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LESSOR: SANDY, INC.

LESSEE: J-MART STORES, INC.

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LEASE

THIS LEASE made as of this 28 day of November, 1964, by and between SANDY, INC., hereinafter referred to as "Lessor", and J-MART STORES, INC., hereinafter referred to as "Lessee", without regard to gender or number.

WITNESSETH:

1. DESCRIPTION OF DEMISED PREMISES

Lessor hereby leases to lessee, and lessee hereby leases from lessor, that certain real property located in the City of San Diego, County of San Diego, State of California, more particularly described in Exhibit "A" attached hereto and made a part hereof, together with all appurtenances, easements and rights-of-way thereunto pertaining. The premises hereby leased to lessee are sometimes hereinafter referred to as "demised premises".

2. CONSTRUCTION OF IMPROVEMENTS

1. Lessor shall cause to be constructed on said land, at lessor's sole cost and expense, a building and certain other improvements all of which are described in specifications and drawings to be furnished by lessee and attached hereto as Exhibit "B" and incorporated herein by this reference, at a cost not to exceed EIGHT HUNDRED THOUSAND (\$800,000.00) DOLLARS. It is understood and agreed between the parties hereto that all improvement costs in excess of \$800,000.00 shall be paid by lessee, but in the event that said costs shall be less than \$800,000.00, the minimum rent provided herein shall be adjusted.

2. It is the intention of the parties hereto that under no circumstances shall the lessor ever pay or become obligated to pay more than \$800,000.00 by reason of any improvements made on the leased premises and therefore the term "Construction Costs" is to be broadly construed and, without restricting the generality of the term, it shall include, among other things, all costs and expenses of the following:

1.

(a) Plans, specifications, engineering, building permits, performance contract or mechanics' lien bonds, and lessee's title insurance policy;

(b) Service lines to the property line of the demised premises for gas, electricity, water, sewers, telephone and other utilities and pay connecting fees;

(c) Sidewalks, curbs, street improvements, walls, planting and other improvements, as may be required by any governmental authority as a condition to or in connection with construction of the improvements on the premises. Costs of existing improvements have been paid for and shall not be considered;

(d) Concrete driveway approaches from the public streets to the property line;

(e) Preparation of the premises before construction by removal of trees, buildings, structures, etc.;

(f) Landscaping;

(g) Grading, leveling, filling, compaction of fill, excavation and removal of dirt necessary;

(h) Soil and foundation tests and any additional work not covered by the construction contract;

(i) Outside lighting including parking area;

(j) Blacktop parking area as indicated on plans and specifications.

3. The cost of exterior signs and any improvements not shown on Exhibit "B" shall be excluded from said \$800,000.00 construction costs and upon completion of construction, all the improvements shown on Exhibit "B" on the demised premises shall be the property of lessor, and lessee, except as to its interest under this lease shall have no interest in or to any of the improvements.

4. Lessee shall bear the entire cost of constructing and installing any and all fixtures, equipment, machinery, exterior and interior signs required by lessee, and lessee shall install all of said items as soon as reasonably possible in connection with the construction of the building and

improvements. Such installation may be made by lessee during construction if it can be done without inconveniencing lessor or retarding the construction of the building and improvements. Such fixtures, equipment, machinery, signs, etc., installed by lessee at its own expense shall be the property of lessee, and lessor, except as elsewhere provided in this Lease, shall have no interest in or to any of the same.

3. TERM

This Lease shall be for a term of twenty (20) years. The commencement date shall be the date of the first to occur of the following events:

(a) When lessee commences operation of its business in the demised premises, or (b) Sixty (60) days following the recording of the notice of completion of the construction of said premises, more particularly described in the plans and specifications attached hereto as Exhibit "B", with such notice of completion being recorded in accordance with the laws of the State of California. If the commencement date falls on the first day of a calendar month, the twenty-year term shall begin to run from that date. If such date falls on other than the first day of a month, the term shall commence on the first day of the month next following. Lessor and lessee shall exchange written memoranda establishing the date of the commencement of this Lease when such date can be determined.

4. RENT

Lessee agrees to pay rent in advance on the first day of each rental month during the 240 month term hereof, as follows:

(a) Lessee, shall deposit with lessor the sum of FIFTEEN THOUSAND EIGHT HUNDRED (\$15,800.00) DOLLARS upon lessor notifying contractor to commence construction. Said deposit shall be held by lessor without interest thereon and shall be applied against the first month's rent hereunder.

