M.C. STRAUSS
COMPANY

March 4, 2014

The City of San Diego
Real Estate Assets Department
1200 Third Avenue, Suite 1700, MS 51A
San Diego, CA 92101-4199
Attn: Heide Farst

RE: SPORTS ARENA BUSINESS PARK
LEASES

Dear Heide,

Enclosed please find the leases you requested for the suites located at 3760, 3770, and 3780 Hancock Street.

Sincerely,

Lesley Jackson
Property Manager

Enclosures

990 HIGHLAND DRIVE #200 SOLANA BEACH, CALIFORNIA 92075
PHONE (858) 792-7500 FAX (858) 792-7834

3780
C-D

AMENDMENT #1 TO LEASE

THIS AMENDMENT, made and entered into June 24, 2013, by and between Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company, as Lessor, and LeMax Enterprises Inc., a California corporation, as Lessee, does hereby supplement, modify, and amend that certain Lease Agreement dated October 26, 2009, together with all modifications and amendments thereto (collective, the "Lease"), by and between the above named parties for the premises located at 3780 Hancock Street, Suite C-D, San Diego, CA 92110.

The parties hereto agree as follows:

1. OPTION(S) TO EXTEND. Lessee is exercising its Option to Extend per Paragraph 39 and Exhibit L of the Lease commencing July 1, 2013 and expiring on June 30, 2016.

2. BASE RENT. The Base Rent for the Option to Extend as defined on Exhibit L of the Lease shall be as follows:

   7/1/13 – 6/30/14: $2.05psf x 2,700sf = $5,535.00 per month

   7/1/14 - 6/30/15: $2.12psf x 2,700sf = $5,724.00 per month

   7/1/15- 6/30/16: $2.20psf x 2,700sf = $5,940.00 per month

   Water/Sewer Fee shall remain the same at $100.00 per month

3. ADDITIONAL OPTION TO EXTEND. Provided that the Lease is in effect and Lessee is not in monetary default under the Lease beyond any applicable grace or cure period, Lessee shall be granted one (1) additional five (5) year Option to Extend to commence July 1, 2016 and expire June 30, 2021 ("Additional Option"). The Rent during the Additional Option shall be at the then Fair Market Rent and subject to the same terms and conditions of the Lease.

4. CONFIDENTIALITY. Lessee shall keep the content and all copies of this Amendment and related documents now or hereafter entered into, and all proposals, materials, information and matters relating thereto, strictly confidential, and shall not disclose, disseminate or distribute any of the same, or permit the same to occur, except to the extent reasonably required for proper business purposes by Lessee's attorneys, insurers, auditors and lenders, and, in such event, Lessee shall obligate any such parties to whom disclosure is permitted to honor the confidentiality provisions hereto, except as may be required by Law or court proceedings.

5. COUNTERPARTS. This Amendment may be executed in one or more counterparts, each of which counterparts shall constitute an original and all of which counterparts together shall constitute one and the same Amendment. The delivery by Lessor or Lessee of a facsimile signature of this Amendment shall have the same legally binding effect as the delivery of an original signature.

6. ENFORCEABILITY. Lessor acknowledges and represents to Lessee that this Amendment is the binding obligation of Lessor enforceable in accordance with its terms and that Lessor has obtained the consent of its lender or any other third party from whom the Lessor is required to obtain consent for the execution and performance of this Amendment. Lessee acknowledges and represents to Lessor that this Amendment is the binding obligation of Lessee enforceable in

accordance with its terms and that Lessee has obtained the consent of its lender, if any, or any other third party from whom the Lessee is required to obtain consent for the execution and performance of this Amendment.

7. CONFLICT OF PROVISIONS: RATIFICATION. In the event of a conflict between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall govern. Except as specifically referenced or addressed herein, all other terms, covenants, and provisions of the Lease are hereby ratified and confirmed and shall remain unchanged and in full force and effect throughout the option term.

8. ENTIRE AGREEMENT; BINDING. This Amendment represents the entire agreement between Lessor and Lessee regarding the subject matter contained in this Amendment and there are no other terms, obligations, covenants, representations, statements or conditions oral or otherwise of any kind whatsoever between the parties regarding the subject matter contained in this Amendment except as set forth in this Amendment. No amendment or modification to this Amendment shall be effective unless it is in writing and executed by both Lessor and Lessee. All references to the term "Lease" in this Amendment and the Lease shall mean the Lease as amended by this Amendment.

9. CAPTIONS. The captions and section numbers appearing in this Amendment are for convenience only and are not a part of this Amendment and do not in any way limit, amplify, define, construe or describe the scope or intent of the terms or provisions of this Amendment.

10. CAPITALIZED TERMS. All capitalized terms in this Amendment, unless specifically defined herein, shall have the same meaning as in the Lease

11. AUTHORITY TO EXECUTE. Lessor and Lessee represent and warrant to each other that the person executing this Amendment on behalf of such applicable party has the full right, power and authority to execute this Amendment and perform its obligations under this Amendment.

12. SEVERABILITY. If any provision of this Amendment is determined by a court having jurisdiction to be illegal, invalid or unenforceable under any present or future law, the remainder of this Amendment will not be affected thereby. It is the intention of the parties that if any provision is so held to be illegal, invalid or unenforceable, there will be added in lieu thereof a provision as similar in terms to such provision as is possible that is legal, valid and enforceable.

IN WITNESS WHEREOF, the parties have signed this Amendment effective on the date set forth above.

LESSOR:

STRAUSS FAMILY TRUST UDT 6/5/92, DBA: M.C. STRAUSS CO.

By: _____

Its: _____

LESSEE:

LEMAX ENTERPRISES INC., A CALIFORNIA CORPORATION

By: _____

Its: _____

By and Between

Strauss Family Trust UDT 6/5/92

as Landlord / Lessor

and

LeMax Enterprises, Inc., a California corporation

DBA: Sunglass & Optical Warehouse

as Tenant / Lessee

at Sports Arena Business Park
3780 Hancock Street, Suite C &D
San Diego, CA 92110

Dated for Reference Purposes
as of

October 26, 2009

Standard Commercial Multi-Tenant Lease

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Standard Commercial Multi-Tenant Lease

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Exhibit B:	Building & Demised Premises Plan
Exhibit C:	Addendum to Commercial/Industrial Multi-Tenant Lease
Exhibit D:	Tenant Improvements and Acceptance of Premises
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STANDARD INDUSTRIAL/ COMMERCIAL
MULTI-TENANT LEASE—GROSS
AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

1. **Basic Provisions ("Basic Provisions").**

1.1 **Parties:** This Lease (**"Lease"**), dated for reference purposes only October 26, 2009, is made by and between Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company (**"Lessor"**)and LeMax Enterprises Inc., a California corporation (**"Lessee"**), (**collectively the "Parties"**, or individually a **"Party"**).

1.2(a) **Premises:** That certain portion of the Project (as defined below), Including all Improvements therein or to be provided by Lessor under the terms of this Lease, commonly known by the street address of 3780 Hancock Street, Suite C and D, located In the City of San Diego, County of San Diego, State of California, with zip code 92110, as outlined on Exhibit A & A-1 attached hereto (**"Premises"**) and generally described as (describe briefly the nature of the Premises): Sport Arena Business Park, The demised premises consists of approx. 2,700 square feet. The property is further described on Exhibit A & A.1.

In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Areas (as defined in Paragraph 2.7 below) as hereinafter specified, but shall not have any rights to the roof, exterior walls or utility raceways of the building containing the Premises (**"Building"**) or to any other buildings In the Project. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the **"Project."** (See also Paragraph 2.)

1.2(b) **Parking:** See Exhibit C Item 14 unreserved vehicle parking spaces (**"Unreserved Parking Spaces"**); and two or three (to be determined by Landlord) reserved vehicle parking spaces (**"Reserved Parking Spaces"**). (See also Paragraph 2.6)

1.3 **Term:** Three (3) years (**"Original Term"**) commencing upon Delivery of the Premises to Lessee (**"Commencement Date"**) and ending three (3) years from the Commencement Date (**"Expiration Date"**). (See also Paragraph 3.) (see Exhibit K)

1.4 **Early Possession:** upon signing, payments and certificate of insurance (**"Early Possession Date"**). (See also Paragraphs 3.2 and 3.3.)

1.5 **Base Rent:** Year One: $1.65psf for Months 1-6; $1.75psf for Months 7-12 per month (**"Base Rent"**), payable on the first day of each month commencing upon thirty (30) days after the Delivery of the Premises to Lessee. (See also Paragraph 4.)

✓ If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted. **See Exhibit F.**

1.6 **Lessee's Share of Common Area Operating Expenses:** (N/A) percent (___%) (**"Lessee's Share"**).

1.7 **Base Rent and Other Monies paid Upon Execution:**

(a) Base Rent: $ 4,455.00 for the period of first month's Base Rent -see Exhibit F.

(b) Common Area Operating Expenses: $ *does not apply for the period *does not apply.

(c) Security Deposit: $ 7,000.00 (**"Security Deposit"**). (See also Paragraph 5.)

(d) Other: $ 100.00 per month for monthly water/sewer fees (see Exhibit C, Item 4).

(e) Total Due Upon Execution of this Lease: $ 11,555.00.

1.8 **Agreed Use:** the sale of prescription and non-prescripiton sunglass lenses and frames, wholesale and retail with anicillary sales of related sunglass products and branded and non-branded sportswear for men and women and for no other purpose or use only. See Exhibit H. (See also Paragraph 6.)

1.9 **Insuring Party:** Lessor is the **"Insuring Party".** (See also Paragraph 8.)

1.10 **Real Estate Brokers:** (See also Paragraph 5).

(a) **Representation:** The following real estate brokers (the **"Brokers"**) and brokerage relationships exist in this transition (check applicable boxes):

0 (Not applicable) represents Lessor exclusively (**"Lessor's Broker"**);

0 (Not applicable) represents Lessee exclusively (**"Lessee's Broker"**); or

0 (Not applicable) represents both Lessor and Lessee (**"Dual Agency"**).

(b) **Payment to Brokers:** Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Brokers the brokerage fee agreed to in a separate written agreement (or if there is no such agreement, the sum of (Not applicable) or ____% of the total Base Rent for the brokerage services rendered by the Brokers).

1.11 **Guarantor.** The obligations of the Lessee under this Lease are to be guaranteed by See Exhibits J and J.1 (**"Guarantor"**). (See also Paragraph 37.)

1.12 **Addenda and Exhibits:** Attached hereto is an Addendum or Addenda consisting of Paragraphs ----- through ----- and Exhibits A through M, all of which constitute a part of this lease.

2. **Premises.**

2.1 **Letting.** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of size set forth in this Lease, or that may have been used in calculating Rent, is an approximation which the Parties agree is reasonable and any payments based thereon are not subject to revision whether or not the actual size is more or less.

2.2 **Condition.** Lessor shall deliver that portion of the Premises contained within the Building (**"Unit"**) to Lessee broom clean and free of debris on the Commencement Date or the Early Possession Date, whichever first occurs (**"Start Date"**), and, so long as the required service contracts described in Paragraph 7.1(b) below are obtained by Lessee and in effect within thirty days following the Start Date, warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems (**"HVAC"**), loading doors, if any, and all other such elements in the Unit, other than those constructed by Lessee, shall be in good operating condition on said date and that the structural elements of the roof, bearing walls and foundation of the Unit shall be free of material defects. If a non-compliance with such warranty exists as of the Start Date, or if one of such systems or elements should malfunction or fail within the appropriate warranty period, Lessor shall, as Lessor's sole obligation with respect to such matter, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, malfunction or failure, rectify same at Lessor's expense. The warranty periods shall be as follows: (i) 6 months as to the HVAC systems, and (ii) 30 days as to the remaining systems and other elements of the Unit. If Lessee does not give Lessor the required notice within the appropriate warranty period, correction of any such non-compliance, malfunction or failure shall be the obligation of Lessee at Lessee's sole cost and expense (except for the repairs to the fire sprinkler systems, roof, foundations, and/or bearing walls—see Paragraph 7).

2.3 **Compliance.** Lessor warrants that the Improvements on the Premises and the Common Areas comply with the building codes that were in effect at the time that each such Improvement, or portion thereof and also with all applicable laws, covenants or restrictions of record, regulations, and ordinances in effect on the Start Date (**"Applicable Requirements"**). Said warranty does not apply to the use of which Lessee will put the Premises or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a).) made or to be made by Lessee. **NOTE: Lessee is responsible for determining whether or not the zoning is appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed.** If the Premises do not comply with said warranty; Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within 6 months following the Start Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense. If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Unit, Premises and/or Building, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Unit, Premises and/or Building (**"Capital Expenditure"**), Lessor and Lessee shall allocate the cost of such work as follows:

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(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof, provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease and the cost thereof exceeds 6 months' Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within 10 days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and the amount equal to 6 months' Base Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least 90 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor and Lessee shall allocate the obligation to pay for the portion of such costs reasonably attributable to the Premises pursuant to the formula set out in Paragraph 7.1(d); provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor.

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to non-voluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall be fully responsible for the cost thereof, and Lessee shall not have any right to terminate this Lease.

2.4 **Acknowledgements.** Lessee acknowledges that: (a) it has been advised by Lessor and/or Brokers to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler Systems, security, environmental aspects, and compliance with Applicable Requirements and the Americans with Disabilities Act), and their suitability for Lessee's intended use, (b) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefore as the same relate to its occupancy of the Premises, and (c) neither Lessor, Lessor's Agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (ii) it is Lessor's solo responsibility to investigate the financial capability and/or suitability of all proposed tenants. (See Exhibit D)

2.5 **Lessee as Prior Owner/Occupant.** The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the Start Date Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.

2.6 **Vehicle Parking.** Lessee shall be entitled to use the number of Unreserved Parking Spaces and Reserved Parking Spaces specified in Paragraph 1.2(b) on those portions of the Common Areas designated from time to time by Lessor for parking. Lessee shall not use more parking spaces than said number. Said parking spaces shall be used for parking by vehicles no larger than full-size passenger automobiles or pick-up trucks, herein called **"Permitted Size Vehicles."** Lessor may regulate the loading and unloading of vehicles by adopting Rules and Regulations as provided in Paragraph 2.9. No vehicles other than Permitted Size Vehicles may be parked in the Common Area without the prior written permission of Lessor.

(a) Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, contractors or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.

(b) Lessee shall not service or store any vehicles in the Common Areas.

(c) If Lessee permits or allows any of the prohibited activities described in this Paragraph 2.6, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.7 **Common Areas—Definition.** The term **"Common Areas"** is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Project and interior utility raceways and installations within the Unit that are provided and designated by the Lessor from time to time for the general non-exclusive use of Lessor, Lessee and other tenants of the Project and their respective employees, suppliers, shippers, customers, contractors and invitees, including parking areas, loading and unloading areas, trash areas, roadways, walkways, driveways and landscaped areas.

2.8 **Common Areas—Lessee's Rights.** Lessor grants to Lessee, for the benefit of Lessee and its employees, suppliers, shippers, contractors, customers and invitees, during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Lessor under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Project. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Lessor or Lessor's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.9 **Common Areas—Rules and Regulations.** Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to establish, modify, amend and enforce reasonable rules and regulations **("Rules and Regulations")** for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Project and their invitees. Lessee agrees to abide by and conform to all such Rules and Regulations, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessor shall not be responsible to Lessee for the non-compliance with said Rules and Regulations by other tenants of the Project.

2.10 **Common Areas—Changes.**

Intentionally deleted.

3. **Term.**

3.1 **Term.** The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3. (see Exhibit C #2)

3.2 **Early Possession.** If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early possession. All other terms of this Lease (including but not limited to the obligations to pay Lessee's Share of Common Area Operating Expenses, Real Property taxes and insurance premiums and to maintain the Premises) shall, however, be in effect during such period. Any such early possession shall not affect the Expiration Date. (See Exhibit C # 1)

3.3 **Delay In Possession.** Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession as agreed, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until it receives possession of the Premises. If possession is not delivered within 60 days after the Commencement Date, Lessee may, at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10 day period, Lessee's right to cancel shall terminate. Except as otherwise provided, if possession is not tendered to Lessee by the Start Date and Lessee does not terminate this Lease, as aforesaid, any period of rent abatement that Lessee would

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otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession of the Premises is not delivered within 4 months after the Commencement Date, this Lease shall terminate, unless other agreements are reached between Lessor and Lessee, in writing. (See Exhibit C #12)

3.4 **Lessee Compliance.** Lessor shall not be required to tender possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of Insurance (Paragraph 8.5). Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.

4. **Rent.**

4.1 **Rent Defined.** All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit) are deemed to be rent (**"Rent"**).

4.2 **Common Area Operating Expenses.** Lessee shall pay to Lessor during the term hereof, in addition to the Base Rent, Lessee's Share (as specified in Paragraph 1.6) of all Common Area Operating Expenses, as hereinafter defined, during each calendar year of the term of this Lease, in accordance with the following provisions:

(a) **"Common Area operating Expenses"**Lessee's Share of Common Area Operating Expenses shall be payable by Lessee within 10 days after a reasonably detailed statement of actual expenses is presented to Lessee. At Lessor's option, however, an amount may be estimated by Lessor from time to time of Lessee's Share of annual Common Area Operating Expenses and the same shall be payable monthly or quarterly, as Lessor shall designate, during each 12 month period of the Lease term, on the same day as the Base Rent is due hereunder. Lessor shall deliver to Lessee within 60 days after the expiration of each calendar year a reasonably detailed statement showing Lessee's Share of the actual Common Area Operating Expenses incurred during the preceding year. If Lessee's payments under this Paragraph 4.2(d) during the preceding year exceed Lessee's Share as indicated on such statement, Lessor shall credit the amount of such over-payment against Lessee's Share of Common Area Operating Expenses next becoming due. If Lessee's payments under this Paragraph 4.2(d) during the preceding year were less than Lessee's Share as indicated on such statement, Lessee shall pay to Lessor the amount of the deficiency within 10 days after delivery by Lessor to Lessee of the statement.

4.3 **Payment.** Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States, without offset or deduction (except as specifically permitted in this Lease), on or before the day on which it is due. Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a Waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating. In the event that any check, draft, or other instrument of payment given by Lessee to Lessor is dishonored for any reason, Lessee agrees to pay to Lessor the sum of $25.

5. **Security Deposit.** Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease. Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of the Security Deposit, Lessee shall within 10 days after written request therefor deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sub lessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, In Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within 14 days after the expiration or termination of this Lease, if Lessor elects to apply the Security Deposit only to unpaid Rent, and otherwise within 30 days after the Premises have been vacated pursuant to Paragraph 7.4(c) below, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease.

6. Use.

6.1 **Use.** Lessee shall use and occupy the Premises only for the Agreed Use and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties. (See Exhibit C, Item 5.)

6.2 **Hazardous Substances,**

(a) **Reportable Uses Require Consent.** The term **"Hazardous Substance"** as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either; (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, by-products or fractions thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee's expense) with all Applicable Requirements. **"Reportable Use"** shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability; including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit.

