion of the premises resulting from the removal of any such fixtures, equipment or other personal property, Tenant shall promptly pay to Landlord the cost of repairing such injury or damage. Tenant shall complete such removal by the time provided in the first sentence of this paragraph 35 unless prevented from so doing by a delaying cause, or Landlord may, at Landlord's option, retain any or all trade fixtures, equipment, and personal property; and title thereto shall thereupon vest in Landlord without the execution of documents of sale or conveyance by Tenant, or Landlord may remove any such trade fixtures, equipment, and personal property from the premises and dispose of them in any manner Landlord sees fit, and Tenant shall pay upon demand to Landlord the actual expense of such removal and disposition together with interest from the date of payment by Landlord until repayment by Tenant.

36. EFFECT OF CONVEYANCE: If during the term of this lease, Landlord sells its interest in the premises, or this lease, then from and after the effective date of such sale, Landlord shall be released and discharged from any and all further obligations and responsibilities under this lease except those already accrued of which Landlord has notice at the time of sale.

37. LANDLORD'S DEFAULT; NOTICE TO LENDER:

A. Landlord's Default: In the case of a monetary default, Landlord shall have a period of ten (10) days after notice thereof from Tenant to cure such monetary default. In the case of a non-monetary default, Landlord shall commence promptly to cure such default immediately after receipt of written notice from Tenant specifying the nature of such default and shall complete such cure within thirty (30) days thereafter, provided that if the nature of the non-monetary default is such that it cannot be cured within said 30-day period, Landlord shall have such additional time as may be reasonably necessary to complete its performance so long as Landlord has proceeded with diligence since its receipt of Tenant's notice and is then proceeding with diligence to cure such default.

B. Notice to Lender: Whenever Tenant is required to serve notice on Landlord of Landlord's default, written notice shall also be served at the same time upon the first or second mortgage under any mortgage or beneficiary under any first or second deed of trust. Such mortgagee or beneficiary shall have the periods of time within which Landlord must cure its defaults under paragraph 37-A. In this connection any representative of the mortgage or beneficiary shall have the right to enter upon the premises for the purpose of curing the Landlord's default. Such mortgagee or beneficiary shall notify Landlord and Tenant in the manner provided by paragraph 22 of the address of such mortgagee or beneficiary to which such notice shall be sent, and the agreements of Tenant hereunder are subject to prior receipt of such notice.

38. CONSENT: In consideration of each covenant made elsewhere under this lease wherein one of the parties agrees not to unreasonably withhold its consent or approval, the requesting party hereby releases the other and waives all claims for any damages arising out of or connected with any alleged or claimed unreasonable withholding of consent or approval.

39. INTERPRETATION: The captions by which the paragraphs of this lease are identified are for convenience only and shall have no effect upon the interpretation of this lease. Whenever the context so requires, the singular number shall include the plural, the plural shall refer to the singular, the neuter gender shall include the masculine and feminine genders, and the words "Landlord," "Tenant," and "person" shall include corporations, partnerships, associations, other legal entities, and individuals. If either party consists of more than one person, each person shall be jointly and severally liable hereunder. If any provision of this lease shall be held to be invalid by a court the remaining provisions shall remain in effect and shall in no way be impaired thereby.

40. HOURS OF BUSINESS: During the term of this lease, Tenant shall operate all of the premises with due diligence and efficiency so as to produce all of the gross sales which may be produced by such manner of operation unless prevented from doing so by causes beyond Tenant's control, subject to unavailability of materials, merchandise, or labor strikes. Tenant shall provide sufficient sales personnel and carry at all times in the premises a stock of merchandise of all size, character and quality as shall be reasonably designed to produce the maximum return to Landlord and Tenant. Tenant shall conduct its business in the premises during the regular customary days and hours for such types of business in the city or trade area in which the premises are located, and will keep the premises open for business during the same days, nights and hours as a majority of the other Tenants in the shopping center are open, said majority to be based upon the aggregate square footage of other Tenants open to the total square footage of the buildings constructed in the shopping center.

41. CONTINGENT EXECUTION: This lease shall be effective only on condition that Landlord's escrow for the purchase of the shopping center is consummated and financing acceptable to Landlord is obtained. Neither party shall have any liability, either for damages or otherwise, to the other arising out of or based upon this lease by reason of any cancellation provided for in this paragraph 41.

42. BROKER'S COMMISSIONS: Each of the parties represents and warrants that there are no claims for brokerage commissions or finder's fees in connection with the execution of this Lease and each of the parties agrees to indemnify the other against, and hold it harmless from, all liabilities arising from any such claim (including, without limitation, the cost of counsel fees in connection therewith).