(b) For months 2 through 120, a rental of \$15,800.00 per month and for 121 through 240 a rental of \$11,600.00 per month, subject to the provisions of Paragraph 4 (c) herein.

(c) It is agreed that beginning with said 121st month and thereafter, the monthly rental of \$11,600.00 shall be adjusted at regular 5- year intervals using the table for the United States Department of Labor, Consumer Price index, all items, (1957-59=100) City of Los Angeles.

The new monthly rental of \$11,600.00 for the first 5-year period commencing on the 1st day of the 121st month of this Lease shall be increased or decreased based upon the present change from the September, 1964, price index figure of said table. In the event lessee exercises its option to renew (Paragraph 5) the new rental figure of \$12,000.00 per month for the 5-year renewal period of the Lease shall be increased or decreased in direct proportion to the percentage of increase or decrease from the September, 1964, price index figure of said table. For the purpose of fixing the increase or decrease in monthly rental, the percentage of change shall in all cases be computed from the September, 1964, price index figure to the September price index figure next preceding the said 5-year period or the 5-year renewal period.

If for any reason, there is any change of any kind in the calculation or formulation of United States Department of Labor Consumer Price Index, all items for the City of Los Angeles (1957 - 59 = 100), or if said index shall no longer be published, then another index generally recognized as authoritative shall be substituted by agreement, and if the parties shall not agree, then by arbitration, in that lessor shall appoint one arbitrator, lessee shall appoint one arbitrator, the two arbitrators so appointed shall appoint a third, and the decision of the majority of such arbitrators shall be conclusive upon the parties in the determination of such alternate standard for the calculation of the cost of living. If the two arbitrators so appointed are unable to agree upon a third arbitrator, upon application by either party, such arbitrator may be appointed by the presiding judge of the Superior Court of San Diego County, California.

5. OPTION TO RENEW

In the event that at the time of exercise thereof, lessee is not in default under the terms of this Lease, lessee is granted the irrevocable option of renewing this Lease for a period of five (5) years beyond the expiration date hereof at a monthly rental of TWELVE THOUSAND (\$12,000.00) DOLLARS per month plus or minus cost of living increase or decrease from said September, 1964, index as provided in the preceding paragraph. For this option to be validly exercised, it must be exercised at least one hundred twenty (120) days prior to the expiration date of this Lease by notice to such effect in writing delivered to lessor of such election. Except for the monthly rental and the option to renew, the five-year extension and renewal period shall be subject to all other covenants, conditions and agreements of this Lease.

6. FUTURE CONSTRUCTION

Lessor and lessee agree that in the event either lessor or lessee desire, at any time during the term of this Lease, to construct or place any buildings or structures upon the demised premises, other than those described on Exhibit "C", then and in that event said construction shall be with the mutual consent of lessor and lessee and upon terms and conditions mutually agreed upon by said parties at that time.

7. MAINTENANCE, REPAIRS AND ALTERATIONS

1. Subject in all respects to the provisions of "Damage and Destruction" and "Eminent Domain" elsewhere in this Lease, lessee covenants and agrees, at its sole cost and expense, at all times during the term of this Lease to maintain and keep in an orderly condition and in a good state of repair the demised premises and every part thereof, including but not by way of limitation, all parking areas, all buildings, improvements, foundations, exterior and interior walls, windows, doors, floors, ceilings, downspouts, gutters, roof, skylights, plumbing and sewage facilities, air conditioning system, heating system, electrical facilities and equipment, glazing, store

fronts, lighting fixtures and all other fixtures, equipment and appliances of every kind and nature, reasonable use and wear thereof excepted, and in connection therewith lessee shall make all repairs, replacements, rebuilding and restorations that may be proper or necessary provided, however, that the terms of this paragraph shall not apply to any improvements provided by paragraph 6. Lessee waives all right to make repairs at the expense of lessor as provided by any provisions of law now or hereafter in force. Lessee agrees that lessor shall never be called upon or obligated to make any repairs, replacements, rebuildings, restorations, improvements, alterations, remodeling or additions whatsoever in or about the demised premises. Lessor shall assign to lessee all building guarantees of contractors.