(b) **Duty to Inform Lessor.** If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(c) **Lessee Remediation.** Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially

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contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) **Lessee Indemnification.** Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, or any Third party (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from areas outside of the Project). Lessee's obligations shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

(e) **Lessor Indemnification.** Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which existed as a result of Hazardous Substances on the Premises prior to the Start Date or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

(f) **Investigations and Remediations.** Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to the Start Date, unless such remediation measure is required as a result of Lessee's use (including "Alterations," as defined in Paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessor's investigative and remedial responsibilities.

(g) **Lessor Termination Option.** If a Hazardous Substance Condition (see Paragraph 9.1(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and affect, or (ii) if the estimated cost to remediate such condition exceeds 12 times the then monthly Base Rent or $100,000, whichever is greater, give written notice to Lessee, within 30 days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within 10 days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to 12 times the then monthly Base Rent or $100.000, whichever is greater. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation, as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

6.3 **Lessee's Compliance with Applicable Requirements.** Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the Premises, without regard to whether said requirements are now in effect or become effective after the Start Date. Lessee shall, within 10 days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements.

6.4 **Inspection Compliance.** Lessor and Lessor's **"Lender"** (as defined in Paragraph 30) and consultants shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a contamination is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination.

7. **Maintenance; Repairs, Utility Installations; Trade Fixtures and Alterations.**

7.1 **Lessee's Obligations.**

(a) **In General.** Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance), 6.3 (Lessee's Compliance with Applicable Requirements), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole expense, keep the Premises, Utility Installations (intended for Lessee's exclusive use, no matter where located), and Alterations in good order, condition and repair (whether or not the portion of the Premises requiring repairs, or the means or repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, but not limited to, all equipment or facilities, such as plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fixtures, interior walls, interior surfaces of exterior walls, ceilings, floors, windows, doors, plate glass, and skylights but excluding any items which are the responsibility of Lessor pursuant to Paragraph 7.2. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Paragraph 7.1(b) below. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair. (See Exhibit C, Item 6.)

(b) **Service Contracts.** Lessee shall, at Lessee's sole expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in the maintenance of the following equipment and improvements, if any, if and when installed on the Premises: (I) HVAC equipment, (ii) boiler and pressure vessels, (iii) clarifiers, and (iv) any other equipment, if reasonably required by Lessor. However, Lessor reserves the right, upon notice to Lessee, to procure and maintain any or all of such service contracts, and if Lessor so elects, Lessee shall reimburse Lessor, upon demand, for the cost thereof.

(c) **Failure to Perform.** If Lessee fails to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after 10 days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, and Lessee shall promptly reimburse Lessor for the cost thereof.

(d) **Replacement.** Subject to Lessee's indemnification of Lessor as set forth in Paragraph 8.7 below, and without relieving Lessee of liability resulting from Lessee's failure to exercise and perform good maintenance practices, if an item described in Paragraph 7.1(b) cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such item, then such item shall be replaced by Lessor, and the cost thereof shall be prorated between the Parties and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease, on the date on which Base Rent is due, an amount equal to the product of multiplying the cost of such replacement by a fraction, the numerator of which is one, and the denominator of which is 144 (ie. 1/144th of the cost per month). Lessee shall pay interest on the unamortized balance at a rate that is commercially reasonable in the judgment of Lessor's accountants. Lessee may, however, prepay its obligation at any time.

7.2 **Lessor's Obligations.** Subject to the Provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 4.2 (Common Area Operating Expenses), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler system, Common Area fire alarm and/or smoke detection systems, fire

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hydrants, parking lots, walkways, parkways, driveways, landscaping, fences, signs and utility systems serving the Common Areas and all parts thereof, as well as providing the services for which there is a Common Area Operating Expense pursuant to Paragraph 4.2. Lessor shall not be obligated to paint the exterior or interior surfaces of exterior walls nor shall Lessor be obligated to maintain, repair or replace windows, doors or plate glass of the Premises. Lessee expressly waives the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease

7.3 **Utility Installations; Trade Fixtures; Alterations.**

(a) **Definitions.** The term **"Utility Installations"** refers to all floor and window coverings, air lines, power panels, electrical distribution, security and fire protection systems, communication systems, lighting fixtures, HVAC equipment, plumbing, and fencing in or on the Premises. The term **"Trade Fixtures"** shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term **"Alterations"** shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. **"Lessee Owned Alterations and/or Utility Installations"** are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a).

(b) **Consent.** Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, and the cumulative cost thereof during this Lease as extended does not exceed a sum equal to 3 month's Base Rent in the aggregate or a sum equal to one month's Base Rent in any one year. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor.

(c) **Indemnification.** Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or material men's lien against the Premises or any interest therein, Lessee shall give Lessor not less than 10 days notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to 150% of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys' fees and costs.

7.4 **Ownership; Removal; Surrender; and Restoration.**

(a) **Ownership.** Subject to Lessor's right to require removal or elect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

(b) **Removal.** By delivery to Lessee of written notice from Lessor not earlier than 90 and not later than 30 days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent.

(c) **Surrender; Restoration.** Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris, and in good operating order. condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing, if this Lease is for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures. Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall also completely remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Project) even if such removal would require Lessee to perform or pay for work that exceeds statutory requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below. (See Exhibit C, Item 7.)

8. **Insurance Indemnity.**

8.1 **Liability Insurance.**

(a) **Carried by Lessee.** Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $1,000,000 per occurrence with an annual aggregate of not less than $2,000,000, an "Additional Insured-Managers or Lessor's of Premises Endorsement" and contain the "Amendment of the Pollution Exclusion Endorsement" for damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "Insured Contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance carried by Lessee shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only. (See Exhibit C, Item 8.)

(b) **Carried by Lessor.** Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 **Property Insurance – Building, Improvements and Rental Value.**

(a) **Building and Improvements.** Lessor shall obtain and keep in force a policy or policies of insurance in the name of Lessor, with loss Payable to Lessor, any ground-lessor, and to any Lender insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full replacement cost of the Premises, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available insurable value thereof. Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee under Paragraph 8.4. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed $1,000 per occurrence.

(b) **Rental Value.** Lessor shall also obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one year with an extended period of indemnity for an additional 180

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days ("Rental Value Insurance"). Said insurance shall contain an agreed valuation provision, in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next 12 month perio d.

(c) **Adjacent Premises.** Lessee shall pay for any increase in the premiums for the property insurance of the Building and for the Common Areas or other buildings in the Project if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(d) **Lessee's Improvements.** Since Lessor is the Insuring Party, Lessor shall not be required to insure Lessee Owned Alterations and Utility Installations unless the item in question has become the property of Lessor under the terms of this Lease.

8.4 **Lessee's Property; Business Interruption Insurance.**

(a) **Property Damage.** Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures, and Lessee Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed $1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of Personal Property, Trade Fixtures and Lessee Owned Alterations and Utility Installations. Lessee shall provide Lessor with written evidence that such insurance in force.

(b) **Business Interruption.** Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all Perils commonly insured against by prudent Lessee's in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

(c) **No Representation of Adequate Coverage.** Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.

8.5 **Insurance Policies.** Insurance required herein shall be by companies duty licensed or admitted to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B+, V, as set forth in the most current issue of "Best's Insurance Guide," or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required Insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates evidencing the existence and amounts of the required Insurance. No such policy shall be cancelable or subject to modification except after 30 days prior written notice to Lessor. Lessee shall, at least 30 days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same.

8.6 **Waiver of Subrogation.** Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of Insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation, that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 **Indemnity.** Except for Lessor's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified.

8.8 **Exemption of Lessor from Liability.** Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the Building, or from other sources or places. Lessor shall not be liable for any damages arising from any act or neglect of any other tenant of Lessor nor from the failure of Lessor to enforce the provisions of any other lease in the Project. Notwithstanding Lessor's negligence or breach of this Lease, Lessor shall under no circumstances be liable for injury to Lessee's business or for any loss of income or profit there from.

9. **Damage or Destruction.**

9.1 Definitions.

(a) **"Premises Partial Damage"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which can reasonably be repaired in 3 months or less from the date of the damage or destruction, and the cost thereof does not exceed a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(b) **"Premises Total Destruction"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility installations and Trade Fixtures, which cannot reasonably be repaired in 3 months or less from the date of the damage or destruction and/or the cost thereof exceeds a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) **"Insured Loss"** shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

(d) **"Replacement Cost"** shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) **"Hazardous Substance Condition"** shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises.

9.2 **Partial Damage – Insured Loss.** If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force end effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is $5,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said 10 day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 **Partial Damage – Uninsured Loss.** If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage. Such

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termination shall be effective 60 days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 **Total Destruction.** Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate 60 days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6

9.5 **Damage Near End of Term.** If at any time during the last 6 months of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective 60 days following the date of occurrence of such damage by giving a written termination notice to Lessee within 30 days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is 10 days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished.

9.6 **Abatement of Rent; Lessee's Remedies.**

(a) **Abatement.** In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from the Rental Value Insurance. All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) **Remedies.** If Lessor shall be obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within 90 days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than 60 days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within 30 days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such 30 days, this Lease shall continue in full force and effect. "Commence" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 **Termination; Advance Payments.** Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

9.8 **Waive Statutes.** Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith.

10. Real Property Taxes.

10.1 **Definitions.**

(a) **"Real Property Taxes."** As used herein, the term **"Real Property Taxes"** shall include a form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Project, Lessor's right to other income there from, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Project address and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Project is located. The term "Real Property Taxes" shall also include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Project or any portion thereof or a change in the improvements thereon.

(b) **"Base Real Property Taxes."** As used herein, the term **"Base Real Property Taxes"** shall be the amount of Real Property Taxes, which are assessed against the Premises, Building, Project or Common Areas in the calendar year during which the Lease is executed.

10.2 **Payment of Taxes.** Lessor shall pay the Real Property Taxes applicable to the Project.

10.3 **Additional Improvements.** Lessee shall pay to Lessor at the time Common Area Operating Expenses are payable under Paragraph 4.2, the entirety of any increase in Real Property Taxes if assessed solely by reason of Alterations, Trade Fixtures or Utility Installations placed upon the Premises by Lessee or at Lessee's request.

10.4 **Joint Assessment.** If the Building is not separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.5 **Personal Property Taxes.** Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within 10 days after receipt of a written statement getting forth the taxes applicable to Lessee's property.

11. Utilities. Lessee shall pay for all water, gas, heat, light, power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. Notwithstanding the provisions of Paragraph 4.2, if at any time in Lessor's sole judgment, Lessor determines that Lessee is using a disproportionate amount of water, electricity or other commonly metered utilities, or that Lessee is generating such a large volume of trash as to require an increase in the size of the dumpster and/or an increase in the number of times per month that the dumpster is emptied, then Lessor may increase Lessee's Base Rent by an amount equal to such increased costs.

12. Assignment and Subletting. (see Exhibit C #9)

12.1 **Lessor's Consent Required.**

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, **"assign or assignment"**) or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent.

(b) A change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of 25% or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than 25% of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. **"Net Worth of Lessee"** shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.

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(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a noncurable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, (i) the Purchase Price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to 110% of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

12.2 **Terms and Conditions Applicable to Assignment and Subletting.**

(a) Regardless of Lessor's consent, any assignment or subletting shall not: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) after the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefore to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of $1,000 or 10% of the current monthly Base Rent applicable to the portion of the Premises which is the subject of the proposed assignment or sublease, whichever is greater, as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested.

(f) Any assignee of, or sublessee under, this lease shall, by reason of accepting such assignment or entering into such sublease, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

12.3 **Additional Terms and Conditions Applicable to Subletting.** The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. **Default; Breach; Remedies.**

13.1 **Default; Breach.** A **"Default"** is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A **"Breach"** is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or Property, where such failure continues for a period of 3 business days following written notice to Lessee.

(c) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 41 (easements), or (viii) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Lessee.

(d) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 2.9 hereof, other than those described in subparagraphs 13.1(a), (b) or (c), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

(e) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a **"debtor"** as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(f) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.

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(g) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 **Remedies.** If Lessee fails to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. The costs and expenses of any such performance by Lessor shall be due and payable by Lessee upon receipt of invoice therefor. If any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor, at its option, may require all future payments to be made by Lessee to be by cashier's check. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result there from, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover damages under Paragraph 12. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 **Inducement Recapture.** Any agreement for free or abated rent or other charges, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as **"Inducement Provisions,"** shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and condition, of this Lease. Upon Breach of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance. (See Exhibit C #16)

13.4 **Late Charges.** Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within 5 days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a one-time late charge equal to 10% of each such overdue amount or $100, whichever is greater. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment, acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for 3 consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 **Interest.** Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due as to scheduled payments (such as Base Rent) or within 30 days following the date on which it was due for non-scheduled payment, shall bear interest from the date when due, as to scheduled payments, or the 31st day after it was due as to non-scheduled payments. The interest (**"Interest"**) charged shall be equal to the prime rate reported in the Wall Street Journal as published closest prior to the date when due plus 4%, but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 **Breach by Lessor.**

(a) **Notice of Breach.** Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than 30 days after receipt by Lessor, and any Lender whose name and address shall have been furnished Lessee in writing for such Purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than 30 days are reasonably required for its Performance, then Lessor shall not be in breach of Performance is commenced within such 30 day period and thereafter diligently pursued to completion.

(b) **Performance by Lessee on Behalf of Lessor.** In the event that neither Lessor nor Lender cures said breach within 30 days after receipt of said notice, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from Rent an amount equal to the greater of one Base Rent of the Security Deposit, and to pay an excess of such expense under protest, reserving Lessee's right to reimbursement from Lessor. Lessee shall document the cost of said cure and supply said documentation to Lessor.

14. **Condemnation.** If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively **"Condemnation"**) this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs first. If more than 10% of the floor area of the Unit, or more then 25% of Lessee's Reserved Parking Spaces, is taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within 10 days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within 10 days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award

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shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided however, that Lessee shall be entitled to any compensation for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefore. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation. See Exhibit C Item #10

15. **Brokerage Fees.** (see Exhibit C #10)

15.1 **Additional Commission.** In addition to the payments owed pursuant to Paragraph 1.10 above, and unless Lessor and the Brokers Otherwise agree in writing, Lessor agrees that: (a) if Lessee exercises any Option, (b) if Lessee acquires from Lessor any rights to the Premises or other premises owned by Lessor and located within the Project, (c) if Lessee remains in Possession of the Premises, with the consent of Lessor, after the expiration of this Lease or (d) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then, Lessor shall pay Brokers a fee in accordance with the schedule of the Brokers in effect at the time of the execution of this Lease.

15.2 **Assumption of Obligations.** Any buyer or transferee of Lessor's interest in this Lease shall be deemed to have assumed Lessor's obligation hereunder. Brokers shall be third party beneficiaries of the provisions of Paragraphs 1.10, 15, 22 and 31. If Lessor fails to pay to Brokers any amounts due as and for brokerage fees pertaining to this Lease when due, then such amounts shall accrue Interest. In addition, if Lessor fails to pay any amounts to Lessee's Broker when due, Lessee's Broker may send written notice to Lessor and Lessee of such failure and if Lessor fails to pay such amounts within 10 days after said notice, Lessee shall pay said monies to its Broker and offset such amounts against Rent. In addition, Lessee's Broker shall be deemed to be a third party beneficiary of any commission agreement entered into by and/or between Lessor and Lessor's Broker for the limited purpose of collecting any brokerage fee owed.

15.3 **Representations and Indemnities of Broker Relationships.** Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any) in connection with this Lease, and that no one other than said named Brokers is entitled to any commission or finder's fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

16. **Estoppel Certificates.**

(a) Each Party (as **"Responding Party"**) shall within 10 days after written notice from the other Party (the **"Requesting Party"**) execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current **"Estoppel Certificate"** form published by the American Industrial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

(b) If the Responding Party shall fail to execute or deliver the Estoppel Certificate within such 10 day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance. Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate.

(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past 3 years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. **Definition of Lessor.** The term **"Lessor"** as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Except as provided in Paragraph 15, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined. Notwithstanding the above, and subject to the provisions of Paragraph 20 below, the original Lessor under this Lease, and all subsequent holders of the Lessor's interest in this Lease shall remain liable and responsible with regard to the potential duties and liabilities of Lessor pertaining to Hazardous Substances as outlined in Paragraph 6.2 above.

18. **Severability.** The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. **Days.** Unless otherwise specifically indicated to the contrary, the word **"days"** as used in this Lease shall mean and refer to calendar days.

20. **Limitation on Liability.** Subject to the provisions of Paragraph 17 above, the obligations of Lessor under this Lease shall not constitute personal obligations of Lessor, the individual partners of Lessor or its or their individual partners, directors, officers or shareholders, and Lessee shall look to the Premises, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with respect to this Lease, and shall not seek recourse against the individual partners of Lessor, or its or their individual partners, directors, officers or shareholders, or any of their personal assets for such satisfaction.

21. **Time of Essence.** Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

22. **No Prior or Other Agreements; Broker Disclaimer.** This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the use, nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees), of any Broker with respect to negotiation, execution, delivery or performance by either Lessor or Lessee under this Lease or any amendment or modification hereto shall be limited to an amount up to the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

23. **Notices.**

23.1 **Notice Requirements.** All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may, by written notice to the other, specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing.

23.2 **Date of Notice.** Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 48 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices transmitted by facsimile transmission or similar means shall be deemed delivered upon

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telephone confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

24. **Waivers.** No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of monies or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

25. **Disclosures Regarding The Nature of a Real Estate Agency Relationship.**

(a) When entering into a discussion with a real estate agent regarding a real estate transaction, a Lessor or Lessee should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Lessor and Lessee acknowledge being advised by the Brokers in this transaction, as follows:

(i) Lessor's Agent. A Lessor's agent under a listing agreement with the Lessor acts as the agent for the Lessor only. A Lessor's agent or subagent has the following affirmative obligations: To the Lessor: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessor. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(ii) Lessee's Agent. An agent can agree to act as agent for the Lessee only. In these situations, the agent is not the Lessor's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Lessor. An agent acting only for a Lessee has the following affirmative obligations. To the Lessee: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessee. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that not known to, or within the diligent attention and observation of the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not Involve the affirmative duties set forth above.

(iii) Agent Representing Both Lessor and Lessee. A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Lessor and the Lessee in a transaction, but only with the knowledge and consent of both the Lessor and the Lessee. In a dual agency situation, the agent has the following affirmative obligations to both the Lessor and the Lessee: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Lessor or the Lessee. b. Other duties to the Lessor and the Lessee as stated above in subparagraphs (i) or (ii). In representing both Lessor and Lessee, the agent may not without the express permission of the respective Party, disclose to the other Party that the Lessor will accept rent in an amount less than that indicated in the listing or that the Lessee is willing to pay a higher rent than that offered. The above duties of the agent in a real estate transaction do not relieve a Lessor or Lessee from the responsibility to protect their own interests. Lessor and Lessee should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

(b) Brokers have no responsibility with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees), of any Broker with respect to any breach of duty, error or omission relating to this Lease shall not exceed the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

(c) Buyer and Seller agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

26. **No Right To Holdover.** Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 150% of the Base Rent applicable immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

27. **Cumulative Remedies.** No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. **Covenants and Conditions; Construction of Agreement.** All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

29. **Binding Effect; Choice of Law.** This Lease shall be binding upon the parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. **Subordination; Attornment; Non-Disturbance.**

30.1 **Subordination.** This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, **"Security Device"**), now or hereafter placed upon the Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as **"Lender"**) shall have no liability or obligation to perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to Lessee, whereupon this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 **Attornment.** Subject to the non-disturbance provisions of Paragraph 30.3, Lessee agrees to attorn to a Lender or any other party who acquires ownership of the Premises by reason of a foreclosure of a Security Device, and that in the event of such foreclosure, such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (b) be subject to any offsets or defenses which Lessee might have against any prior lessor, (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor.