43. NO OPTION: The submission of this lease for examination does not constitute a reservation of or option for the premises and this Lease becomes effective as a Lease only upon execution and delivery thereof by Landlord and Tenant.

44. AGREEMENTS IN WRITING: It is understood that there are no oral agreements between the parties hereto affecting this Lease and this Lease supersedes and cancels any and all negotiations, arrangements, brochures, agreements, representations, and understandings, if any, between the parties hereto or displayed by Landlord and Tenant with respect to the subject matter thereof and none thereof shall be used to interpret or construe this Lease.

45. CORPORATE RESOLUTIONS: If a corporation executes this Lease as a Tenant, Tenant shall promptly furnish Landlord certified corporate resolutions attesting to the authority of the officers to execute the Lease on behalf of such corporation.

46. ARTICLE HEADINGS: The article titles herein are for convenience only and do not define, limit or construe the contents of such articles.

47. ENTIRE INSTRUMENT: All of the agreements heretofore and contemporaneously made by the parties are contained in this lease. Landlord has made no representation to Tenant other than those contained herein and Tenant's reliance in entering into this lease is based solely upon the terms, covenants and conditions contained herein. This lease cannot be modified in any respect except by a writing executed by Landlord and Tenant.

LANDLORD

TENANT

Hannon Enterprises
BY: Mary Ann
ADDRESS:
3089-C Clairemont Drive, #289
San Diego, CA 92117
PHONE: 619-276-5431

City of San Diego, Property Dept.
J. T. [Signature]
ADDRESS:
Mail Station 51-A, Security Pacific
Plaza, 1200 Third Avenue, #1700
San Diego, CA 92101-4199
PHONE: 235-5144

The following Exhibits are attached hereto and by this reference made a part hereof.
Exhibits:

- A -- Plot Plan
- B -- Legal Description
- C -- Memorandum Specifications - Building

APPROVED as
to form by JOHN W. WITT, City Attorney
By [Signature]
Deputy City Attorney

ADDENDUM TO LEASE

ARTICLE 48.

Landlord shall pay for all water, gas, power, electric current and all other utilities used by Tenant on the premises from and after the delivery of possession thereof by Landlord. Landlord shall provide Tenant with one (1) telephone for Tenant's use.

Tenant hereby acknowledges that late payment by Tenant to Landlord of rent or other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which is extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Landlord by the terms of any mortgage or deed of trust covering the Premises. Accordingly, if any installment of rent or any other sum due from Tenant shall not be received by Landlord or Landlord's designee within three (3) days after said amount is due, then Tenant shall pay to Landlord a late charge equal to Two Hundred Fifty and no/100 Dollars (\$250.00), or four percent (4%) of the amount due, whichever is greater. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs that Landlord will incur by reason of the late payment by Tenant. Acceptance of such late charge by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder.

ARTICLE 49. Notwithstanding anything to the contrary contained in Article 10 herein, Landlord, at Landlord's option, shall have the right during the term of this lease including any extensions thereof to elect to maintain the heating, air conditioning and ventilation equipment constructed by Landlord for the demised premises and make any required and/or necessary repairs, replacements and modifications thereto including but not limited to periodical, scheduled maintenance inspections by qualified contractor(s). All of the costs incurred by Landlord in connection with the above service performed by Landlord shall be billed directly to Tenant in accordance with Tenant's obligation in this Lease, including Articles 10 and 6 herein except as hereby modified. Landlord shall give Tenant ten (10) days written notice of Landlord's intention to perform the above outlined service(s).