2. Lessee may, without the consent of lessor make non-structural interior alterations, improvements or additions; provided, however, that same do not injure the demised premises or decrease the value thereof; provided further, that lessee shall pay all costs and expense in connection with the same and shall hold lessor harmless therefrom. Except as provided in the preceding sentence of this Section 2, lessee shall not make any alterations, improvements or additions of or to the demised premises without first obtaining the written consent of lessor, which shall not be unreasonably withheld.

3. In no event shall lessee be obligated by the provisions of this heading "Maintenance, Repairs and Alterations" to repair, replace or restore the demised premises in a situation covered under the heading "Damage and Destruction" or under the heading "Eminent Domain".

4. In a situation involving a need for repair, replacement or restoration of the demised premises, or any part thereof, and which is not covered by the provisions of "Eminent Domain" or "Damage and Destruction", lessee may, but shall not be obligated to, claim the benefit of any property damage insurance which may be payable to lessor by reason of the loss or casualty

giving rise to such need. However, the benefits of such property damage insurance may be claimed only for the purpose of and to the extent necessary to repair, replace or restore that portion of the demised premises, the loss or damage to which resulted in such benefits. In the event of a dispute with an insurance carrier concerning coverage, lessee must bear the cost of such dispute, whether successful or unsuccessful, before becoming entitled to such benefit.

8. EFFECT OF BANKRUPTCY OR OTHER PROCEEDINGS

If at any time any bankruptcy or any reorganization proceeding is instituted by or against lessee either in the State or Federal Courts, or if a receiver is appointed under Chapters X or XI of the Bankruptcy Act, for its business or property on the demised premises, or if any lien is perfected by judgment and execution levied against lessee or its property, the enforcement or foreclosure of which might jeopardize the interest of lessor in the demised premises, lessor shall have the option, to be exercised by written notice given to lessee, to declare this Lease terminated at any time after the expiration of twenty (20) days following the commencement of such proceeding or Judgment and execution, unless the proceeding is dismissed, bonded against or the lien discharged and all payments of rent and other payments required by this Lease to be made by lessee to lessor are paid promptly during said period of twenty (20) days. Lessor shall under no circumstances be required to permit a receiver to retain possession of said premises, and lessor need not lease said premises to such receiver, but lessor shall be entitled to immediate possession of said premises. Any repossession or termination hereunder shall not operate in any way to prejudice or affect the right of lessor for recovery of rent or other charges theretofore accrued, thereafter accruing, or to any other damages, nor shall any such termination or repossession ever be construed as a waiver of or an election not to claim future damages on account of such breach, but all such damages, including all future rentals, shall be fully recoverable by lessor.

9. ATTORNEYS' FEES

Should either party hereto institute any action or proceeding in court to enforce any provision hereof or for damages by reason of any alleged breach of any provision of this Lease or for a declaration of such party's rights or obligations hereunder, or for any other judicial remedy, the prevailing party shall be entitled to receive from the losing party such amount as the court may adjudge to be reasonable attorneys' fees for the services rendered the party finally prevailing in any such action or proceeding.

10. MECHANICS' LIENS

Lessee covenants to keep the demised premises and the improvements thereon at all times during the term hereof free of mechanics' liens and other liens of like nature other than liens created or claimed by reason of any work done by or at the instance of lessor, and at all times fully to protect and indemnify lessor against all such liens or claims which may ripen into such liens and against all attorneys' fees, and other costs and expenses growing out of or incurred by reason of or on account of any such claim or lien, and lessor agrees to do likewise with respect to work done by or for lessor. Should lessee or lessor fail to fully discharge any such lien or claim, the other at its option may pay the same or any part thereof, provided said lien or claim is perfected and execution levied, and shall be the sole judge of the legality of such lien or claim. All amounts so paid by lessor or lessee, together with interest thereon at the rate of six percent (6%) per annum from time of payment until repayment, shall be repaid by the other.