30.3 **Non-Disturbance.** With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a **"Non-Disturbance Agreement"**) from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within 60 days after the execution of this Lease, Lessor shall use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to provide the Non-Disturbance Agreement within said 60 days, then Lessee may, at Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 **Self-Executing.** The agreements contained in this Paragraph 30 shall be affective without the execution or any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

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31. **Attorneys' Fees.** If any Party or Broker brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, **"Prevailing Party"** shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgement, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach ($200 is a reasonable minimum per occurrence for such services and consultation). (see Exhibit C #15)

32. **Lessor's Access; Showing Premises; Repairs.** Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times for the purpose of showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary. All such activities shall be without abatement of rent or liability to Lessee. Lessor may at any time place on the Premises any Ordinary **"For Sale"** signs and Lessor may during the last 6 months of the term hereof place on the Premises any ordinary **"For Lease"** signs. Lessee may at any time place on the Premises any ordinary **"For Sublease"** sign.

33. **Auctions.** Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessor's prior written consent. Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

34. **Signs.** Except for ordinary "For Sublease" signs which may be placed only on the Premises, Lessee shall not place any sign upon the Project without Lessor's prior written consent. All signs must comply with all Applicable Requirements. (see Exhibit G)

35. **Termination; Merger.** Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subtenancies. Lessor's failure within 10 days following any such event to elect to the contrary by written notice to the holder of any such lesser interest shall constitute Lessor's election to have such event constitute the termination of such interest.

36. **Consents.** Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an Invoice and supporting documentation therefor. Lessor's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within 10 business days following such request.

37. **Guarantor.**

37.1 **Execution.** The Guarantors, if any, shall each execute a guaranty in the form most recently published by the American Industrial Real Estate Association, and each such Guarantor shall have the same obligations as Lessee under this Lease.

37.2 **Default.** It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantors behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect.

38. **Quiet Possession.** Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. **Options.** If Lessee is granted an option, as defined below, then the following provisions shall apply. (see Exhibit L, if any)

39.1 **Definition. "Option"** shall mean: (a) the right to extend the term of or renew this Lease or to extend or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Promises or other property of Lessor; (c) the right to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 **Options Personal To Original Lessee.** Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting.

39.3 **Multiple Options.** In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised

39.4 **Effect of Default on Options.**

(a) Lessee shall have no right to exercise an Option; (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), (ii) Lessor gives to Lessee 3 or more notices of separate Default during any 12 month period, whether or not the Defaults are cured, or (iii) if Lessee commits a Breach of this Lease.

40. **Security Measures.** Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

41. **Reservations.** Lessor reserves the right, (i) to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, (ii) to cause the recordation of parcel maps and restrictions, and (iii) to create and/or install new utility raceways, so long as such easements, rights dedications, maps, restrictions, and utility raceways do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate such rights.

42. **Performance Under Protest.** If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make Payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay.

43. **Authority.** If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duty authorized to execute and deliver this Lease an its behalf. Each party shall, within 30 days after request, deliver to the other party satisfactory evidence of such authority.

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44. **Conflict.** Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions. (see Exhibit C #13)
45. **Offer.** Preparation of this Lease by either party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.
46. **Amendments.** This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.
47. **Multiple Parties.** If more than one person or entity is named herein as either Lessor or Lessee, such multiple Parties shall have joint and several responsibility to comply with the terms of this Lease.
48. **Waiver of Jury Trial.** The Parties hereby waive their respective rights to trial by jury in any action or proceeding involving the Property or arising out of this Agreement.
49. **Mediation and Arbitration of Disputes.** An Addendum requiring the Mediation and/or the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease is not attached to this Lease.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:
1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL, AND TAX CONSEQUENCES OF THIS LEASE.
2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

WARNING: IF THE PREMISES ARE LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES ARE LOCATED.
The parties hereto have executed this lease at the place and on the dates specified above their respective signatures.

Executed at: _____
on: _____

By LESSOR:
Strauss Family Trust UDT 8/5/92 dba: M.S. Strauss Company

By: M.C. Strauss
Name Printed: M.C. Strauss
Title: Trustee

By: _____
Name Printed: _____
Title: _____
Address: 990 Highland Drive #200
Solana Beach, CA 92075

Telephone: (858) 792-7500
Facsimile: (858) 792-7834
Federal ID No. _____

Executed at: _____
on: _____

By LESSEE:
LeMax Enterprises Inc., a California corporation

By: [signature]
Name Printed: Mac Peters
Title: Sec

By: [signature]
Name Printed: Peggy Strassmann
Title: Pres.
Address: 3450 Fourth St Ste D
SD CA. 92110

Telephone: ( ) 619 291 9599
Facsimile: ( ) 619 291 2682
Federal ID No. 33-0514092

These forms are often modified to meet changing requirements of law and needs of the industry. Always write or call to make sure you are utilizing the most current form: American Industrial Real Estate Association, 700 South Flower Street, Suite 600, Los Angeles, CA 90017. (213) 687-8777.

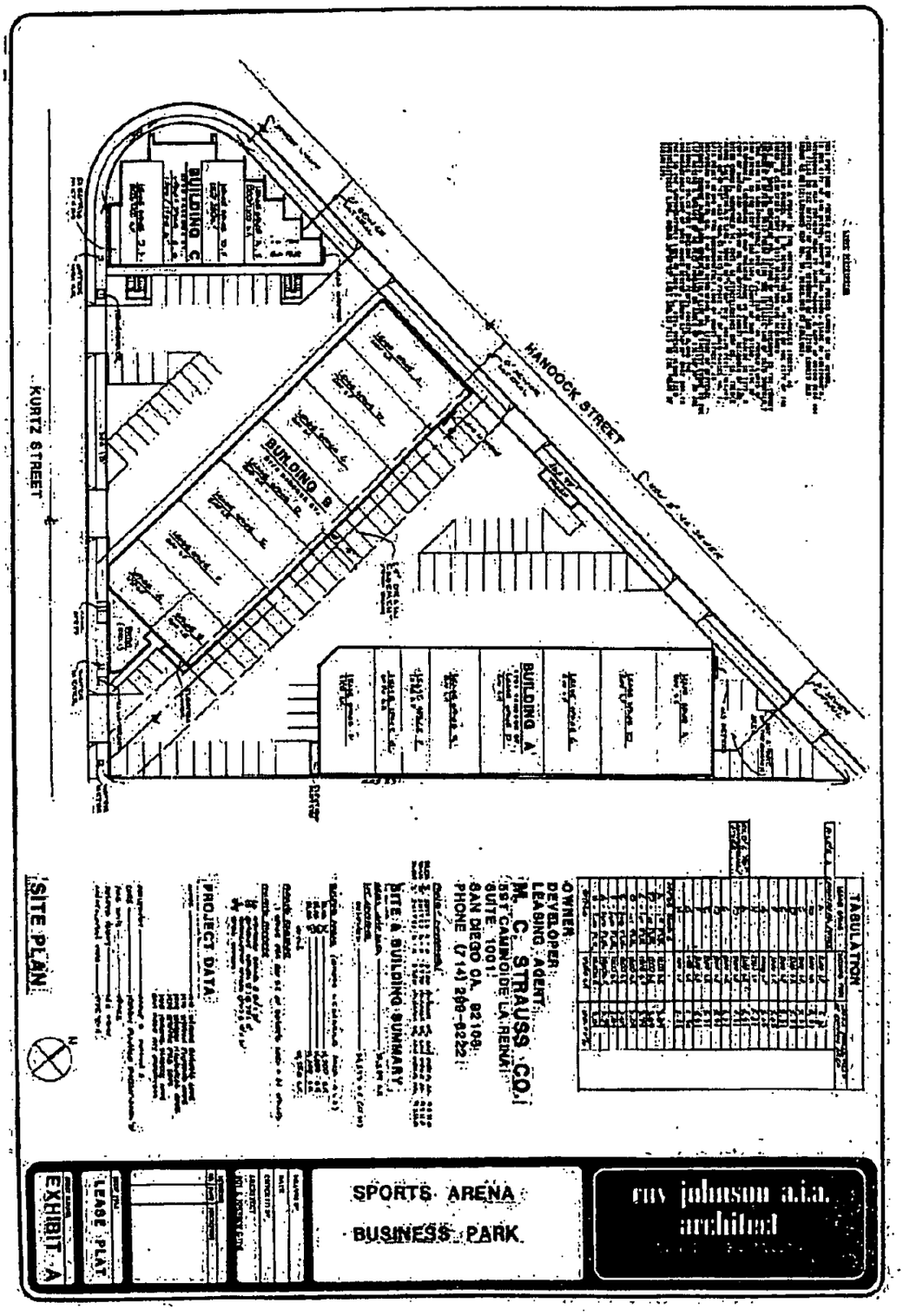
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TENANTS SHALL FURNISH:

1. Its personal and corporate (if applicable) financial statements.
2. Completed Landlord furnished credit information forms.
3. Letter of reference from Tenant's bank.
4. If a corporation, its duly Authorized Corporate Resolution notifying the Lease. (SEE Exhibit C Item #11)

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EXHIBIT A



Initials

Initials

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EXHIBIT A-1 TO LEASE

(1) ASSIGNMENT AND SUBLEASING: Lessee, shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and the City of San Diego, hereinafter, "City." An assignment by operation of law shall automatically terminate this lease.

(2) HOLD HARMLESS: Lessee shall assume the defense of, indemnify and save harmless Lessor and City from all claims, expenses and liability of every nature, directly or indirectly arising from, or alleged to have arisen from the operations conducted on the leased premises or from any act or omission of Lessee, its agents and invitees.

(3) INSURANCE: Lessee shall be insured by an insurance carrier acceptable to the Lessor and City against loss from public liability arising from the use or condition of or operation conducted on the leased premises. Minimum coverage shall be as set forth in Paragraph 16-B hereof. A copy of the policy of insurance shall be filed with the City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or canceled without 30 days prior written notice to the. City by the insurance company,

(4) LEGAL PROCEEDINGS: Should it become necessary to Lessor or City to commence legal Proceedings to collect rent, to recover possessions or enforce any other provision of this lease, Lessee agrees that the prevailing party shall be entitled to all legal costs in connection therewith, including a reasonable sum as attorney's fees

(5) SUBORDINATION: This agreement is in effect a sublease of a portion of the premises covered by that certain Lease Agreement dated September 13, 1977, as amended between the Lessor herein and the City of San Diego- This Lease is subject and subordinated to the covenants and conditions of said Lease Agreement notwithstanding any provision hereto contrary to or in conflict with said agreement.

(6) The property is subject to a City of San Diego ground lease mentioned hereinabove and lies with in the North Bay Redevelopment Area, The property may be redeveloped sometime In the future.- Accordingly, Landlord and or City at its sole option may terminate this lease at anytime after December 1, 2003 with 6 months notice in writing, and without invalidating or superceding any of the rights contained here in this Addendum of the lease or the city land lease agreements there under.

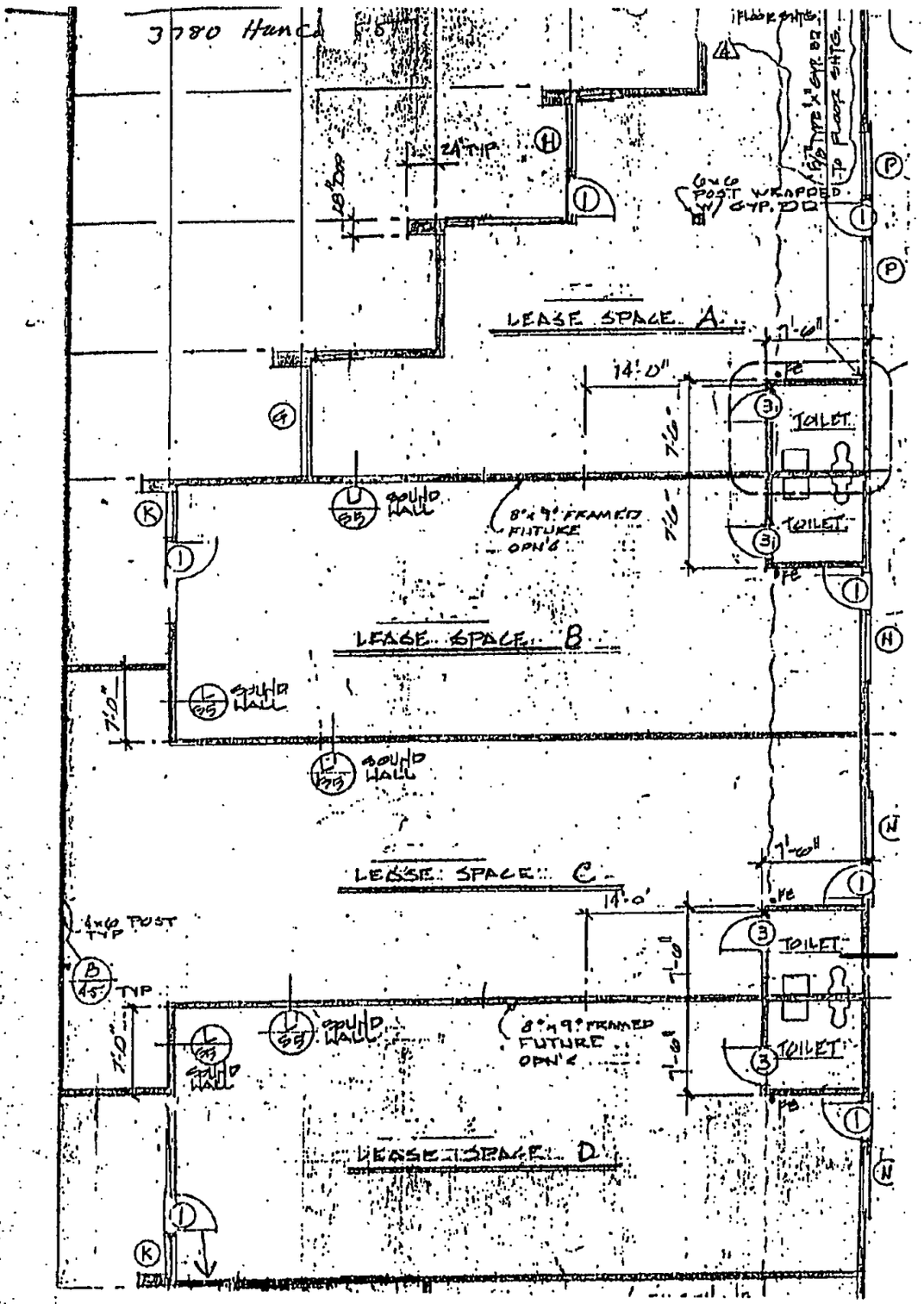
LESSEE'S INITIALS

LESSOR'S INITIALS

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EXHIBIT B

DEMISED PREMISES PLAN (IF AVAILABLE)



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Addendum to Commercial/Industrial Multi-Tenant Lease

1. Early Possession: With early move-in of Lessee, Lessee may not interfere with any tenant improvements needed to be done by Lessor. Additionally, M.C. Strauss Company is not responsible for loss, theft, or damage of any of Lessee's property should Lessee desire to move-in prior to commencement of Lease Term.

2. Term Adjustment: If the Commencement Date is other than the first day of a calendar month, the Term shall be deemed to have commenced on the first day of the next succeeding month.

3. Intentionally Deleted

4. Utilities: Lessee shall pay before delinquency all charges for water, sewer, gas heat, electricity, power, telephone service and all and any other services or utilities used in, upon or about the Demised Premises by Lessee or any of its subtenants, licensees or concessionaries, provided, however, if any such services or utilities shall be billed to Lessor and not separately metered to the Demised Premises the mount thereof shall be prorated and Lessee shall pay to Lessor upon demand as additional rental hereunder an amount equal to that proportion of the total charges therefore which the number of square feet of Gross Floor Area in the Demised Premises bears to the total number of square feet of gross floor area of stores then rented as of the date of the utility bill served in the area and/or buildings covered by such combined charges. With respect to gas and electric service, which is not separately metered, Lessor may, at Lessor's option, in lieu of prorating on the fore-going basis, determine the amount of use of such services by Lessee on the basis of Lessee's estimated usage as determined by the utility company servicing the Demised Premises, or, if such company ceases providing such service, by a qualified electrical contractor selected by Lessor. Water is furnished to the part of the Common Area via as is central meter. Accordingly, Lessee will pay Lessor a flat charge of ___$100.00 per suite_____ a month for its share of the water for its premises. Water charges may be reevaluated and increased by Lessor based on the use of the premises especially due to the number of patrons of and Lessee's business use. Lessor may require a high water user such as a restaurant or beauty parlor to install a separate meter or if the cost is prohibitive, to install an inline meter at Lessee's expense to be able to determine Lessee's fair share for any excess use.

5. Continuous Operations: Lessee shall keep the Demised Premises open for business during all hours customarily maintained by business similar to Lessee's business in the trading area in which the Demised Premises are located. At all such times Lessee shall have upon the Demised Premises a sufficient number of employees and a sufficient stock of merchandise to adequately serve the patrons thereof or render the services offered. A business holiday of more than 30 days of consecutive closing in any one year shall be considered a default.

6. Locks: Should Lessee change the locks on their suite, Lessee must furnish Lessor with a copy of the new key which is for the protection of the Lessee and per the Lease.

7. Vacating Premises: The definition "ordinary wear and tear" shall NOT include such items as carpet cleaning, cleaning, patching and painting necessary to restore Premises to a releasable condition. Additionally, Tenant will be charged for repainting rear access doors, repairing store front doors, rekeying locks to the master system and removing alarm systems or personal property and/or debris, etc, upon Lease termination,

8. Insurance: Lessor's appropriate liability insurance coverage is $3,000,000. Therefore, Paragraph 8.1 and/or Paragraph 8.2 is amended to increase the ceiling to $3,000,000 and Lessee shall reimburse Lessor for its portion accordingly.