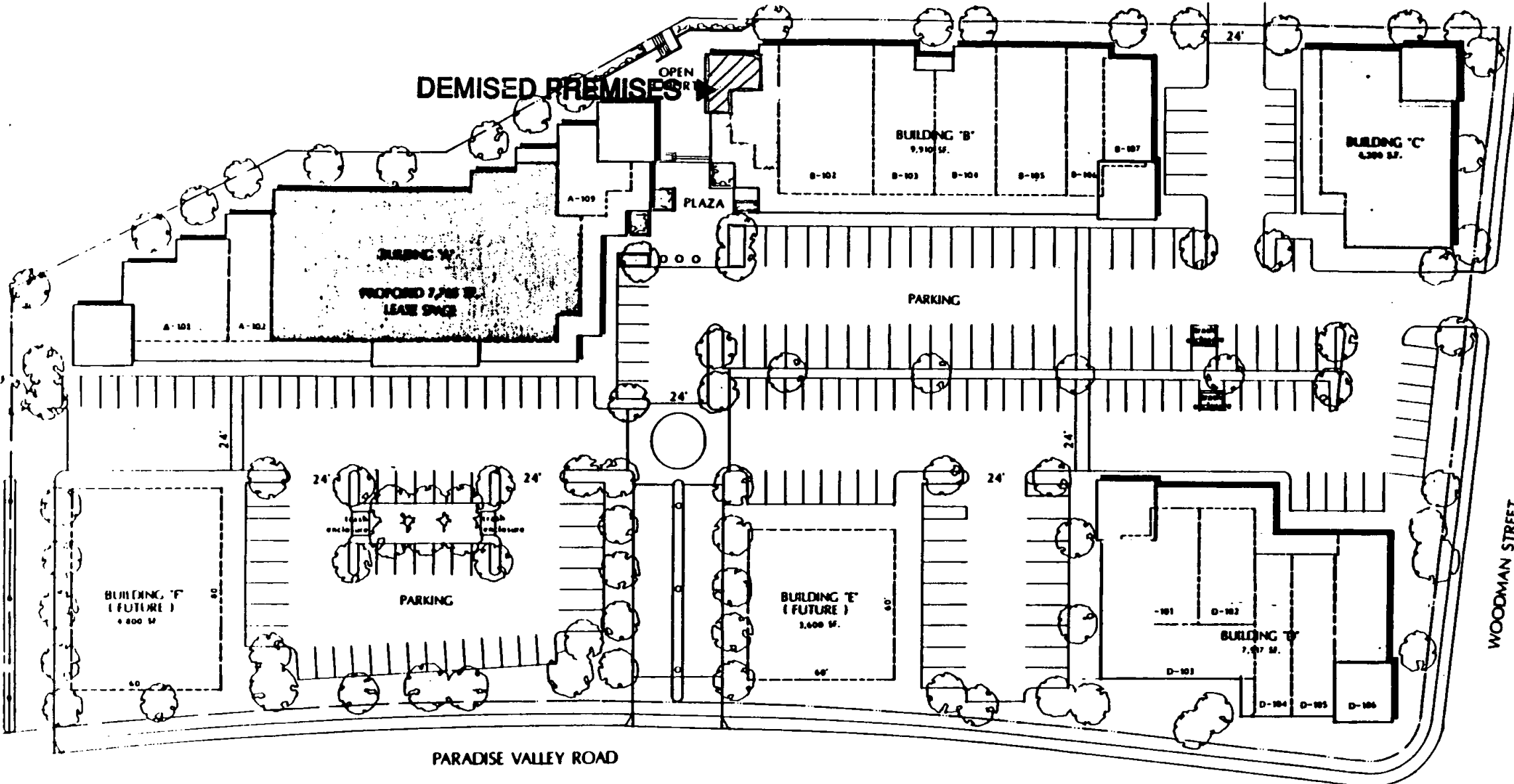
ARTICLE 50. Tenant agrees to conduct his business and activities on the premises in such a manner as to cause no inconvenience or nuisance to any adjoining tenant or to any customers, invitees, or other visitors to the shopping center. Tenant will conduct its activities totally within the premises and will not use the adjoining sidewalks, alleyways, or parking areas. Tenant will not commit any waste upon the premises and will keep the premises in good condition and repair. In the event that Landlord receives any complaint from adjoining tenants about noise or nuisance, Tenant will immediately take such action as Landlord requests to stop the noise, nuisance or inconvenience and Tenant agrees to abide by any rules and regulations enacted by Landlord pertaining to same.

Landlord's initials

Landlord's initials

Tenant's initials

Tenant's initials



PROJECT DATA :

BUILDING "A"	11,825 SF.
BUILDING "B"	9,921 SF.
BUILDING "C" (FUTURE)	4,200 SF. MAX.
BUILDING "D"	7,917 SF.
BUILDING "E" (FUTURE)	3,600 SF. MAX.
BUILDING "F" (FUTURE)	4,800 SF. MAX.
TOTAL	42,263 SF.
TOTAL RM.	263 SF.
TOTAL NET	42,000 SF.
PARKING	207 SPACES

SITE PLAN



PARADISE VALLEY SHOPPING CENTER

DEVELOPER:
 BUSINESS PROPERTIES DEVELOPMENT COMPANY
 17631 FITCH, IRVINE, CA.92713
 (714)474-8900

PARADISE & WOODMAN

Parcels 2 and 3 of Parcel Map No. 14533, in the City of San Diego, County of San Diego, State of California, filed in the Office of the County Recorder of San Diego County, November 6, 1986 as File No. 86-508537 of Official Records.

EXHIBIT "B"

DEMISED PREMISES