11. LESSEE TO COMPLY WITH LAW

Lessee agrees at all times during the term of the Lease at its own expense to conform to and comply with all laws, ordinances, and regulations now in force or that are enacted hereafter affecting the use or occupancy of all or any part of the demised premises. Lessee indemnifies lessor against

and agrees to save lessor harmless from all expenses imposed or incurred for or because of any violation of any law, ordinance, or regulation occasioned by the neglect or omission, or willful act of lessee or any person on the premises by permission or holding under lessee unless such violation results solely from an act or omission on the part of lessor and/or the agents, servants or employees of lessor.

12. PUBLIC UTILITIES

Lessee agrees to pay all charges for water, gas, electricity, or other public utilities incurred by it in connection with the demised premises.

13. TAXES OR ASSESSMENTS

Lessee shall pay prior to delinquency all taxes or assessments (including but not limited to paving, curbing or sewerage assessments or the like) which may be levied or assessed upon the real property or upon any improvements at any time hereunder to the end that the lessor shall not be required to pay any taxes or assessments whatsoever with respect to the demised premises during the term of this Lease. Provided, however, that any taxes or assessments which may be levied or assessed for a period beginning before the commencement of this Lease or ending after the termination hereof shall be prorated between lessor and lessee as of such date or dates. Lessor represents that there are no existing assessments against demised premises for paving, curbing and sewers.

14. CITY LEASE

A. Lessor warrants that it has a valid lease with the City of San Diego on certain real property described as that portion of Lot 30 in the Highlands, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 284, filed in the Office of the County Recorder of San Diego County, March 16, 1887, lying westerly of the westerly line of Kearny Mesa Road. Said lease agreement is incorporated herein and made a part hereof as though set forth at length in words, letters and figures. Lessee agrees to be bound by the terms of said lease except as hereinafter set forth. Paragraphs B, C, D1, D8, D9, D22 of said City Lease shall not apply to Lessee.

B. In the event that interchange be constructed on that portion of the leased premises leased from the City of San Diego, Lessor and Lessee agree that Lessee shall not have the right to cancel this lease unless the taking of property for interchange purposes leaves less than 436,000 square feet. The said 436,000 square feet shall consist of ^{263,500}~~261,360~~ square feet of the fee simple property and not less than ^{174,500}~~174,640~~ square feet of City leased property directly adjacent to the fee simple property. In the event there is a deletion of area by the City as provided for in Paragraph 23 of the City lease, the said deletion of area shall in no way affect Lessee's rental as herein provided.

C. Any deletion by the City as provided for in Paragraph 23 of the City lease shall not constitute a taking by eminent domain as provided for in Paragraph 20 of this Lease.

15. FIRE INSURANCE

Lessee shall, at its sole cost and expense, keep all buildings, trade fixtures, furniture, furnishings and equipment adequately insured against loss or damage by fire and other hazards with a responsible insurance company or companies providing protection to the extent of at least eighty percent (80%) of the replacement value of said buildings, etc., against all casualties included under the so-called fire and extended coverage standard insurance form. Lessor, lessee, lenders holding liens on the demised premises and lessors on said Ground Lease shall be named as assureds in said policy, as their interests may appear. Lessee shall furnish to lessor certificates of all insurance required under this paragraph.

16. PUBLIC LIABILITY INSURANCE AND LIABILITY FOR INJURIES TO PERSONS OR PROPERTY

Lessor shall not be liable for any injuries or damage to any person or property occurring in or about the leased premises during the lease term or any renewal or extension thereof, and lessee agrees to indemnify and save harmless lessor from and against any loss, cost, damages or expenses arising

out of any accident or other occurrence upon or about the leased premises causing injury or damage to any person or property, except injury or damage caused solely by the willful or negligent acts or omissions of lessor and/or the agents, servants or employees of lessor. Lessee shall during the entire term of this Lease, at lessee's own expense keep in force by advance payment of premiums, public liability insurance in an amount of not less than Two Hundred Thousand and No/100 Dollars (\$200,000.00) for an injury to or death of one person as a result of one occurrence and not less than Five Hundred Thousand and No/100 Dollars (\$500,000.00) for injury to or death of more than one person as a result of one occurrence and for damage to property in the amount of Twenty-Five Thousand and No/100 Dollars (\$25,000.00), insuring lessee and lessor against any liability that may accrue against them or either of them on account of any occurrences in or about the premises and resulting in personal injury or death or property damage. Said insurance shall name lessor as an additional assured and shall protect and indemnify lessee and lessor not only against any and all such liability, but also against all loss, expense and damage of any and every sort and kind, including costs of investigation and attorneys' fees and other costs of defense. Lessee shall furnish to lessor, if requested by lessor, certificates of all insurance required under this paragraph, naming lessor as an additional assured.