9. Assignment and Subletting:
(This is in addition to lease language and prevails in the event of conflict.)

a. Consent to Assignment or Subletting shall not be unreasonably withheld: Subject to a compatible and noncompetitive business use with respect to the other businesses in the Center and sufficient financial statement and credit record of assignee and reasonable experience in conducting the intended business, Lessor's consent to assign or sublet this Lease shall not be unreasonably withheld provided however, that Lease shall not be in default and/or if Lessee shall have, previously breached or otherwise failed to perform under this Lease since its inception, and Lessee did not cure that breach, Lessor, at its sole discretion, may declare this Sub-paragraph null and void. Any increase in rents shall become the property of the Lessor. Any such assignment or subleasing even with the approval of the Lessor, shall not relieve the Lessee from liability for payment of the rental herein provided or from the obligation to keep and be bound by the terms, conditions and covenants of this Lease.

b. Assignment or Transfer to a Corporation: Notwithstanding anything to the contrary set forth herein, Lessee may assign this Lease, without the consent of Lessor, to a corporation or other entity not less than fifty percent (50%) of the voting stock or controlling interest of which is owned by Lessee; provided that Lessee shall at all times remain liable for performance hereunder; and provided, further, that any transfer by Lessee of the controlling stock or interest in such corporation or other entity shall be a prohibited assignment hereunder.

c. Consent to be in writing: Lessee shall not assign, mortgage, pledge, hypothecate or encumber this lease or the leasehold interest created hereby or any interest herein or sublet the Demised Premises or any portion thereof, or license the use of all or any portion of the Demised Premises, without the written consent of Lessor first had and obtained. Without in any way limiting any other rights available to the Lessor at the time of any proposed assignment or subletting, Lessor expressly reserves the right to adjust the Guaranteed Minimum Monthly Rental to an amount derived by multiplying said guaranteed minimum monthly rental times a number equal to the percentage by which the Bureau of Labor Statistics, United States Department of Labor for Los Angeles-Riverside-Orange County under the heading of "All Items" for "All Urban Consumers" for the month in which the date of such assignment or subletting occurs has increased over the same Cost of Living Index figure for the month in which the Commencement Date under this Lease occurs (i.e., if the percentage of such increase is thirty percent (30%), then the guaranteed minimum monthly rental will be multiplied times 130%). Tenant agrees to pay Lessor an administrative fee of $500 and to reimburse Lessor for Lessor's reasonable attorney fees incurred in conjunction with the processing and documentation of any such requested transfer, assignment, subletting, licensing or concession agreement

10. Broker's Fee:
a. All Broker's fees as referred to in the Lease and Lease addendums shall be by separate agreement pursuant to a schedule to be agreed upon by Owner and Broker.
b. However, it is understood and agreed that no commissions shall be paid on option exercises, or renewals, or expansions that unless at the invitation of the Owner first had obtained in writing.

11. Lessee's Financial Information: Lessee will furnish a credit report and financial statement at its expense, subject to Lessor's approval or reimburse Lessor $35 if Lessor obtains a credit report. Lessee also agrees to deliver to Lessor a resume of its business experience, a copy of its income tax returns for the prior year, a letter of reference from Lessee's bank, and a completed Lessor's

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"Credit Information" form. The Lease is contingent upon Lessor's review and approval to its sole satisfaction of Lessee's qualifications to lease. Said credit application must include but not be limited to listing specifics of next of kin, closest living relative not living with you, closest non-relative and who to notify in case of emergency.

12. Dispute or Delay: In the event of any dispute between the parties concerning the time of actual completion of Lessor's Work or Lessee's Work or any claimed excuse for delay in performance or non-performance thereof or whether such work has been adequately performed in a good and workmanlike manner and is satisfactory for the use intended, such dispute shall be referred to Lessor's architect whose determination with regard thereto shall be final and conclusive upon the parties.

13. Deletion: Wherever in this Lease a Section or Subsection is preceded by the word "Deleted" or ""Deleted," such Section or Subsection is deleted from this Lease in its entirety and is of no force or effect.

14. Parking: Lessee shall have the right to two or three (to be determined by Landlord) parking spaces on level N/A at no cost to Lessee for the term of the Lease and any Option Periods. The surface parking is designated for customers and retail tenants only, All employees, visitors, guests of Lessee are not Permitted to use surface parking, but shall park on lower levels A & B of the parking structure, if any.

15. Attorney's Fees: The prevailing party is entitled to attorney's fees or costs for the enforcement of the lease regardless of whether an action is filed, said fees and costs to be considered additional rent.

16. Lease Incentives: If Tenant is in default under this Lease at any time during the Term and without limiting the foregoing, if Landlord has given Tenant any lease incentives or other inducements or consideration in connection with this Lease ("Incentives"), including without limitation, any abatement of rent, the unamortized portion of any Tenant Improvement Allowance and/or leasing commissions then the incentives will terminate and Landlord may recover from Tenant the value of all such Incentives received by Tenant in addition to all other damages recoverable by Landlord pursuant to the provisions of this Lease.

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EXHIBIT C

Page 2 of 3

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A. Lessee is responsible for sending rent payments on the first of the month to:

James Crone & Associates, Inc.
Attn: Rachelle Labayog
101 N. Broadway
Escondido, CA 92025

B. For any questions or building management problems, call:

James Crone & Associates, Inc.
Rachelle Labayog
Phone: 760-480-8888
Fax: 760-489-6782

C. Required Personal Data:

Lessee's Home Address: _____
Home Phone: _____ Home Fax: _____

In case of emergency: _____
Address: _____
Phone: _____ Fax: _____

Next of Kin (Name): _____
Address: _____
Phone: _____ Fax: _____

D. Other: Lessor reserves the right to change the management company and the address to which rent payments shall be made by delivering notice to Lessee in accordance with this Lease.

LESSEE'S INITIALS: _____

LESSOR'S INITIALS: _____

_____ Initials

_____ Initials

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EXHIBIT D

TENANT IMPROVEMENTS AND ACCEPTANCE OF PREMISES

Scope of Lessor's Work

Lessor shall provide Lessee, at the sole cost and expense of Lessor, the following "standard" improvements as follows:

1. Lessee acknowledges that the Demised Premises are being leased in "as is" condition and that Lessee has inspected same and the Demised Promises are in satisfactory condition with the following exception:

Premises shall be broom-cleaned otherwise, Lessee shall accept the Premises in its as-is condition.

Scope of Lessee's Work

All improvements desired by Lessee, shall be considered "Non-standard" and shall be at the sole cost and expense of Lessee including, but not limited to :

1. Permits, Plans, and supervision for any Tenant improvements.

2. Lessor grants permission to Lessee to install necessary and/or required improvements or modifications, subject to Lessor's prior written approval, to accommodate Lessee's intended business use, at Lessee's sole cost and expense, and in accordance with any and all governmental requirements including the obtaining of any required permits for the Demised Premises and said business.

Perform any and all additional work required to complete the Premises to a condition customary and ready for the normal operation of Lessee's business. Lessee shall be responsible to pay for any additional water, and/or sewer impact fees if imposed due to the nature of Lessee's business or use of Premises.

Within thirty (30) days following the execution of the Lease, Lessee, at Lessee's sole cost and expense, shall deliver to Lessor a fully dimensioned 1/4-inch scale set of plans. Said plans shall show all storefronts, interior partitions, fixtures, lighting, electrical outlets, plumbing (including fixtures), floor coverings, ceiling and other improvements that Lessee wishes to construct and install upon Premises. Said plans shall be subject to Lessor's approval prior to start of any work by Lessee or his contractors, which shall not be unreasonably withheld, which shall thereafter be called "Lessee Plans Approved for Construction." Should Lessee fail to deliver to Lessor plans for "Lessee's Work" within thirty (30) days following execution of the Lease, Lessor may, at his option and with written notification to that effect to Lessee, terminate this Lease.

No changes, modifications or alterations to Lessee Plans Approved for Construction may be made without the written consent of Lessor. Any additional costs, including any increased fees which Lessor may be required to Pay for architectural, engineering and/or other similar services arising by reason of any subsequent change to Lessee Plans Approved for Construction made at the request of Lessee, shall be at the sole cost and expense of Lessee and shall be paid by Lessee to Lessor before the performance of the work requested by Lessee.

All of Lessee's work and improvements shall be performed by Lessee, at Lessee's sole cost and expense except as outlined above and pursuant to the plans and specifications approved by Lessor. It is understood that the approval of Lessor shall in no manner relieve Lessee of Lessee's obligation to obtain, at Lessee's sole cost and expense, all necessary and appropriate permits from all applicable governmental or public agencies for the construction of Lessee's improvements, installation of Lessee's personal property and the operation of Lessee's business at Premises.

Upon delivery of Premises to the Lessee, Lessee shall immediately and diligently proceed to install Lessee's Work as described in Lessee's Plans Approved for Construction at Lessee's sole cost and expense without interfering with other work being done, if any, in the building or shopping center.

All work done by Lessee shall be done by a licensed contractor and in compliance with all rules and regulations required by local building authorities, Lessor or his agents and in accordance with all uniform building codes as dictated by state, federal and local requirements.

Upon final completion of Lessee's Work, Lessee shall furnish Lessor with all certificates, approvals and permits "signed off" by local governmental building inspector, that were required to complete Lessee's Work. Lessor shall not be responsible for any loss or damage to Lessee's improvements/property that is installed or left on Premises.

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Lessee's entry upon Premises prior to commencement of the Term of this Lease shall be subject to all provisions of this Lease other than payment of rent. At all times after such entry, Lessee shall maintain an insurance policy that complies with the provisions of this Lease. The inability of Lessee to complete Lessee's Work in a timely manner and to a condition acceptable for conducting business, through no fault of Lessor, shall not delay the Term Commencement or payment of rent.

Lessee hereby indemnifies and holds Lessor free and harmless from and against any and all claims, demands and liabilities, including, but not limited to attorney costs, expenses and court costs, arising from or relating to Lessee's Work and improvements. It is the intent of the parties that this indemnification shall survive the expiration or sooner termination of this Lease.

LESSEE'S INITIALS: _____

LESSOR'S INITIALS: _____

Initials

Initials

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*EXHIBIT E

ESTIMATED OPERATING EXPENSES (GROSS LEASE)

*DOES NOT APPLY – INTENTIONALLY DELETED

LESSEE'S INITIALS: _____

LESSOR'S INITIALS: _____

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EXHIBIT F

RENT ADJUSTMENT(S)

ADDENDUM TO
STANDARD LEASE

Dated: October 26, 2009

By and Between (Lessor) Strauss Family Trust UDT 6/5/92

(Lessee) LeMax Enterprises Inc., a California corporation

Dba: Sunglass & Optical Warehouse

Property Address: 3780 Hancock Street, Suite # C & D, San Diego, CA 92110

Paragraph 1.5

A. **RENT ADJUSTMENTS:**

The monthly rent for each month of the adjustment period(s) specified below shall be Increased using the method(s) indicated below:

(Check Method(s) to be Used and Fill in Appropriately)

✓ **III. Fixed Rental Adjustment(s) (FRA)**

The monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be increased to the following amounts on the dates set forth below.

On (Fill in FRA Adjustment Date(s)): The New Base Rental shall be:

Year Two $1.85psf or $4,995.00 per month+$100 per month for water/sewer fees=$5,095 per month;
Year Three $1.95 psf or $5,265.00 per month+$100 per month for water/sewer fees=$5,365 per month;

B. **NOTICE:** Unless specified otherwise herein, notice at any escalations other than Fixed Rental Adjustment(s) shall be made as specified in paragraph 23 of the attached Lease.

*C. ~~**BROKER'S FEE:**~~ ***Deleted**

~~The Real Estate Brokers specified in paragraph 1.10 of the attached Lease shall be paid a Brokerage Fee for each adjustement specified above in accordance with paragraph 15 of the attached Lease.~~

LESSEE'S INITIAL: _____

LESSOR'S INITIAL: _____

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EXHIBIT G

CENTER SIGN CRITERIA

The purpose of this sign criteria has been established for the intent of assuring an outstanding shopping center and mutual benefit of all Lessee's. Conformance will be strictly enforced. Any installed non-conforming or unapproved signs will be brought into conformance at the expense of the Lessee.

A. Lessee shall be entitled to signage above the Premises. Signage shall be subject to City of San Diego and Lessors prior written approval. All costs associated with the design, construction, installation, as well as removal, shall be borne by Lessee. Lessee shall be required to remove all Lessee signage at the conclusion of Lessee's occupancy of the Premises. Ground level Lessee's shall be entitled to signage on the Center's pole sign at its expense and subject to availability.

B. General Requirements:

1. Lessee shall submit to the Lessor the exact sign specifications, copy and colors desired for Lessor's approval from a license and experienced sign company.

2. All approvals or disapprovals of sign submittals based on esthetics and design shall remain sole right of the Lessor and local governing authorities.

3. Selected sign company will be responsible for obtaining all permits and sign Installation.

4. No exposed lamp, raceways, crossovers, conduit, conductors, transformers or similar devices shall be permitted.

5. All maintenance of signage shall be the responsibility of the Lessee.

6. All signs shall be individually illuminated.

7. No audible, flashing or animated signs will be permitted.

8. No projections above or below the sign will be permitted.

9. Electrical service to all signs will be connected to Lessee's meter.

10. Lessee's signs shall be designed and installed in a manner compatible with and complimentary to adjacent and facing storefronts and the overall design concept of the center.

11. All penetrations of the building structure required for sign installation shall be sealed in a watertight condition and shall be patched to match adjacent finish. At termination of lease when sign is removed, Lessee or its sign company shall patch and paint and restore to "as was" condition.

12. No advertising placards, banners, pennants, names, insignias or other descriptive material shall be affixed or maintained upon the glass pane supports of the show windows and doors or upon the exterior was of building without the prior written approval of Lessor.

13. Logos require prior approval of lessor unless nationally recognized logos of a franchise.

14. Letter height restrictions:

a. One line of copy with the letter and logo height not to exceed 24 inches or to be less than 10 inches. Allowable, sign fascia coverage not to exceed seventy-five percent (75) of store frontage.

b. Two lines of copy will be allowed with the overall height of the two lines of letters not to exceed 30 inches with a maximum height of the letters not to exceed 18 inches or to be less than 16 inches.

15. Designs submitted for the City/County approval must follow ft following guidelines:

a. Drawings of elevations and sign with all measurements to scale.
b. Plot plan and legal description (plans to scale).
c. Sections drawings of sign and fascia showing construction and electrical details.
d. Color of plastic faces and logos.
e. Color of neon, size and intensity.
f. Letter style selection

16. Lessee is granted permission by Lessor to install a temporary sign banner at its expense above the premises while signs are being fabricated.

17. Lessee shall indemnify and hold harmless Lessor against any loss, cost, damages or liability caused to persons, property or otherwise caused by Lessee's sign Installations.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, LESSEE TO ASSUME ALL RIGHTS TO SIGNAGE CURRENTLY USED BY THE CURRENT LESSEE, WHICH SHALL BE INCLUDED IN THE BASE RENT AT NO EXTRA CHARGE. ALL SIGNAGE SHALL CONFORM TO LANDLORD'S STANDARD SIGN CRITERIA AND CITY APPROVALS.

LESSEE'S INITIALS: _____ LESSOR'S INITIALS: _____

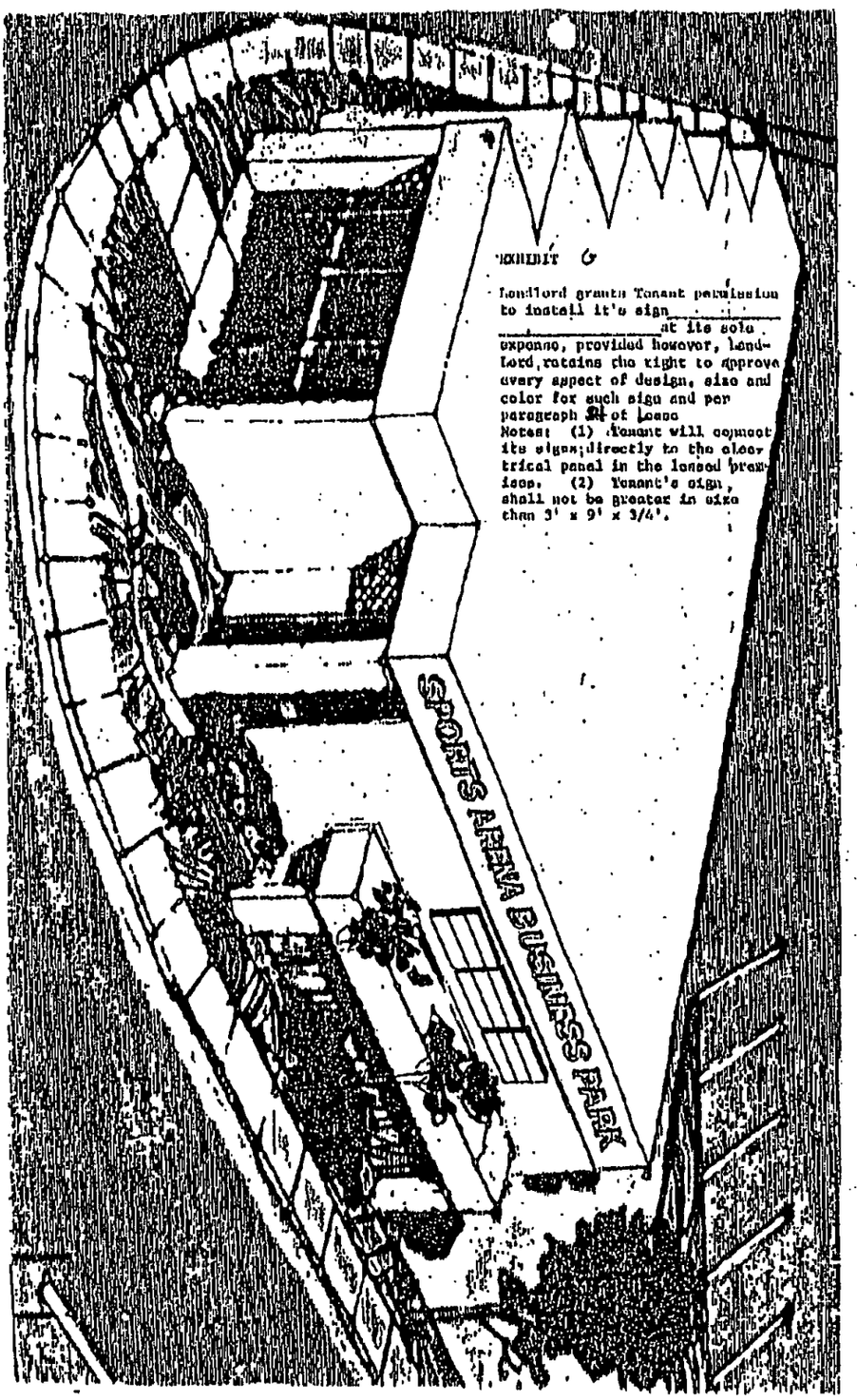
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SPORTS ARENA BUSINESS PARK

Initials

Initials

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EXHIBIT H

SPECIAL USE OF PREMISES CLAUSE

A. Uses Of Premises:

Lessee shall occupy and use the premises solely for the operation of the sale of prescription and nonpreseciption sunglass lenses and frames, wholesale and retail; with anciallary sales of related sunglass products and branded and non-branded sportswear for men and women and for no other purpose or use . Provided Lessee is not in default beyond any applicable cure period, Lessor shall not lease to any new lessee in the Project whose primary use is the sale of prescription or nonprescription sunglasses.

LESSEE'S INITIALS:

LESSOR'S INITIALS:

Initials

Initials

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EXHIBIT I
APPLICATION FOR LEASE AND CREDIT INFORMATION

The undersigned furnishes the following as a true and accurate statement of the financial condition of the undersigned. It is understood that the Landlord, in entering into a lease or other agreement, are doing so in reliance upon this financial statement and in consideration of such the undersigned agree that if any of the representations of the undersigned prove to be untrue, such shall be considered as a default under such lease or agreement.