17. DEFAULTS OF LESSOR

1. Should the leased premises at any time during the term of this Lease be subject to the lien of any trust deed, mortgage, judgment, assessment, tax or other obligation, whether incurred before or after the execution of this Lease, which Lease is not bound hereunder to pay or discharge, or should lessor fail to pay or discharge any obligation which he is obligated under this Lease to pay or discharge, lessee shall have the right to pay or discharge any such obligation but lessee shall not be obligated to do so. Should lessee elect to pay or discharge any such obligation, lessor shall, upon demand

reimburse lessee in the full amount thereof, together with lessee's expenses incurred in connection therewith, including reasonable attorney's fees and six percent (6%) interest from the date of payment; and lessee shall have the right to deduct from rents thereafter payable under this Lease all amounts due from lessor under this paragraph until such amounts have been paid in full. Any and all Trust Deeds secured by the within Leased premises shall provide for notice of default to be given to lessee.

18. SUBLETTING AND ASSIGNMENT

1. Lessee shall have the right to sublet the premises without further consent of lessor, but any such subletting shall not relieve lessee of its obligations to lessor under this Lease. All subleases executed by lessee covering any part of the demised premises shall be promptly delivered and assigned to lessor as security for the performance of all terms of this Lease.

2. Lessee shall not have the right to assign this Lease, without the reasonable consent of lessor, and provided (i) lessee is not then in default hereunder, (ii) lessee shall not, by reason of any such assignment, be relieved of any responsibility, liability, or obligation to lessor under the terms of this Lease, (iii) that any assignee shall agree in writing to be bound by all the terms, covenants and conditions of this Lease, and (iv) that an executed original of such assignment and agreement shall be delivered to lessor.

19. SURRENDER OF PREMISES

1. Lessee shall, upon termination of the demised term, or any earlier termination of this Lease, surrender to lessor the demised premises, including without limitations, all buildings and improvements not covered by Section 2 hereof.

2. Trade fixtures, furniture, equipment and signs, which may be installed in the demised premises prior to or during the demised term at the cost of lessee or its sublessees shall not be deemed to become a part of the demised premises and may be removed by the lessee or its sublessees from the

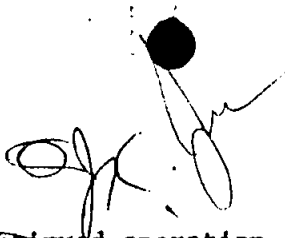
demised premises at or before the end of the demised term if lessee or its sublessees be not then in default hereunder. The lessee shall at its own cost and expense repair any and all damage to the demised premises resulting from or caused by such removal, and shall restore the premises to its original condition, reasonable wear and tear excepted. Lessee shall have sixty (60) days after termination of this Lease for any reason whatsoever to effect such removal, repair and restoration; provided, however, no such fixtures or equipment placed on or in the demised premises by lessee, and which remain the property of lessee, may be removed at a time when lessee is in default in payment of rent or any other money payable hereunder, or in the performance of any other covenant under this Lease.

3. Anything to the contrary herein notwithstanding, lessee shall have the right at any time to remove its signs and other equipment bearing any of its trade names or trademarks, whether registered or unregistered. Lessor shall have no right to use and shall not have or acquire any interests in such trade name and service mark by reason of any of the terms or provisions of this lease or by reason of use of the same on the demised premises.

20. EMINENT DOMAIN

1. In the event that the whole of the demised premises shall be taken under the power of eminent domain, this Lease shall terminate as of the date possession is taken.

2. In the event that a substantial portion of the demised premises shall be taken under the power of eminent domain (a deletion of area under the City lease shall not be considered as a taking pursuant to the terms of this paragraph), and the portion not so taken would not be adequate for the continued operation of Lessee's business, then this Lease shall be deemed to have terminated as of the date of taking of possession. Lessor and Lessee hereby agree that in the event that after any taking there shall remain a total of 436,000 square feet, both fee simple and city land, and there shall not be a taking of fee simple wherein the ratio of building to land of the fee simple is less than one-to-one, and after the taking the fee simple land and the city land are contiguous to each other, in such event the remaining land shall be deemed adequate for the continued operation of Lessee's business.


~~for the continued operation of Lessee's business.~~ In the event of any taking under the power of eminent domain which does not terminate this Lease as aforesaid, any obligation of Lessee under this Lease to pay rent and all other provisions of this Lease shall remain in full force and effect.

Within a reasonable time after it is determined pursuant to the foregoing provisions that such taking will not terminate this Lease if the demised premises are restored as hereinafter set forth, Lessor shall, at Lessor's own cost and expense, proceed with due diligence to restore such part of the demised premises as is not taken to as near the former condition of the original demised premises, including buildings and parking area, as the circumstances will permit, and Lessee shall continue to utilize said premises for the operation of its business. During such restoration the rent will be abated proportionately with the degree in which Lessee's use of said premises is impaired during such restoration.

20A. CONTINGENCY

This Lease is contingent upon Lessee causing to be delivered to Lessor executed subleases from the following sublessees:

Food Fair
Unishops, Inc.
Volume Merchandising, Inc.
Karls Shoes, Inc.
Hamp, Inc.

Said sublessees in the aggregate shall occupy 68.5% of the total selling floor space in the building to be constructed on the demised premises at a minimum rental of at least \$140,000.00 per year. There shall be no provision in said subleases which are inconsistent with the terms, covenants and conditions of this Lease. Said subleases shall be assigned to Lessor as security for the faithful performance of Lessee's obligations pursuant to the terms of this Lease.

21. DAMAGE AND DESTRUCTION

1. If at any time during the term of this Lease any one of the following events shall occur:

(a) The demised premises shall be damaged or destroyed by an insured casualty to the extent of fifty percent (50%) or more of the replacement value thereof immediately prior to the occurrence of such damage or destruction; or

(b) The building on the demised premises shall be damaged or destroyed by an insured casualty to the extent of fifty percent (50%) or more of the replacement value thereof immediately prior to the occurrence of such damage or destruction; or

(c) The demised premises shall be damaged or destroyed by any casualty other than an insured casualty to the extent of thirty-four percent (34%) or more of the replacement value thereof immediately prior to the occurrence of such damage or destruction; or

(d) The building on the demised premises shall be damaged or destroyed by any casualty other than an insured casualty to the extent of thirty-four (34%) percent or more of the replacement value thereof immediately prior to the occurrence of such damage or destruction;

then upon any such event Lessor or Lessee may terminate this Lease by giving
the other party
Lessee written notice at any time within ninety (90) days after the occurrence of such casualty. The percentage of the replacement value referred to hereinabove in this Section 1 shall be determined by an architect or contractor selected by the mutual agreement of Lessor and Lessee and who is familiar with real estate values and construction costs in the area of the demised premises. Such architect or contractor shall make his determination within sixty (60) days after the occurrence of the casualty, and such determination shall be final and binding upon the parties hereto. In the event that within twenty (20) days after the occurrence of such casualty, Lessor and Lessee are unable to agree upon such selection, then within ten (10) days after the aforesaid twenty (20) day period, Lessor and Lessee shall each select an architect or contractor by written notice to the other party. The two so

selected shall select a third architect or contractor within ten (10) days after said original two have both been selected, and the percentage of the replacement value referred to hereinabove in this Section 1 shall be determined by the majority of such three persons within thirty (30) days after their selection, such determination being final and binding upon the parties hereto. In the event that either Lessor or Lessee shall breach its agreement pursuant to the preceding sentence to select an architect or contractor within the time provided, then the architect or contractor selected by the party not so breaching shall within thirty (30) days after his appointment make the determination of the percentage of the replacement value referred to hereinabove, and such determination shall be final and binding upon the parties hereto.

2. If the demised premises or said building shall be damaged or destroyed, and the provisions of Section 1 of "Damage and Destruction" shall not apply, or, if said provisions shall apply, then upon the expiration of the applicable ninety (90) day period provided in said Section 1, ^{if either party} ~~if Lessor~~ shall not have terminated this Lease, then Lessor shall, as soon as reasonably possible, commence and proceed diligently to restore the demised premises substantially to the condition thereof immediately prior to such damage or destruction, and Lessee shall do likewise with respect to all signs, trade fixtures, equipment and other installations installed by Lessee. Lessor shall have no interest in any insurance proceeds payable to Lessee resulting from any such damage or destruction, and Lessee shall have no interest in any insurance proceeds payable to Lessor resulting from any such damage or destruction.