NAME: _____ AGE: _____ SPOUSES NAME: _____

ADDRESS: _____ HOW LONG: _____

CITY, STATE, ZIP _____

Previous Address - if less than five years: _____

SOCIAL SECURITY NO: _____ SPOUSE'S SOCIAL SECURITY NO: _____

PHONE: _____ OWN OR RENT: _____ NO. OF DEPENDENTS: _____

PRESENT EMPLOYER: _____ HOW LONG: _____

ADDRESS: _____

PHONE: _____ POSITION: _____

SPOUSE'S EMPLOYER: _____ PHONE: _____

IN CASE OF EMERGENCY CONTACT: NAME: _____

ADDRESS: _____ PHONE: _____

_____ RELATIONSHIP: _____

NEXT OF KIN NOT LIVING WITH YOU: NAME: _____

ADDRESS: _____ PHONE: _____

_____ RELATIONSHIP: _____

CLOSEST NON RELATIVE CONTACT: NAME: _____

ADDRESS: _____ PHONE: _____

_____ RELATIONSHIP: _____

BALANCE SHEET

Cash:	$ _____	Notes Payable - Total Owed: (List on Back)	$ _____
Stocks & Bonds: (List on Back)	$ _____		
		Accounts Payable - Total Owed: (List on Back)	$ _____
Notes / Accounts Receivable:	$ _____		
Life Insurance: (Not full value, only surrender value)	$ _____	Mortgages - Total Owed: (List on Back)	$ _____
Real Estate - Total Value: (List on Back)	$ _____	Automobiles - Total Owed:	$ _____
		Income Taxes - Accrued to Date:	$ _____
Automobiles:	$ _____	Other: _____	$ _____
	$ _____	_____	$ _____
		_____	$ _____
Personal Possessions:		**TOTAL LIABILITIES:**	$ _____
	$ _____		
	$ _____	**NET WORTH:**	$ _____
TOTAL ASSETS:	$ _____	**(Assets minus Liabilities)**	

ANNUAL INCOME & EXPENSE

Income:		**Expense:**	
Annual Salary:	$ _____	Annual Rental/Mortgage Payments	$ _____
Annual Rentals:	$ _____		
Annual Dividends:	$ _____	Annual Payments:	$ _____

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Annual Interests:	$ _____ (Notes & Accounts)		
Other Annual Income:	$ _____	Annual Interest & Taxes:	$ _____
		Personal Living Expense:	$ _____
		Other Annual Expenses:	$ _____
TOTAL ANNUAL INCOME:	$ _____	**TOTAL ANNUAL EXPENSE:**	$ _____

BANK REFERENCES

BANK & ADDRESS: _____ ACCT. NO.: _____

BANK & ADDRESS: _____ ACCT. NO.: _____

STOCKS & BONDS

Description	No. of Shares	Cost	Market Value
		$	$
		$	$
		$	$
		$	$
		$	$
TOTALS		$	$

REAL ESTATE - MORTGAGES

Description & Address	Original Cost	Present Value	Trust Deed or Mortgage Unpaid Bal.	Mo. Pay.
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
TOTALS	$	$	$	$

NOTES & ACCOUNTS PAYABLE (Do not include Real Estate)

Description	Account Number	Total Amount Owed (DO NOT LIST PAYMENTS)
		$
		$
		$
		$
		$
		$
TOTAL		$

The undersigned further consent(s) to the addresses above making any inquires it deems necessary to reach a decision on this application, and consent(s) to the disclosure at any time of any credit information about me / us to any credit reporting agency or to any one with whom I/we have financial relations. The undersigned further understands that should a lease be entered into that the authorizing party will pay a $35.00 application credit check fee.

DATE: _____ SIGNATURE: _____

DATE: _____ SPOUSE'S SIGNATURE: _____

_____ Initials

_____ Initials

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*NOT APPLICABLE

*EXHIBIT J

GUARANTY OF LEASE

THIS GUARANTY OF LEASE ("Guaranty"), effective as of _____, 200____, is executed by _____ ("Guarantor"), with reference to the following facts:

RECITALS

A. M.C. Strauss Company _____ ("Lessor"), and _____ ("Lessee") have agreed to enter into that certain Lease ("Lease"), dated the same date as this Guaranty, covering Premises described therein, located in the City of San Diego, County of San Diego, State of California.

B. Lessor requires, as a condition to its execution of the Lease, that Guarantor guarantee the full performance of the obligations of Lessee thereunder.

C. Guarantor is willing to execute this Guaranty for the benefit of Lessor and as a material inducement to Lessor to enter into the Lease.

GUARANTY

NOW, THEREFORE, in order to induce Lessor to enter into the Lease, Guarantor agrees as follows:

1. **Guarantor's Obligations.** Guarantor hereby unconditional guarantees the full and timely performance of each and every obligation to be kept and performed by the Lessee pursuant to the terms of the Lease ("Lease Obligations") in accordance with the terms of and at the time and place specified therein, including, but not limited to, the payment of all rents and other charges accruing pursuant thereto.

2. **Term.** This Guaranty shall continue for the term of the Lease and any extension or renewal thereof. If the Lease terminates and Lessor has any rights which Lessor may enforce against Lessee after termination, Lessor may also enforce such rights against Guarantor.

3. **Primary Liability.** The Lease Obligations guaranteed by Guarantor under this Guaranty shall be primary and independent of the obligations of Lessee under the Lease. Lessor may bring a separate action or actions against Guarantor hereon and such actions may be brought either in conjunction with actions against Lessee or against Lessee directly, regardless of whether Lessor has commenced any action or obtained any judgment against Lessee. If Lessee defaults under the Lease, Lessor may proceed directly against Guarantor, without having commenced any action or obtained any judgment against Lessee, and without applying any property of Lessee (or any other person), if any, held by Lessor as security for the performance of the Lease Obligations. The liability of Guarantor hereunder shall not be released, diminished, or extinguished by Lessor's failure or delay in enforcing any of its rights.

4. **Continuation; No Release.** This Guaranty shall continue in favor of Lessor notwithstanding any modification, alteration, extension or renewal of the Lease entered into by the parties thereto, or their successors or assigns, and notwithstanding any assignment of the Lease, with or without the consent of Lessor. No such modification, alteration, extension, renewal or assignment shall affect this Guaranty or in any way release, diminish, or extinguish the liability of Guarantor hereunder.

5. **Assignment.** Lessor may, with notice to Guarantor, assign this Guaranty in whole, or in part in connection with any transfer of any interest in the Lease or the Premises, and no such assignment or transfer shall release, diminish, or extinguish or otherwise affect the liability of Guarantor hereunder. In such event the benefits of this Guaranty shall inure to the benefit of Lessor's successors and assigns.

6. **Security.** Guarantor authorizes Lessor, without further notice or demand and without affecting the liability of Guarantor hereunder, from time to time, to: (a) take and hold security (including the Security Deposit and any security filing consented to by Lessee) (the "Security") (if any) for performance of the Lease Obligations and exchange, enforce, waive or release any such Security; (b) apply such Security in whole or in part and direct the order or manner of sale thereof as Lessor, in Lessor's discretion, may determine; and (c) proceed against Lessee or proceed against and exhaust such Security held from Lessee; the provisions of this paragraph shall constitute a waiver of Guarantor's right to claim exoneration from the Lease Obligations for the foregoing actions.

7. **Events of Insolvency.**

7.1. **Defined.** The term "Event of Insolvency" shall mean any of the following:

(a) Lessee becomes insolvent or is adjudicated a bankrupt;

(b) Lessee files a petition for reorganization, arrangement or similar relief under any present or future provisions of the Federal Bankruptcy Code, or any other state or federal statute for tile relief of debtors or any similar law;

(c) A court approves a petition filed against Lessee by its creditors for reorganization, arrangement or similar relief under any present or future provision of tile Federal Bankruptcy Code, or any other state or federal statute for the relief of debtors or any other similar law;

(d) Lessee seeks a judicial readjustment of the rights of its creditors under any present or future federal or state law; or

(e) A receiver of all or part of Lessee's property and assets is appointed by any state or federal court.

7.2 **Effect.** This Guaranty shall in full force and effect, notwithstanding the occurrence of any Event of Insolvency affecting Lessee, or any successor or assignee of Lessee, or in the event of any disaffirmance, or abandonment by a trustee of Lessee, or in the event that the Lease is terminated, rejected or modified in the course of any proceeding relating to an Event of Insolvency. To the extent necessary to effectuate the purpose of this Guaranty, Guarantor hereby assigns to Lessor any rights Guarantor may have to file a claim and proof of claim in any bankruptcy or similar proceeding of Lessee any awards or payments thereon to which Guarantor would otherwise be entitled, to the extent of any unsatisfied Lease Obligations.

8. **Waiver of Defenses.** Guarantor waives any defense Guarantor may acquire by reason of Lessor's election of any remedy against Guarantor or Lessee, or both. In addition, Guarantor waives any defense arising by reason of any disability or other defense of Lessee, including, without limitation, any defense based upon: (a) invalidity of the Lease (b) any lack of authority of the officers, directors, partners or agents acting or purporting to act on behalf of Lessee or any principal of Lessee; or (c) by reason of the cessation from any cause whatsoever of the liability of Lessee other than full performance and discharge of the Lease Obligations.

9. **Waiver of Rights.** Guarantor waives the right to require Lessor: (a) to proceed against Lessee or any successor of Lessee; and (b) to pursue any other remedy in Lessor's power. Guarantor expressly waives the provisions of the California and/or Arizona Civil Code, which grants a surety certain rights to require a creditor to pursue alternative remedies before proceeding against a surety.

10. **Subrogation.** Until the Lease Obligations shall have been performed in full, Guarantor shall have no right of subrogation and waive any right to enforce any remedy which Lessor now has or may hereafter have against Lessee. Guarantor waives any right to participate in any security now or hereafter held by Lessor.

11. **Successive Demands.** Guarantor's liability shall extend to each and every payment to be made by Lessee and any additional Lease Obligation to be performed or observed by Lessee. Successive demands may be made upon, and successive actions for the enforcement of such demands may be brought against Guarantor upon successive defaults by Lessee and the enforcement of this Guaranty against Guarantor with respect to any Lease Obligation shall not operate to exhaust this Guaranty or operate as a waiver of the right to proceed under this Guaranty with respect to any future default or defaults.

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12. **General Provisions.**

12.1 **Attorney's Fees.** Guarantor agrees to pay all costs and other expenses, including reasonable attorneys' fees and court costs, paid or incurred by Lessor in enforcing or attempting to enforce this Guaranty or the obligations guaranteed hereby. Guarantor is obligated as to attorney's fees and costs pursuant to Paragraphs 31 and 37.1 of the Lease, as to the obligations under the Lease and the Guaranty, and the provision in the Addendum as to attorneys fees made applicable here to the Lease and the Guaranty.

12.2 **Governing Law.** This Guaranty shall be enforceable by Lessor in accordance with the laws of the State of California and shall be construed in accordance therewith.

12.3 **Interest.** Interest shall accrue on all accounts which are not paid by Guarantor when due under the Lease, from the date due until due date paid by Guarantor, at the interest rate specified in the Lease, but not to exceed the maximum legal rate of interest.

12.4 **Joint and Several.** If Guarantor is more than one person, each person's obligations hereunder are joint and several and are independent of Lessee's obligations. Lessor may bring a separate action against any Guarantor whether the action is brought against any other Guarantor, or whether any other Guarantor is joined in the action.

12.5 **Modification.** This Guaranty may not be amended, modified, released, or terminated except by a written instrument executed by Guarantor and Lessor.

12.6 **Severability.** If any of Guarantor's obligations hereunder shall be held to be unenforceable, the remainder of this Guaranty and its application to all obligations other than those with respect to which is held unenforceable shall not be affected thereby and shall remain in full and effect.

12.7 **Successors.** The terms and provisions of this Guaranty shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto.

IN WITNESS WHEREOF, the undersigned has executed this guaranty of lease as of the date first written above.

GUARANTOR:

Res. Address: _____
Phone: _____
Soc Sec#: _____
DL#: _____ DOB _____

By: _____

Res. Address: _____
Phone: _____
Soc Sec#: _____
DL#: _____ DOB _____

By: _____

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*NOT APPLICABLE

*EXHIBIT J-1

SPOUSAL CONSENT

~~To the Lease dated _____ 200___, by and between _____, as Lessor, and _____, as Lessee, for the premises known as _____.~~

~~The undersigned, being the spouse of the Guarantor to this Lease, hereby (a) consent to the Lease, (b) agree that all now owned and hereafter acquired community and quasi-community property of the undersigned and Guarantor shall be liable for the satisfaction of obligations imposed by the Lease, and (c) agree solely for purposes of subjecting any community or quasi-community property received pursuant to liability for satisfaction of the obligations imposed by the Lease, the undersigned have "incurred" the obligations of the Lease.~~

Spouse

_____

_____

_____

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*See Below

*EXHIBIT K

MEMORANDUM
CERTIFICATE

This memorandum is made of _____ 19____ with reference to that certain Lease Agreement (hereinafter referred to as the "Lease") dated _____ by and between _____ as "Lessor" therein, and _____ as "Lessee."

The undersigned, as Lessee under said Lease, hereby confirms the following:

1. The Lessee accepted possession of the Demised Premises (as described in said Lease) on _____ and acknowledges that the premises are as represented by Lessor and in good order, condition and repair; and that the improvements, if any, required to be constructed for and/or furnished to Lessee by Lessor under said Lease have been so constructed and/or furnished and are satisfactorily completed in all respects.

2. That all conditions of said Lease to be performed by Lessor prerequisite to the full effectiveness of said Lease have been satisfied and that Lessor has fulfilled all of its duties of an inducement nature.

3. That in accordance with the provisions of Paragraph 4 of said Lease the Commencement Date (as the phrase "Commencement Date" is defined in said Lease) of the term is _____ and that, unless sooner terminated, the original term thereof expires on _____.

4. That said Lease (as amended, if amended) is in full force and effect and that the same represents the entire agreement between Lessor and Lessee concerning said Lease.

5. That there are no existing defenses which Lessee has against the enforcement of said Lease by Lessor, and no offsets or credits against rentals except as may be expressly provided in said Lease.

6. That the minimum rental obligation of said Lease is presently in effect and that all rentals, charges and other obligations on the part of Lessee under said Lease commenced to accrue on _____.

7. That the undersigned Lessee has no notice of any prior assignment, hypothecation or pledge of said Lease or of the rents thereunder.

LESSEE:	LESSOR:
BY: _____	BY: _____
ITS: _____	ITS: _____

This "Memorandum" is hereby approved in form and shall be completed (if necessary) pursuant with Paragraph 4.A of The Lease and incorporated as part of The Lease.

LESSEE'S INITIALS:	LESSOR'S INITIALS:
_____	_____

*Not Applicable if Term Date is fixed per the Lease.

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EXHIBIT L

OPTION(S) TO EXTEND

ADDENDUM TO
STANDARD LEASE

Dated: October 26, 2009

By and Between (Lessor) Strauss Family Trust UDT 6/5/92

(Lessee) LeMax Enterprises Inc., a California corporation

Dba: Sunglass & Optical Warehouse

Property Address: 3780 Hancock Street, Suite # C & D, San Diego, CA 92110

Paragraph 39

A. **OPTION(S) TO EXTEND:**

Lessor hereby grants to Lessee the option to extend the term of this Lease for one (1) additional thirty six (36) month period(s) commencing when the prior term expires upon each and all of the following terms and conditions:

(i) Lessee gives to Lessor, and Lessor actually receives on a date which is prior to the date that the option period would commence (if exercised) by at least 4 and not more than 6 months, a written notice of the exercise of the option(s) to extend this Lease for said additional term(s), time being of essence. If said notification of the exercise of said option(s) is (are) not so given and received, the option(s) shall automatically expire; said option(s) may (if more than one) only be exercised consecutively;

(ii) The provisions of paragraph 39, including the provision relating to default of Lessee set forth in paragraph 39.4 of this Lease are conditions of this Option;

(iii) All of the terms and conditions of this Lease except where specifically modified by this option shall apply;

(iv) The monthly rent for each month of the option period shall be calculated as follows, using the method(s) indicated below:

(Check Method(s) to be Used and Fill In Appropriately)

θ **I. Cost of Living Adjustment(s) (COL)**

✓ **II. Market Rental Value Adjustment(s) (MRV)**

(a)(Fill in MRV Adjustment Date(s): Upon the Expiration Date, monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted to the "Market Rental Value" of the property as follows:

1) Four months prior to the Market Rental Value (MRV) Adjustment Date(s) described above, Lessor and Lessee shall meet to establish an agreed upon new MRV for the specified term. If agreement cannot be reached, then:

i) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the parties, or

ii) Both Lessor and Lessee shall each immediately select and pay the appraiser or broker of their choice to establish a MRV within the next 30 days. If, for any reason, either one of the appraisals is not completed within the next 30 days, as stipulated, then the appraisal that is completed at that time shall automatically become the new MRV. If both appraisals are completed and the two appraisers/brokers cannot agree on a reasonable average MRV then they shall Immediately select a third mutually acceptable appraiser/broker to establish a third MRV within the next 30 days. The average of the two appraisals closest in value shall then become the new MRV. The costs of the third appraisal will be split equally between the parties.

2) In any event, the now MRV shall not be less than the rent payable for the month immediately preceding the date for rent adjustment plus four percent (4%, rounded up) and four percent (4%, rounded up) each succeeding option year.

(b) Upon the establishment of each New Market Rental Value as described In paragraph AII:

1) the monthly rental sum so calculated for each term as specified in paragraph AII(a) will become the new "Base Rent" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph AII(a) above and

2) the first month at each Market Rental Value term as specified in paragraph AII(a) shall become the new "Base Month" for the purpose of calculating any further Cost of Living Adjustments as specified In paragraph AI(b).

θ **III. Fixed Rental Adjustment(s) (FRA)**

B. **NOTICE:** Unless specified otherwise herein, notice at any escalations other than Fixed Rental Adjustment(s) shall be made as specified in paragraph 23 of the attached Lease.

*C. ~~**BROKER'S FEE:**~~ ***Deleted**

~~The Real Estate Brokers specified in paragraph 1.10 of the attached Lease shall be paid a Brokerage Fee for each adjustement specified above in accordance with paragraph 15 of the attached Lease.~~

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D. **OPTION RIGHTS CONDITION:** Lessee's Option Rights are contingent upon Lessee not having previously breached or otherwise failed to perform under the Lease since its inception. Otherwise Landlord at its sole discretion may declare any option to extend null and void.

LESSEE'S INITIAL: _____

LESSOR'S INITIAL: _____

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EXHIBIT M

SPECIAL ADDENDUM

This Addendum to Lease ("Addendum") is made a part of the Lease dated October 26, 2009 by and between Strauss Family Trust UDT 6/5/92 ("Lessor") and LeMax Enterprises Inc., a California corporation, dba: Sunglass & Optical Warehouse ("Lessee") for the Demised Premises commonly known as Sports Arena Business Park at 3780 Hancock Street, Suite C & D, San Diego, CA, 92110. Should there be any conflicts between the terms and conditions of this Addendum and the Lease, this Addendum shall prevail.