3. The rent payable hereunder shall be abated proportionately with the degree in which Lessee's use of the demised premises is impaired during the period of any damage, repair or restoration provided for in this heading "Damage and Destruction". Lessee shall continue the operation of its business on the demised premises during any such period to the extent reasonably practicable from the standpoint of prudent business management. Except for

the abatement of rent hereinabove provided, Lessee shall not be entitled to any compensation or damage for loss in the use of the whole or any part of the demised premises and/or any inconvenience or annoyance occasioned by any damage, destruction, repair, rebuilding or restoration.

22. REMEDIES

If at any time lessee shall fail to remedy any default in the payment of any sum due under this Lease for fifteen (15) days after written notice, or fail to remedy any default with respect to any of the other provisions, covenants or conditions of this Lease to be kept or performed by lessee within a period of thirty (30) days (or such additional time as is reasonably required to cure any such default), after notice, or if lessee abandons the demised premises or if lessee breaches any obligation under this Lease which cannot be cured, then and in any such event lessor may, at lessor's option and without limiting lessor in the exercise of any other right of remedy lessor may have an account of such default, and without any further demand or notice:

(a) Re-enter the demised premises with or without process of law, take possession of all improvements, additions, alterations, equipment and fixtures thereon, eject all parties in possession thereof therefrom, and, without terminating this Lease, at any time and from time to time relet the demised premises or any part or parts thereof for the account of lessor or otherwise, receive and collect the rents therefor, applying the same first to the payment of such expenses as lessor may have paid, assumed or incurred in recovering possession of the demised premises, including costs, expenses and attorneys' fees, and for placing the same in good order and condition or preparing or altering the same for reletting, and all other expenses, commissions and charges paid, assumed or incurred by lessor in or in connection with reletting the demised premises, and then to the fulfillment of the covenants of lessee. Any such reletting as provided for herein may be for the remainder of the initial term or any renewal term of this Lease as originally granted or for a

longer or shorter period. Lessor may execute any lease made pursuant to the terms hereof either in lessor's name or in the name of lessee, as lessor may see fit, and the subtenant therein shall be under no obligation whatsoever for the application by lessor of any rent collected by lessor from such subtenant to any and all sums due and owing or which may become due and owing, under the provisions of this Lease, nor shall lessee have any right or authority whatever to collect any rent whatever from such subtenant. In any case and whether or not the demised premises or any part thereof be relet, lessee shall pay to lessor all sums required to be paid by lessee up to the time of re-entry by lessor, and thereafter lessee shall, if required by lessor, pay to lessor until the end of the initial term or any renewal term of this Lease the equivalent of the amount of all rent and other charges required to be paid by lessee under the terms of this Lease, less the avails of such reletting during the initial or any renewal of this Lease, if any, after payment of the expenses of lessor as aforesaid, and the same shall be due and payable on the several rent days herein specified, and lessor need not wait until the termination of this Lease to recover the same by legal action or otherwise. No such re-entry by lessor shall constitute an election to terminate this Lease unless lessor gives lessee notice of lessor's election to terminate.

(b) Declare this Lease at an end, re-enter the demised premises with or without process of law, eject all parties in possession thereof therefrom and repossess and enjoy said premises together with all improvements thereto, and lessor shall thereupon be entitled to recover from lessee the worth at the time of such termination, of the excess, if any, of the amount of rent and charges equivalent to rent reserved in this Lease for the balance of the initial term or any renewal term of this Lease over the then reasonable rental value of the demised premises for the same period. The foregoing rights of lessor shall be cumulative to all other rights or remedies now or hereafter given to lessor by law or by the terms of this Lease.