1. LEASE CONTINGENCY:

(a) This Lease Agreement is contingent upon Lessor's ability to successfully terminate the Lease and gain possession of the Premises with the existing Lessee, Sunglass Shop Inc., dba: Sunglass Shop.

(b) This Lease Agreement is contingent upon Lessor's approval of Lessee's Financial Statements.

LESSEE:
LE MAX ENTERPRISES INC.

By: _____

Its: _____

LESSOR:
STRAUSS FAMILY TRUST UDT 6/5/92

By: _____

Its: _____

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3780 E#F

AMENDMENT #1 TO LEASE

THIS AMENDMENT, made and entered into March 26, 2012, by and between Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company, as Lessor, and Kenneda and Chris Gonzales, as husband and wife, as Lessee, does hereby supplement, modify, and amend that certain Lease Agreement dated January 18, 2011, together with all modifications and amendments thereto (collectively, the "Lease"), by and between the above named parties for the premises located at 3780 Hancock Street, Suite E, San Diego, CA 92110.

The parties hereto agree as follows:

1. TERM. Effective March 1, 2012, the Term of the Lease shall be modified and changed to a Month-to-Month basis upon all of the terms, covenants, and conditions contained in the Lease, except as otherwise set forth in this Amendment. Such Month-to-Month tenancy may be terminated by either Lessor or Lessee by giving written notice to the other at least thirty (30) days prior to the date of termination of its intention to terminate such tenancy, but any such termination shall become effective as of the last day of the calendar month in which such 30-day notice shall expire.

2. BASE RENT/WATER &SEWER FEES. Effective March 1, 2012, the Base Monthly Rents and Water/Sewer Fees shall be as follows:

   $1.20psf x 1,200sf = $1,450.00 per month

   Water & Sewer Fee shall remain the same at $75.00 per month.

3. RULES AND REGULATIONS. Lessee shall abide by all the rules and regulations as defined on Exhibit N under Rules and Regulations which is now made a part of the Lease. In particular, no loitering or gatherings shall be permitted in the entrance way, hallways, stairways, corridors or restrooms of the building. The elevators, the spaces and the rooms which are made available for use by tenants and their employees and invitees in common shall be used only for the respective intended purposes.

4. CONFIDENTIALITY. Lessee shall keep the content and all copies of this Amendment and related documents now or hereafter entered into, and all proposals, materials, information and matters relating thereto, strictly confidential, and shall not disclose, disseminate or distribute any of the same, or permit the same to occur, except to the extent reasonably required for proper business purposes by Lessee's attorneys, insurers, auditors and lenders, and, in such event, Lessee shall obligate any such parties to whom disclosure is permitted to honor the confidentiality provisions hereto, except as may be required by Law or court proceedings.

5. COUNTERPARTS. This Amendment may be executed in one or more counterparts, each of which counterparts shall constitute an original and all of which counterparts together shall constitute one and the same Amendment. The delivery by Lessor or Lessee of a facsimile signature of this Amendment shall have the same legally binding effect as the delivery of an original signature.

6. ENFORCEABILITY. Lessor acknowledges and represents to Lessee that this Amendment is the binding obligation of Lessor enforceable in accordance with its terms and that Lessor has obtained the consent of its lender or any other third party from whom the Lessor is required to obtain consent for the execution and performance of this Amendment. Lessee acknowledges and represents to Lessor that this Amendment is the binding obligation of Lessee enforceable in accordance with its terms and that Lessee has obtained the consent of its lender, if any, or any other third party from whom the Lessee is required to obtain consent for the execution and performance of this Amendment.

7. CONFLICT OF PROVISIONS; RATIFICATION. In the event of a conflict between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall govern. Except as specifically referenced or addressed herein, all other terms, covenants, and provisions of the Lease are hereby ratified and confirmed and shall remain unchanged and in full force and effect throughout the Term.

8. ENTIRE AGREEMENT; BINDING. This Amendment represents the entire agreement between Lessor and Lessee regarding the subject matter contained in this Amendment and there are no other terms, obligations, covenants, representations, statements or conditions oral or otherwise of

any kind whatsoever between the parties regarding the subject matter contained in this Amendment except as set forth in this Amendment. No amendment or modification to this Amendment shall be effective unless it is in writing and executed by both Lessor and Lessee. All references to the term "Lease" in this Amendment and the Lease shall mean the Lease as amended by this Amendment.

9. CAPTIONS. The captions and section numbers appearing in this Amendment are for convenience only and are not a part of this Amendment and do not in any way limit, amplify, define, construe or describe the scope or intent of the terms or provisions of this Amendment.

10. CAPITALIZED TERMS. All capitalized terms in this Amendment, unless specifically defined herein, shall have the same meaning as in the Lease

11. AUTHORITY TO EXECUTE. Lessor and Lessee represent and warrant to each other that the person executing this Amendment on behalf of such applicable party has the full right, power and authority to execute this Amendment and perform its obligations under this Amendment.

12. SEVERABILITY. If any provision of this Amendment is determined by a court having jurisdiction to be illegal, invalid or unenforceable under any present or future law, the remainder of this Amendment will not be affected thereby. It is the intention of the parties that if any provision is so held to be illegal, invalid or unenforceable, there will be added in lieu thereof a provision as similar in terms to such provision as is possible that is legal, valid and enforceable.

IN WITNESS WHEREOF, the parties have signed this Amendment effective on the date set forth above.

LESSOR:

STRAUSS FAMILY TRUST UDT 6/5/92, DBA: M.C. STRAUSS CO

By: _____

Its: Trustee

LESSEE:

KENNEDA AND CHRIS GONZALES, AS HUSBAND AND WIFE

By: _____
Kenneda Gonzales

By: _____
Chris Gonzales

M.C. STRAUSS
COMPANY

January 25, 2012

All Tenants
Sports Arena Business Park
3760, 3770, 3780 Hancock Street
San Diego, CA

RE: Rules and Regulations
Sports Arena Business Park, San Diego, CA

Dear Tenant:

Pursuant to Section 2.9 of your Lease, enclosed please find the Rules and Regulations that will take effective immediately for Sports Arena Business Park.

The Rules and Regulations shall be inserted into your existing Lease agreement as Exhibit N and shall be made a part of the Lease.

Sincerely,

M.C. Strauss
Strauss Family Trust

Enclosure

1/26/12
Mailed letter to Tenants.

990 HIGHLAND DRIVE #200 SOLANA BEACH, CALIFORNIA 92075
PHONE (858) 792-7500 FAX (858) 792-7834

Exhibit N

SPORTS ARENA BUSINESS PARK

RULES AND REGULATIONS

1. Use of Premises.

(a) All floor area, including vestibules, entrances and returns, doors, fixtures, windows and plate glass shall be maintained in a safe, neat and clean condition.

(b) All trash, refuse and waste material shall be regularly removed from the premises of each occupant and until removal shall be stored (i) in adequate containers, which containers shall be located so as not to be visible to the general public in the Center; and (ii) so as not to constitute any health or fire hazard or nuisance to any occupant.

(c) No portion of the Premises or Center shall be used for lodging purposes.

(d) Neither sidewalks nor walkways shall be used to display, store or place any merchandise, equipment or devices.

(e) No advertising medium, device, instrument or apparatus shall be utilized which can be heard or experienced outside the Premises including, without limiting the generality of the foregoing, flashing lights, searchlights, loudspeakers, phonographs, organs, radios, television or video monitors.

(f) No auction, fire, bankruptcy, or going-out-of-business sale shall be conducted in, at, or about the Center or any portion or portions thereof, except pursuant to court order.

(g) No use shall be made of the Center or any portion or portions thereof which would (i) violate any law, ordinance or regulation; (ii) constitute a nuisance; (iii) constitute a hazardous use; or (iv) violate, suspend; or void any policy or policies of insurance.

(h) All occupants of the Center shall use their best efforts to cause all trucks servicing retail facilities within the Center to load and unload prior to the hours of the Center opening for business to general public.

2. Conduct of Persons.

The following rules and regulations govern the use of roadways, walkways, the Center, parking areas and other common areas and facilities:

(a) No person shall use any roadway or walkway except as a means of egress from or ingress to any floor area or parking area within the Center or adjacent public streets. Such use shall be in an orderly manner and in accordance with directional or other signs or guides. Roadways shall not be used at a speed in excess of ten (10) miles per hour or any lesser posted speed limit and shall not be used for parking or stopping, except for the immediate loading or unloading of passengers. No walkways, hallways or corridors shall be used for other than pedestrian travel.

(b) No person shall use any parking area, except for ingress and egress to and from the Center and for the parking of motors vehicles during the period of time such person or the occupants of such vehicle are customers or business invitees of the establishments within the Center. All motor vehicles shall be parked in an orderly manner within the painted lines defining the individual parking places. During peak periods of business activity, limitations may be imposed as to the length of time for parking use. Such limitations may be made in specified areas.

(c) No person shall use any utility area, truck court or other area reserved for use in connection with the conduct of business, except for the specific purpose for which permission to use such area is given.

(d) No tenant, contractor, agent or employee of any business in the Center shall use any area for motor vehicle parking, except the area or areas specifically designated by Landlord for employee parking and for the particular period of time such use is to be made as determined, or as established by ordinance.

(e) Unless the following prohibitions are forbidden by law, no person shall, in or on any part of the common areas:

(i) Vend, peddle, store, display, place or solicit orders for sales or distribution of any merchandise, equipment, device, service, periodical, book, pamphlet or other matter whatsoever.

(ii) Exhibit any sign, placard, banner, notice or other written material; distribute any circular, booklet, handbill, placard, or other material; solicit signatures or registration for membership in any organization, group or association or contribution for any purpose; parade, rally, patrol, picket, demonstrate, or engage in any conduct that might tend to interfere with or impede the use of any of the common areas by any person entitled to use the same, create a disturbance, attract attention or harass, annoy, disparage or be detrimental to the interest of any of the retail establishments within the Center.

(iii) Throw, discard, or deposit any paper, glass or extraneous matter of any kind, except in designated receptacles, or create litter or hazards of any kind.

(iv) Use any sound-making device of any kind or create or produce in any manner noise or sound that is annoying, unpleasant, or distasteful to occupants or invitees.

(vi) Deface, damage or demolish any sign, light standard or fixture, landscaping material or other improvements within the Center, or the property of customers, business invitees or employees situated within the Center.

The listing of specific items as being prohibited is not intended to be exclusive, but to indicate in general the manner in which the right to use the common areas solely as a means of access and convenience in shopping at the establishments in the Center is limited and controlled.

3. Prohibited Operations and Nuisances.

No use or operation will be made, conducted or permitted on any part of the Center site, which use or operation is clearly objectionable to the development or operation of the Center. Included among the uses or operations which are objectionable are uses or operations which produce or are accompanied by the following characteristics, which list is not intended to be all inclusive:

(a) Any noise, litter, dust, dirt, odor or other activity which may constitute a public or private nuisance;

(b) Any unusual firing, explosive or other damaging or dangerous hazards (including the storage, display or sale of explosives or fireworks);

(c) Any trailer court, mobile home park, labor camp, junkyard, stockyard or animal raising;

(d) The sale, distribution or growth of marijuana.

By and Between

Strauss Family Trust UDT 6/5/92
dba. M.C. Strauss Company

as Landlord / Lessor

and

Kenneda and Chris Gonzales, as husband and wife

as Tenant / Lessee

at Sports Arena Business Park
3780 Hancock Street, Suite E
San Diego, CA 92110

Dated for Reference Purposes
As of

January 18, 2011

STANDARD INDUSTRIAL/ COMMERCIAL
MULTI-TENANT LEASE—GROSS
AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

1. **Basic Provisions ("Basic Provisions").**

1.1 **Parties:** This Lease (**"Lease"**), dated for reference purposes only January 18, 2011, is made by and between Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company (**"Lessor"**) and Kenneda and Chris Gonzales, as husband and wife (**"Lessee"**), (**collectively the "Parties"**, or individually a **"Party"**).

1.2(a) **Premises:** That certain portion of the Project (as defined below), including all Improvements therein or to be provided by Lessor under the terms of this Lease, commonly known by the street address of 3780 Hancock Street, Suite E, located in the City of San Diego, County of San Diego, State of California, with zip code 92110, as outlined on Exhibit A & A-1 attached hereto (**"Premises"**) and generally described as (describe briefly the nature of the Premises): Sport Arena Business Park. The demised premises consists of approx. 1,200 square feet.The property is further described on Exhibit A & A.1. In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Areas (as defined in Paragraph 2.7 below) as hereinafter specified, but shall not have any rights to the roof, exterior walls or utility raceways of the building containing the Premises (**"Building"**) or to any other buildings in the Project. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the **"Project."** (See also Paragraph 2.)

1.2(b) **Parking:** See Exhibit C item 14 unreserved vehicle parking spaces (**"Unreserved Parking Spaces"**); and (Not applicable) reserved vehicle parking spaces (**"Reserved Parking Spaces"**). (See also Paragraph 2.6)

1.3 **Term:** One (1) year (**"Original Term"**) commencing March 1, 2011 (**"Commencement Date"**) and ending February 28, 2012 (**"Expiration Date"**). (See also Paragraph 3.) (see Exhibit K)

1.4 **Early Possession:** Lessee shall have early occupancy of the Premises upon full lease execution, proof of payment and certificate of insurance (**"Early Possession Date"**). (See also Paragraphs 3.2 and 3.3.)

1.5 **Base Rent:** $ 1,380.00 per month (**"Base Rent"**), payable on the First day of each month commencing March 1, 2011. (See also Paragraph 4.)

0 If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted. See Exhibit F.

1.6 **Lessee's Share of Common Area Operating Expenses:** (N/A) percent (___%) (**"Lessee's Share"**).

1.7 **Base Rent and Other Monies paid Upon Execution:**

(a) Base Rent: $ 1,380.00 for the period March 1 -31, 2011.

(b) Common Area Operating Expenses: $ *does not apply for the period *does not apply.

(c) Security Deposit: $ 3,000.00 to be paid in three equal installments: $1,000 due upon lease execution, $1,000 due April 1, 2011 and $1,000 due May 1, 2011 (**"Security Deposit"**). (See also Paragraph 5.)

(d) Other: $ 75.00 per month for monthly water/sewer fees. (See Exhibit C, Item#4).

(e) Total Due Upon Execution of this Lease: $ 2,455.00.

1.8 **Agreed Use:** Tattoo shop and for no other purpose or use only. See Exhibit H. (See also Paragraph 6.)

1.9 **Insuring Party:** Lessor is the **"Insuring Party"**. (See also Paragraph 8.)

1.10 **Real Estate Brokers:** (See also Paragraph 5).

(a) **Representation:** The following real estate brokers (the **"Brokers"**) and brokerage relationships exist in this transition (check applicable boxes):

0 (Not applicable) represents Lessor exclusively (**"Lessor's Broker"**);
0 (Not applicable) represents Lessee exclusively (**"Lessee's Broker"**); or
0 (Not applicable) represents both Lessor and Lessee (**"Dual Agency"**).

(b) **Payment to Brokers:** Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Brokers the brokerage fee agreed to in a separate written agreement (or if there is no such agreement, the sum of (Not applicable) or (N/A)% of the total Base Rent for the brokerage services rendered by the Brokers).

1.11 **Guarantor.** The obligations of the Lessee under this Lease are to be guaranteed by See Exhibits J and J.1 (**"Guarantor"**). (See also Paragraph 37.)

1.12 **Addenda and Exhibits:** Attached hereto is an Addendum or Addenda consisting of Paragraphs ----- through ----- and Exhibits A through M, all of which constitute a part of this lease.

2. Premises.

2.1 **Letting.** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of size set forth in this Lease, or that may have been used in calculating Rent, is an approximation which the Parties agree is reasonable and any payments based thereon are not subject to revision whether or not the actual size is more or less.

2.2 **Condition.** Lessor shall deliver that portion of the Premises contained within the Building (**"Unit"**) to Lessee broom clean and free of debris on the Commencement Date or the Early Possession Date, whichever first occurs (**"Start Date"**), and, so long as the required service contracts described in Paragraph 7.1(b) below are obtained by Lessee and in effect within thirty days following the Start Date, warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems (**"HVAC"**), loading doors, if any, and all other such elements in the Unit, other than those constructed by Lessee, shall be in good operating condition on said date and that the structural elements of the roof, bearing walls and foundation of the Unit shall be free of material defects. If a non-compliance with such warranty exists as of the Start Date, or if one of such systems or elements should malfunction or fail within the appropriate warranty period, Lessor shall, as Lessor's sole obligation with respect to such matter, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, malfunction or failure, rectify same at Lessor's expense. The warranty periods shall be as follows: (i) 6 months as to the HVAC systems, and (ii) 30 days as to the remaining systems and other elements of the Unit. If Lessee does not give Lessor the required notice within the appropriate warranty period, correction of any such non-compliance, malfunction or failure shall be the obligation of Lessee at Lessee's sole cost and expense (except for the repairs to the fire sprinkler systems, roof, foundations, and/or bearing walls—see Paragraph 7).

2.3 **Compliance.** Lessor warrants that the Improvements on the Premises and the Common Areas comply with the building codes that were in effect at the time that each such Improvement, or portion thereof and also with all applicable laws, covenants or restrictions of record, regulations, and ordinances in effect on the Start Date (**"Applicable Requirements"**). Said warranty does not apply to the use of which Lessee will put the Premises or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a).) made or to be made by Lessee. **NOTE: Lessee is responsible for determining whether or not the zoning is appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed.** If the Premises do not comply with said warranty; Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within 6 months following the Start Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense. If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Unit, Premises and/or Building, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Unit, Premises and/or Building (**"Capital Expenditure"**), Lessor and Lessee shall allocate the cost of such work as follows:

(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof, provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease and the cost thereof exceeds 6 months'

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Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within 10 days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and the amount equal to 6 months' Base Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least 90 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor and Lessee shall allocate the obligation to pay for the portion of such costs reasonably attributable to the Premises pursuant to the formula set out in Paragraph 7.1(d); provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor.

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to non-voluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall be fully responsible for the cost thereof, and Lessee shall not have any right to terminate this Lease.

2.4 **Acknowledgements.** Lessee acknowledges that: (a) it has been advised by Lessor and/or Brokers to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler Systems, security, environmental aspects, and compliance with Applicable Requirements and the Americans with Disabilities Act), and their suitability for Lessee's intended use, (b) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefore as the same relate to its occupancy of the Premises, and (c) neither Lessor, Lessor's Agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (ii) it is Lessor's sole responsibility to investigate the financial capability and/or suitability of all proposed tenants. (See Exhibit D)

2.5 **Lessee as Prior Owner/Occupant.** The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the Start Date Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.

2.6 **Vehicle Parking.** Lessee shall be entitled to use the number of Unreserved Parking Spaces and Reserved Parking Spaces specified in Paragraph 1.2(b) on those portions of the Common Areas designated from time to time by Lessor for parking. Lessee shall not use more parking spaces than said number. Said parking spaces shall be used for parking by vehicles no larger than full-size passenger automobiles or pick-up trucks, herein called **"Permitted Size Vehicles."** Lessor may regulate the loading and unloading of vehicles by adopting Rules and Regulations as provided in Paragraph 2.9. No vehicles other than Permitted Size Vehicles may be parked in the Common Area without the prior written permission of Lessor.