The remedies of lessor as hereinabove provided are in addition to and not exclusive of any other remedy of lessor herein given or which may be permitted by law. Any re-entry as provided for herein shall be allowed by lessee without hindrance, and lessor shall not be liable in damages or guilty of trespass because of such re-entry. The failure of lessor to insist in any one or more instances upon a strict performance of any of the covenants of this lease or to exercise any option contained herein shall not be construed as a waiver or a relinquishment for the future of such covenant or option. A receipt by lessor of rent with knowledge of the breach of any covenant hereof shall not be deemed a waiver of such breach, and no waiver by lessor of any provision of this Lease shall be deemed to have been made unless express in writing and signed by lessor. In addition to the other remedies provided herein, lessor shall be entitled to the restraint by injunction of the violation or attempted violation of any of the covenants, conditions or provisions of this Lease.

23. SERVICE OF NOTICE

1. All notices or demands of any kind which lessor is required to or desires to serve on lessee with respect to this Lease may be served by mailing a copy of such notice or demand to lessee by registered mail, postage and registration charges prepaid, addressed to lessee at the place last designated by it as the place at which notices may be served, or, if no such written designation is then in effect, then addressed to lessee at the demised premises. Lessee hereby designates 4750 Kearny Mesa Road, San Diego, California 92111, as the place at which notices shall be served. Service by mail shall be deemed complete at the expiration of the third day after the date of mailing.

2. All notices or demands of any kind which lessee is required to or desires to serve on lessor with respect to this Lease may be served by mailing a copy of such notice or demand to lessor by registered mail, postage and registration charges prepaid, addressed to lessor at the place last designated by it as the place at which notice may be served. Lessor hereby designates 3010 Cowley Way, San Diego, California 92117, as the place at which notices shall be served. Service by mail shall be deemed complete at the expiration of the third day after the date of mailing.

24. ADVERTISING DISPLAYS

It is further agreed that all signs and advertising displayed in and about the premises shall be such only as advertises the business carried on upon such premises.

25. NON-WAIVER

Lessor's failure to take advantage of any default or breach of covenant on the part of lessee shall not be, or be construed as, a waiver thereof, nor shall any custom or practice which may grow up between the parties in the course of administering the Lease be construed to waive or to affect the right of lessor to insist upon the strict and punctual performance by lessee of any term, covenant or condition hereof, or to exercise any rights given lessor on account of any such default. A waiver of a particular breach or default shall not be deemed to be a waiver of a similar or any subsequent breach of default.

26. OPERATION OF BUSINESS

Lessee agrees to keep its business open and in full operation at least six (6) days a week and for a minimum of eight (8) hours per day. Lessee will keep the leased premises adequately fixturized, equipped and staffed during the term of this Lease.

27. NO OTHER AGREEMENTS

Both parties hereby declare and certify that neither of said parties has made any representations nor agreements to or with the other parties in addition to, or in conflict with, the terms, covenants and conditions and representations between the parties upon the subject matter hereof.

28. APPLICABLE LAW AND PARTIES BOUND

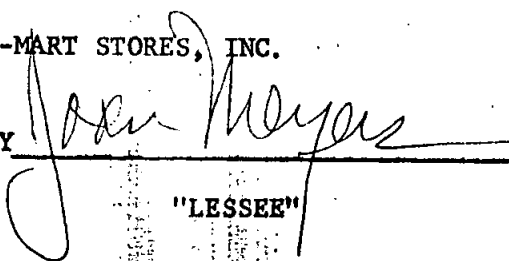
This Lease shall be construed under the laws of the State of California and shall be binding upon and inure to the benefit of, as the case may require, the parties hereto and their respective heirs, executors, administrators, successors and assigns.

29. SECURITY

Lessee shall assign all of lessee's subleases to lessor as security for the full and faithful performance of each and every term, provisions, covenant and condition of this Lease.

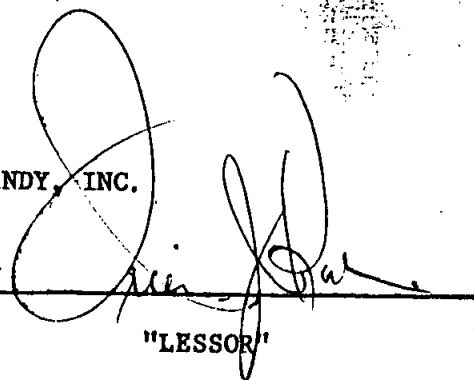
J-MART STORES, INC.

BY


"LESSEE"

SANDY, INC.

BY


"LESSOR"