(a) Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, contractors or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.

(b) Lessee shall not service or store any vehicles in the Common Areas.

(c) If Lessee permits or allows any of the prohibited activities described in this Paragraph 2.6, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.7 **Common Areas—Definition.** The term **"Common Areas"** is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Project and interior utility raceways and installations within the Unit that are provided and designated by the Lessor from time to time for the general non-exclusive use of Lessor, Lessee and other tenants of the Project and their respective employees, suppliers, shippers, customers, contractors and invitees, including parking areas, loading and unloading areas, trash areas, roadways, walkways, driveways and landscaped areas.

2.8 **Common Areas—Lessee's Rights.** Lessor grants to Lessee, for the benefit of Lessee and its employees, suppliers, shippers, contractors, customers and invitees, during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Lessor under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Project. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Lessor or Lessor's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.9 **Common Areas—Rules and Regulations.** Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to establish, modify, amend and enforce reasonable rules and regulations (**"Rules and Regulations"**) for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Project and their invitees. Lessee agrees to abide by and conform to all such Rules and Regulations, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessor shall not be responsible to Lessee for the non-compliance with said Rules and Regulations by other tenants of the Project.

2.10 **Common Areas—Changes.** Lessor shall have the right, in Lessor's sole discretion, from time to time:

(a) To make changes to the Common Areas, including, without limitation, changes in the location, size, shape and number of driveways, entrances, parking spaces, Parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways;

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;

(c) To designate other land outside the boundaries of the Project to be a part of the Common Areas;

(d) To add additional buildings and improvements to the Common Areas;

(e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Project, or any portion thereof; and

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Project as Lessor may, in the exercise of sound business judgment, deem to be appropriate.

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3. **Term.**

3.1 **Term.** The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3. (see Exhibit C #2)

3.2 **Early Possession.** If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early possession. All other terms of this Lease (including but not limited to the obligations to pay Lessee's Share of Common Area Operating Expenses, Real Property taxes and insurance premiums and to maintain the Premises) shall, however, be in effect during such period. Any such early possession shall not affect the Expiration Date. (See Exhibit C # 1)

3.3 **Delay In Possession.** Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession as agreed, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until it receives possession of the Premises. If possession is not delivered within 60 days after the Commencement Date, Lessee may, at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10 day period, Lessee's right to cancel shall terminate. Except as otherwise provided, if possession is not tendered to Lessee by the Start Date and Lessee does not terminate this Lease, as aforesaid, any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession of the Premises is not delivered within 4 months after the Commencement Date, this Lease shall terminate, unless other agreements are reached between Lessor and Lessee, in writing. (See Exhibit C #12)

3.4 **Lessee Compliance.** Lessor shall not be required to tender possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of Insurance (Paragraph 8.5). Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.

4. **Rent.**

4.1 **Rent Defined.** All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit) are deemed to be rent (**"Rent"**).

4.2 **Common Area Operating Expenses.** INTENTIONALLY DELETED

(a) **"Common Area operating Expenses"** are defined, for purposes of this Lease, as all costs incurred by Lessor relating to the ownership and operation of the Project, including, but not limited to, the following:

(i) The operation, repair and maintenance, in neat, clean, good order and condition, but not the replacement (see subparagraph (e)), of the following:

(aa) The Common Areas and Common Area improvements, including parking areas, loading and unloading areas, trash areas, roadways, parkways, walkways, driveways, landscaped areas, bumpers, irrigation systems, Common Area lighting facilities, fences and gates, elevators, roofs, and roof drainage systems.

(bb) Exterior signs and any tenant directories.

(cc) Any fire sprinkler systems.

(ii) The cost of water, gas, electricity and telephone to service the Common Areas and any utilities not separately metered.

(iii) Trash disposal, pest control services, property management, security services, and the costs of any environmental inspections.

(iv) Reserves set aside for maintenance and repair of Common Areas.

(v) Any increase above the Base Real Property Taxes (as defined in Paragraph 10).

(vi) Any "Insurance Cost Increase" (as defined in Paragraph 8).

(vii) Any deductible portion of an insured loss concerning the Building or the Common Areas.

(viii) The cost of any Capital Expenditure to the Building or the Project not covered under the provisions of Paragraph 2.3 provided; however, that Lessor shall allocate the cost of any such Capital Expenditure over a 12 year period and Lessee shall not be required to pay more than Lessee's Share of 1/144th of the cost of such Capital Expenditure in any given month.

(ix) Any other services to be provided by Lessor that are stated elsewhere in this Lease to be a Common Area Operating Expense.

(b) Any Common Area Operating Expenses and Real Property Taxes that are specifically attributable to the Unit, the Building or to any other building in the Project or to the operation, repair and maintenance thereof, shall be allocated entirely to such Unit, Building, or other building. However, any Common Area Operating Expenses and Real Property Taxes, that are not specifically attributable to the Building or to any other building or to the operation, repair and maintenance thereof, shall be equitably allocated by Lessor to all buildings in the Project. (See Exhibit C, Items 3 & 4.)

(c) The inclusion of the improvements, facilities and services set forth in Subparagraph 4.2(a) shall not be deemed to impose an obligation upon Lessor to either have said improvements or facilities or to provide those services unless the Project already has the same, Lessor already provides the services, or Lessor has agreed elsewhere in this Lease to provide the same or some of them.

(d) INTENTIONALLY DELETED

(e) When a capital component such as the roof, foundations, exterior walls or a Common Area capital improvement, such as the parking lot paving, elevators, fences, etc. requires replacement, rather than repair or maintenance, Lessor shall, at Lessor's expense, be responsible for such replacement. Such expenses and/or costs are not Common Area Operating Expenses.

4.3 **Payment.** Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States, without offset or deduction (except as specifically permitted in this Lease), on or before the day on which it is due. Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a Waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating. In the event that any check, draft, or other instrument of payment given by Lessee to Lessor is dishonored for any reason, Lessee agrees to pay to Lessor the sum of $25.

5. **Security Deposit.** Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease, Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of the Security Deposit, Lessee shall within 10 days after written request therefor deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sub lessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, in Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within 14 days after the expiration or termination of this Lease, if Lessor elects to apply the Security Deposit only to unpaid Rent, and otherwise within 30 days after the Premises have been vacated pursuant to Paragraph 7.4(c) below, Lessor shall return that portion of the Security

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Deposit not used or applied by Lessor. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease.

6. Use.

6.1 **Use.** Lessee shall use and occupy the Premises only for the Agreed Use and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties. (See Exhibit C, Item 5.)

6.2 **Hazardous Substances.**

(a) **Reportable Uses Require Consent.** The term **"Hazardous Substance"** as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either; (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, by-products or fractions thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee's expense) with all Applicable Requirements. **"Reportable Use"** shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability; including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit.

(b) **Duty to Inform Lessor.** If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(c) **Lessee Remediation.** Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) **Lessee Indemnification.** Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, or any Third party (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from areas outside of the Project). Lessee's obligations shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

(e) **Lessor Indemnification.** Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which existed as a result of Hazardous Substances on the Premises prior to the Start Date or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

(f) **Investigations and Remediations.** Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to the Start Date, unless such remediation measure is required as a result of Lessee's use (including "Alterations," as defined in Paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessor's investigative and remedial responsibilities.

(g) **Lessor Termination Option.** If a Hazardous Substance Condition (see Paragraph 9.1(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to remediate such condition exceeds 12 times the then monthly Base Rent or $100,000, whichever is greater, give written notice to Lessee, within 30 days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within 10 days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to 12 times the then monthly Base Rent or $100,000, whichever is greater. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation, as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

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6.3 **Lessee's Compliance with Applicable Requirements.** Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the Premises, without regard to whether said requirements are now in effect or become effective after the Start Date. Lessee shall, within 10 days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements.

6.4 **Inspection Compliance.** Lessor and Lessor's **"Lender"** (as defined in Paragraph 30) and consultants shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a contamination is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination.

7. **Maintenance; Repairs, Utility Installations; Trade Fixtures and Alterations.**

7.1 **Lessee's Obligations.**

(a) **In General.** Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance), 6.3 (Lessee's Compliance with Applicable Requirements), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole expense, keep the Premises, Utility Installations (intended for Lessee's exclusive use, no matter where located), and Alterations in good order, condition and repair (whether or not the portion of the Premises requiring repairs, or the means or repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, but not limited to, all equipment or facilities, such as plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fixtures, interior walls, interior surfaces of exterior walls, ceilings, floors, windows, doors, plate glass, and skylights but excluding any items which are the responsibility of Lessor pursuant to Paragraph 7.2. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Paragraph 7.1(b) below. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair. (See Exhibit C, Item 6.)

(b) **Service Contracts.** Lessee shall, at Lessee's sole expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in the maintenance of the following equipment and improvements, if any, if and when installed on the Premises: (I) HVAC equipment, (ii) boiler and pressure vessels, (iii) clarifiers, and (iv) any other equipment, if reasonably required by Lessor. However, Lessor reserves the right, upon notice to Lessee, to procure and maintain any or all of such service contracts, and if Lessor so elects, Lessee shall reimburse Lessor, upon demand, for the cost thereof.

(c) **Failure to Perform.** If Lessee fails to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after 10 days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, and Lessee shall promptly reimburse Lessor for the cost thereof.

(d) **Replacement.** Subject to Lessee's indemnification of Lessor as set forth in Paragraph 8.7 below, and without relieving Lessee of liability resulting from Lessee's failure to exercise and perform good maintenance practices, if an item described in Paragraph 7.1(b) cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such item, then such item shall be replaced by Lessor, and the cost thereof shall be prorated between the Parties and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease, on the date on which Base Rent is due, an amount equal to the product of multiplying the cost of such replacement by a fraction, the numerator of which is one, and the denominator of which is 144 (ie. 1/144th of the cost per month). Lessee shall pay interest on the unamortized balance at a rate that is commercially reasonable in the judgment of Lessor's accountants. Lessee may, however, prepay its obligation at any time.

7.2 **Lessor's Obligations.** Subject to the Provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 4.2 (Common Area Operating Expenses), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler system, Common Area fire alarm and/or smoke detection systems, fire hydrants, parking lots, walkways, parkways, driveways, landscaping, fences, signs and utility systems serving the Common Areas and all parts thereof, as well as providing the services for which there is a Common Area Operating Expense pursuant to Paragraph 4.2. Lessor shall not be obligated to paint the exterior or interior surfaces of exterior walls nor shall Lessor be obligated to maintain, repair or replace windows, doors or plate glass of the Premises. Lessee expressly waives the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease

7.3 **Utility Installations; Trade Fixtures; Alterations.**

(a) **Definitions.** The term **"Utility Installations"** refers to all floor and window coverings, air lines, power panels, electrical distribution, security and fire protection systems, communication systems, lighting fixtures, HVAC equipment, plumbing, and fencing in or on the Premises. The term **"Trade Fixtures"** shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term **"Alterations"** shall mean any modification of the Improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. **"Lessee Owned Alterations and/or Utility Installations"** are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a).

(b) **Consent.** Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, and the cumulative cost thereof during this Lease as extended does not exceed a sum equal to 3 month's Base Rent in the aggregate or a sum equal to one month's Base Rent in any one year. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor.

(c) **Indemnification.** Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or material men's lien against the Premises or any interest therein. Lessee shall give Lessor not less than 10 days notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to 150% of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys' fees and costs.

Initials

Initials

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7.4 **Ownership; Removal; Surrender; and Restoration.**

(a) **Ownership.** Subject to Lessor's right to require removal or elect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

(b) **Removal.** By delivery to Lessee of written notice from Lessor not earlier than 90 and not later than 30 days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent.

(c) **Surrender; Restoration.** Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing, if this Lease is for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures. Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall also completely remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Project) even if such removal would require Lessee to perform or pay for work that exceeds statutory requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below. (See Exhibit C, Item 7.)

8. Insurance Indemnity.

8.1 **Payment of Premium Increases.**

(a) As used herein, the term **"Insurance Cost Increase"** is defined as any increase in the actual cost of the insurance applicable to the Building and/or the Project and required to be carried by Lessor, pursuant to Paragraphs 8.2(b), 8.3(a) and 8.3(b) (**"Required Insurance"**), over and above the Base Premium, as hereinafter defined, calculated on an annual basis. Insurance Cost Increase shall include, but not be limited to, requirements of the holder of a mortgage or deed of trust covering the Premises, Building and/or Project, increased valuation of the Premises, Building and/or Project, and/or a general premium rate increase. The term Insurance Cost Increase shall not, however, include any premium increases resulting from the nature of the occupancy of any other tenant of the Building. If the parties insert a dollar amount in Paragraph 1.9, such amount shall be considered the **"Base Premium."** The Base Premium shall be the annual premium applicable to the 12 month period immediately preceding the Start Date. If, however, the Project was not insured for the entirety of such 12 month period, then the Base Premium shall be the lowest annual premium reasonably obtainable for the Required Insurance as of the Start Date, assuming the most nominal use possible of the Building. In no event, however, shall Lessee be responsible for any portion of the premium cost attributable to liability insurance coverage in excess of $2,000,000 procured under Paragraph 8.2(b).

(b) INTENTIONALLY DELETED

8.2 **Liability Insurance.**

(a) **Carried by Lessee.** Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $1,000,000 per occurrence with an annual aggregate of not less than $2,000,000, an "Additional Insured-Managers or Lessor's of Premises Endorsement" and contain the "Amendment of the Pollution Exclusion Endorsement" for damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "Insured Contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance carried by Lessee shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only. (See Exhibit C, Item 8.)

(b) **Carried by Lessor.** Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 **Property Insurance – Building, Improvements and Rental Value.**

(a) **Building and Improvements.** Lessor shall obtain and keep in force a policy or policies of insurance in the name of Lessor, with loss Payable to Lessor, any ground-lessor, and to any Lender insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full replacement cost of the Premises, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available insurable value thereof. Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee under Paragraph 8.4. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed $1,000 per occurrence.

(b) **Rental Value.** Lessor shall also obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one year with an extended period of indemnity for an additional 180 days ("Rental Value Insurance"). Said insurance shall contain an agreed valuation provision, in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next 12 month perio d.

(c) **Adjacent Premises.** Lessee shall pay for any increase in the premiums for the property insurance of the Building and for the Common Areas or other buildings in the Project if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(d) **Lessee's Improvements.** Since Lessor is the Insuring Party, Lessor shall not be required to insure Lessee Owned Alterations and Utility Installations unless the item in question has become the property of Lessor under the terms of this Lease.

8.4 **Lessee's Property; Business Interruption Insurance.**

(a) **Property Damage.** Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures, and Lessee Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed $1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of Personal Property, Trade Fixtures and Lessee Owned Alterations and Utility Installations. Lessee shall provide Lessor with written evidence that such insurance in force.

(b) **Business Interruption.** Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all Perils commonly insured against by prudent Lessee's in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

(c) **No Representation of Adequate Coverage.** Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.

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8.5 **Insurance Policies.** Insurance required herein shall be by companies duly licensed or admitted to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B+, V, as set forth in the most current issue of "Best's Insurance Guide," or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required Insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates evidencing the existence and amounts of the required Insurance. No such policy shall be cancelable or subject to modification except after 30 days prior written notice to Lessor. Lessee shall, at least 30 days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same.

8.6 **Waiver of Subrogation.** Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of Insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation, that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 **Indemnity.** Except for Lessor's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified.

8.8 **Exemption of Lessor from Liability.** Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the Building, or from other sources or places. Lessor shall not be liable for any damages arising from any act or neglect of any other tenant of Lessor nor from the failure of Lessor to enforce the provisions of any other lease in the Project. Notwithstanding Lessor's negligence or breach of this Lease, Lessor shall under no circumstances be liable for injury to Lessee's business or for any loss of income or profit there from.

9. **Damage or Destruction.**

9.1 Definitions.

(a) **"Premises Partial Damage"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which can reasonably be repaired in 3 months or less from the date of the damage or destruction, and the cost thereof does not exceed a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(b) **"Premises Total Destruction"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility installations and Trade Fixtures, which cannot reasonably be repaired in 3 months or less from the date of the damage or destruction and/or the cost thereof exceeds a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) **"Insured Loss"** shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

(d) **"Replacement Cost"** shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) **"Hazardous Substance Condition"** shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises.

9.2 **Partial Damage – Insured Loss.** If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is $5,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said 10 day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 **Partial Damage – Uninsured Loss.** If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective 60 days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 **Total Destruction.** Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate 60 days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6

9.5 **Damage Near End of Term.** If at any time during the last 6 months of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective 60 days following the date of occurrence of such damage by giving a written termination notice to Lessee within 30 days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is 10 days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force

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and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished.

9.6 **Abatement of Rent; Lessee's Remedies.**

(a) **Abatement.** In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from the Rental Value Insurance. All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) **Remedies.** If Lessor shall be obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within 90 days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than 60 days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within 30 days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such 30 days, this Lease shall continue in full force and effect. "Commence" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 **Termination; Advance Payments.** Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

9.8 **Waive Statutes.** Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith.

10. Real Property Taxes.

10.1 **Definitions.**

(a) **"Real Property Taxes."** As used herein, the term **"Real Property Taxes"** shall include a form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Project, Lessor's right to other income there from, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Project address and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Project is located. The term "Real Property Taxes" shall also include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Project or any portion thereof or a change in the improvements thereon.

(b) **"Base Real Property Taxes."** As used herein, the term **"Base Real Property Taxes"** shall be the amount of Real Property Taxes, which are assessed against the Premises, Building, Project or Common Areas in the calendar year during which the Lease is executed. In calculating Real Property Taxes for any calendar year, the Real Property Taxes for any real estate tax year shall be included in the calculation of Real Property Taxes for such calendar year based upon the number of days which such calendar year and tax year have in common.

10.2 **Payment of Taxes.** Lessor shall pay the Real Property Taxes applicable to the Project, and except as otherwise provided in Paragraph 10.3, any increases in such amounts over the Base Real Property Taxes shall be included in the calculation of Common Area Operating Expenses in accordance with the provisions of Paragraph 4.2.

10.3 **Additional Improvements.** Common Area Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Project by other Lessee's or by Lessor for the exclusive enjoyment of such other lessees. Notwithstanding Paragraph 10.2 hereof, Lessee shall, however, pay to Lessor at the time Common Area Operating Expenses are payable under Paragraph 4.2, the entirety of any increase in Real Property Taxes if assessed solely by reason of Alterations, Trade Fixtures or Utility Installations placed upon the Premises by Lessee or at Lessee's request.

10.4 **Joint Assessment.** If the Building is not separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.5 **Personal Property Taxes.** Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within 10 days after receipt of a written statement getting forth the taxes applicable to Lessee's property.

11. Utilities. Lessee shall pay for all water, gas, heat, light, power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. Notwithstanding the provisions of Paragraph 4.2, if at any time in Lessor's sole judgment, Lessor determines that Lessee is using a disproportionate amount of water, electricity or other commonly metered utilities, or that Lessee is generating such a large volume of trash as to require an increase in the size of the dumpster and/or an increase in the number of times per month that the dumpster is emptied, then Lessor may increase Lessee's Base Rent by an amount equal to such increased costs.

12. Assignment and Subletting. (see Exhibit C #9)

12.1 **Lessor's Consent Required.**

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, **"assign or assignment"**) or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent.

(b) A change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of 25% or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than 25% of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. **"Net Worth of Lessee"** shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.

(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a noncurable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, (i) the Purchase Price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to 110% of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

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12.2 **Terms and Conditions Applicable to Assignment and Subletting.**

(a) Regardless of Lessor's consent, any assignment or subletting shall not: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) after the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefore to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of $1,000 or 10% of the current monthly Base Rent applicable to the portion of the Premises which is the subject of the proposed assignment or sublease, whichever is greater, as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested.

(f) Any assignee of, or sublessee under, this lease shall, by reason of accepting such assignment or entering into such sublease, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

12.3 **Additional Terms and Conditions Applicable to Subletting.** The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. **Default; Breach; Remedies.**

13.1 **Default; Breach.** A **"Default"** is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A **"Breach"** is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or Property, where such failure continues for a period of 3 business days following written notice to Lessee.

(c) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 41 (easements), or (viii) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Lessee.

(d) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 2.9 hereof, other than those described in subparagraphs 13.1(a), (b) or (c), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

(e) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a **"debtor"** as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(f) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.

(g) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 **Remedies.** If Lessee fails to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. The costs

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and expenses of any such performance by Lessor shall be due and payable by Lessee upon receipt of invoice therefor. If any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor, at its option, may require all future payments to be made by Lessee to be by cashier's check. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result there from, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover damages under Paragraph 12. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 **Inducement Recapture.** Any agreement for free or abated rent or other charges, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as **"Inducement Provisions,"** shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and condition, of this Lease. Upon Breach of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance. (See Exhibit C #16)

13.4 **Late Charges.** Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within 5 days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a one-time late charge equal to 10% of each such overdue amount or $100, whichever is greater. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment. acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for 3 consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 **Interest.** Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due as to scheduled payments (such as Base Rent) or within 30 days following the date on which it was due for non-scheduled payment, shall bear interest from the date when due, as to scheduled payments, or the 31st day after it was due as to non-scheduled payments. The interest (**"Interest"**) charged shall be equal to the prime rate reported in the Wall Street Journal as published closest prior to the date when due plus 4%, but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 **Breach by Lessor.**

(a) **Notice of Breach.** Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than 30 days after receipt by Lessor, and any Lender whose name and address shall have been furnished Lessee in writing for such Purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than 30 days are reasonably required for its Performance, then Lessor shall not be in breach of Performance is commenced within such 30 day period and thereafter diligently pursued to completion.

(b) **Performance by Lessee on Behalf of Lessor.** In the event that neither Lessor nor Lender cures said breach within 30 days after receipt of said notice, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from Rent an amount equal to the greater of one Base Rent of the Security Deposit, and to pay an excess of such expense under protest, reserving Lessee's right to reimbursement from Lessor. Lessee shall document the cost of said cure and supply said documentation to Lessor.

14. **Condemnation.** If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively **"Condemnation"**) this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs first. If more than 10% of the floor area of the Unit, or more then 25% of Lessee's Reserved Parking Spaces, is taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within 10 days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within 10 days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided however, that Lessee shall be entitled to any compensation for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefore. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation.

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15. **Brokerage Fees.** (see Exhibit C #10)

15.1 **Additional Commission.** In addition to the payments owed pursuant to Paragraph 1.10 above, and unless Lessor and the Brokers Otherwise agree in writing, Lessor agrees that: (a) if Lessee exercises any Option, (b) if Lessee acquires from Lessor any rights to the Premises or other premises owned by Lessor and located within the Project, (c) if Lessee remains in Possession of the Premises, with the consent of Lessor, after the expiration of this Lease or (d) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then, Lessor shall pay Brokers a fee in accordance with the schedule of the Brokers in effect at the time of the execution of this Lease.

15.2 **Assumption of Obligations.** Any buyer or transferee of Lessor's interest in this Lease shall be deemed to have assumed Lessor's obligation hereunder. Brokers shall be third party beneficiaries of the provisions of Paragraphs 1.10, 15, 22 and 31. If Lessor fails to pay to Brokers any amounts due as and for brokerage fees pertaining to this Lease when due, then such amounts shall accrue Interest. In addition, if Lessor fails to pay any amounts to Lessee's Broker when due, Lessee's Broker may send written notice to Lessor and Lessee of such failure and if Lessor fails to pay such amounts within 10 days after said notice, Lessee shall pay said monies to its Broker and offset such amounts against Rent. In addition, Lessee's Broker shall be deemed to be a third party beneficiary of any commission agreement entered into by and/or between Lessor and Lessor's Broker for the limited purpose of collecting any brokerage fee owed.

15.3 **Representations and Indemnities of Broker Relationships.** Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any) in connection with this Lease, and that no one other than said named Brokers is entitled to any commission or finder's fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

16. **Estoppel Certificates.**

(a) Each Party (as **"Responding Party"**) shall within 10 days after written notice from the other Party (the **"Requesting Party"**) execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current **"Estoppel Certificate"** form published by the American Industrial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

(b) If the Responding Party shall fail to execute or deliver the Estoppel Certificate within such 10 day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance. Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate.

(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past 3 years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. **Definition of Lessor.** The term **"Lessor"** as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Except as provided in Paragraph 15, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined. Notwithstanding the above, and subject to the provisions of Paragraph 20 below, the original Lessor under this Lease, and all subsequent holders of the Lessor's interest in this Lease shall remain liable and responsible with regard to the potential duties and liabilities of Lessor pertaining to Hazardous Substances as outlined in Paragraph 6.2 above.

18. **Severability.** The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. **Days.** Unless otherwise specifically indicated to the contrary, the word **"days"** as used in this Lease shall mean and refer to calendar days.

20. **Limitation on Liability.** Subject to the provisions of Paragraph 17 above, the obligations of Lessor under this Lease shall not constitute personal obligations of Lessor, the individual partners of Lessor or its or their individual partners, directors, officers or shareholders, and Lessee shall look to the Premises, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with respect to this Lease, and shall not seek recourse against the individual partners of Lessor, or its or their individual partners, directors, officers or shareholders, or any of their personal assets for such satisfaction.

21. **Time of Essence.** Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

22. **No Prior or Other Agreements; Broker Disclaimer.** This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the use, nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees), of any Broker with respect to negotiation, execution, delivery or performance by either Lessor or Lessee under this Lease or any amendment or modification hereto shall be limited to an amount up to the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

23. **Notices.**

23.1 **Notice Requirements.** All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may, by written notice to the other, specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing.

23.2 **Date of Notice.** Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 48 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices transmitted by facsimile transmission or similar means shall be deemed delivered upon telephone confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

24. **Waivers.** No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of monies or damages due Lessor,

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notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

25. **Disclosures Regarding The Nature of a Real Estate Agency Relationship.**

(a) When entering into a discussion with a real estate agent regarding a real estate transaction, a Lessor or Lessee should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Lessor and Lessee acknowledge being advised by the Brokers in this transaction, as follows:

(i) Lessor's Agent. A Lessor's agent under a listing agreement with the Lessor acts as the agent for the Lessor only. A Lessor's agent or subagent has the following affirmative obligations: To the Lessor: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessor. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(ii) Lessee's Agent. An agent can agree to act as agent for the Lessee only. In these situations, the agent is not the Lessor's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Lessor. An agent acting only for a Lessee has the following affirmative obligations. To the Lessee: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessee. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that not known to, or within the diligent attention and observation of the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(iii) Agent Representing Both Lessor and Lessee. A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Lessor and the Lessee in a transaction, but only with the knowledge and consent of both the Lessor and the Lessee. In a dual agency situation, the agent has the following affirmative obligations to both the Lessor and the Lessee: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Lessor or the Lessee. b. Other duties to the Lessor and the Lessee as stated above in subparagraphs (i) or (ii). In representing both Lessor and Lessee, the agent may not without the express permission of the respective Party, disclose to the other Party that the Lessor will accept rent in an amount less than that indicated in the listing or that the Lessee is willing to pay a higher rent than that offered. The above duties of the agent in a real estate transaction do not relieve a Lessor or Lessee from the responsibility to protect their own interests. Lessor and Lessee should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

(b) Brokers have no responsibility with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees), of any Broker with respect to any breach of duty, error or omission relating to this Lease shall not exceed the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

(c) Buyer and Seller agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

26. **No Right To Holdover.** Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 150% of the Base Rent applicable immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

27. **Cumulative Remedies.** No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. **Covenants and Conditions; Construction of Agreement.** All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

29. **Binding Effect; Choice of Law.** This Lease shall be binding upon the parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. **Subordination; Attornment; Non-Disturbance.**

30.1 **Subordination.** This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, "**Security Device**"), now or hereafter placed upon the Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as "**Lender**") shall have no liability or obligation to perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to Lessee, whereupon this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 **Attornment.** Subject to the non-disturbance provisions of Paragraph 30.3, Lessee agrees to attorn to a Lender or any other party who acquires ownership of the Premises by reason of a foreclosure of a Security Device, and that in the event of such foreclosure, such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (b) be subject to any offsets or defenses which Lessee might have against any prior lessor, (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor.

30.3 **Non-Disturbance.** With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a "**Non-Disturbance Agreement**") from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within 60 days after the execution of this Lease, Lessor shall use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to provide the Non-Disturbance Agreement within said 60 days, then Lessee may, at Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 **Self-Executing.** The agreements contained in this Paragraph 30 shall be effective without the execution or any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

31. **Attorneys' Fees.** If any Party or Broker brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, "**Prevailing Party**" shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgement, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and

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consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach ($200 is a reasonable minimum per occurrence for such services and consultation). (see Exhibit C #15)

32. **Lessor's Access; Showing Premises; Repairs.** Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times for the purpose of showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary. All such activities shall be without abatement of rent or liability to Lessee. Lessor may at any time place on the Premises any Ordinary **"For Sale"** signs and Lessor may during the last 6 months of the term hereof place on the Premises any ordinary **"For Lease"** signs. Lessee may at any time place on the Premises any ordinary **"For Sublease"** sign.

33. **Auctions.** Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessor's prior written consent. Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

34. **Signs.** Except for ordinary "For Sublease" signs which may be placed only on the Premises, Lessee shall not place any sign upon the Project without Lessor's prior written consent. All signs must comply with all Applicable Requirements. (see Exhibit G)

35. **Termination; Merger.** Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subtenancies. Lessor's failure within 10 days following any such event to elect to the contrary by written notice to the holder of any such lesser interest shall constitute Lessor's election to have such event constitute the termination of such interest.

36. **Consents.** Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an invoice and supporting documentation therefor. Lessor's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within 10 business days following such request.

37. **Guarantor.**

37.1 **Execution.** The Guarantors, if any, shall each execute a guaranty in the form most recently published by the American Industrial Real Estate Association, and each such Guarantor shall have the same obligations as Lessee under this Lease.

37.2 **Default.** It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantors behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect.

38. **Quiet Possession.** Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. **Options.** If Lessee is granted an option, as defined below, then the following provisions shall apply. (see Exhibit L, if any)

39.1 **Definition. "Option"** shall mean: (a) the right to extend the term of or renew this Lease or to extend or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Premises or other property of Lessor; (c) the right to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 **Options Personal To Original Lessee.** Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting.

39.3 **Multiple Options.** In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised

39.4 **Effect of Default on Options.**

(a) Lessee shall have no right to exercise an Option; (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), (ii) Lessor gives to Lessee 3 or more notices of separate Default during any 12 month period, whether or not the Defaults are cured, or (iii) if Lessee commits a Breach of this Lease.

40. **Security Measures.** Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

41. **Reservations.** Lessor reserves the right, (i) to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, (ii) to cause the recordation of parcel maps and restrictions, and (iii) to create and/or install new utility raceways, so long as such easements, rights dedications, maps, restrictions, and utility raceways do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate such rights.

42. **Performance Under Protest.** If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make Payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay.

43. **Authority.** If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duty authorized to execute and deliver this Lease on its behalf. Each party shall, within 30 days after request, deliver to the other party satisfactory evidence of such authority.

44. **Conflict.** Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions. (see Exhibit C #13)

45. **Offer.** Preparation of this Lease by either party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

46. **Amendments.** This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

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47. **Multiple Parties.** If more than one person or entity is named herein as either Lessor or Lessee, such multiple Parties shall have joint and several responsibility to comply with the terms of this Lease.
48. **Waiver of Jury Trial.** The Parties hereby waive their respective rights to trial by jury in any action or proceeding involving the Property or arising out of this Agreement.
49. **Mediation and Arbitration of Disputes.** An Addendum requiring the Mediation and/or the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease is not attached to this Lease.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:
1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL, AND TAX CONSEQUENCES OF THIS LEASE.
2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

WARNING: IF THE PREMISES ARE LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES ARE LOCATED.
The parties hereto have executed this lease at the place and on the dates specified above their respective signatures.

Executed at: Solana Beach, CA	Executed at:
on: January 25 2011	on:
By LESSOR:	By LESSEE:
Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company	Kenneda and Chris Gonzales, as husband and wife
By: M.C. Strauss	By: Kenneda Gonzales
Name Printed:	Name Printed: Kenneda Gonzales
Title:	Title: Administration
By:	By: Chris Gonzales
Name Printed:	Name Printed: Chris Gonzales
Title:	Title: Partner
Address: 990 Highland Drive #200 Solana Beach, CA 92075	Address:
Telephone: (858) 792-7500	Telephone: (619) 454-3479
Facsimile: (858) 792-7834	Facsimile: ( )
Federal ID No.	Federal ID No.

These forms are often modified to meet changing requirements of law and needs of the industry. Always write or call to make sure you are utilizing the most current form: American Industrial Real Estate Association, 700 South Flower Street, Suite 600, Los Angeles, CA 90017. (213) 687-8777.

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TENANTS SHALL FURNISH:

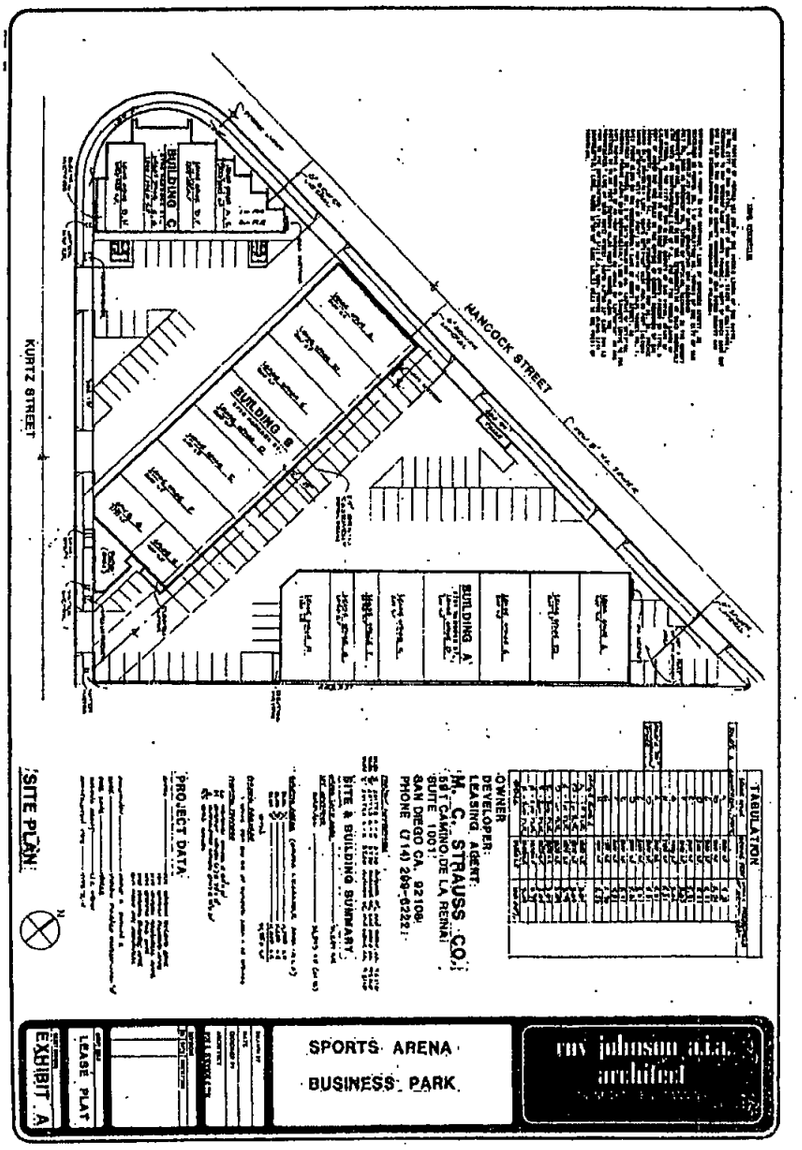
1. Its personal and corporate (if applicable) financial statements.
2. Completed Landlord furnished credit information forms.
3. Letter of reference from Tenant's bank.
4. If a corporation, its duly Authorized Corporate Resolution notifying the Lease. (SEE Exhibit C Item #11)

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EXHIBIT A

LEGAL DESCRIPTION & SITE PLAN

EXHIBIT A



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EXHIBIT A-1 TO LEASE (SUBLEASE)

MINIMUM STANDARD SUBLEASE CONDITIONS

(1) ASSIGNMENT AND SUBLEASING: Sublessee, shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and the City of San Diego, hereinafter, "City." An assignment by operation of law shall automatically terminate this lease.

(2) HOLD HARMLESS: Sublessee shall assume the defense of, indemnify and save harmless Lessee and City from all claims, expenses and liability of every nature, directly or indirectly arising from, or alleged to have arisen from the operations conducted on the leased premises or from any act or omission of Sublessee, its agents and invitees.

(3) INSURANCE: Sublessee shall be insured by an insurance carrier acceptable to the Lessee and City against loss from public liability arising from the use or condition of or operation conducted on the leased premises. Minimum coverage shall be as set forth in Paragraph 16-B hereof. A copy of the policy of insurance shall be filed with the City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or canceled without 30 days prior written notice to the. City by the insurance company,

(4) LEGAL PROCEEDINGS: Should it become necessary to Lessee or City to commence legal Proceedings to collect rent, to recover possessions or enforce any other provision of this lease, Sublessee agrees that the prevailing party shall be entitled to all legal costs in connection therewith, including a reasonable sum as attorney's fees

(5) SUBORDINATION: This agreement is in effect a sublease of a portion of the premises covered by that certain Lease Agreement dated September 13, 1977, as amended between the sublessor herein and the City of San Diego- This sublease is subject and subordinated to the covenants and conditions of said Lease Agreement notwithstanding any provision hereto contrary to or in conflict with said agreement.

(6) The property is subject to a City of San Diego ground lease mentioned hereinabove and lies with in the recently formed North Bay Redevelopment Area, The property will be redeveloped sometime in the future- Accordingly, Landlord and or city at its sole option may terminate this lease at anytime after Dec 1, 2003 with 6 months notice in writing, and without invalidating or superceding any of the rights contained here in this Addendum of the lease or the city land lease agreements there under

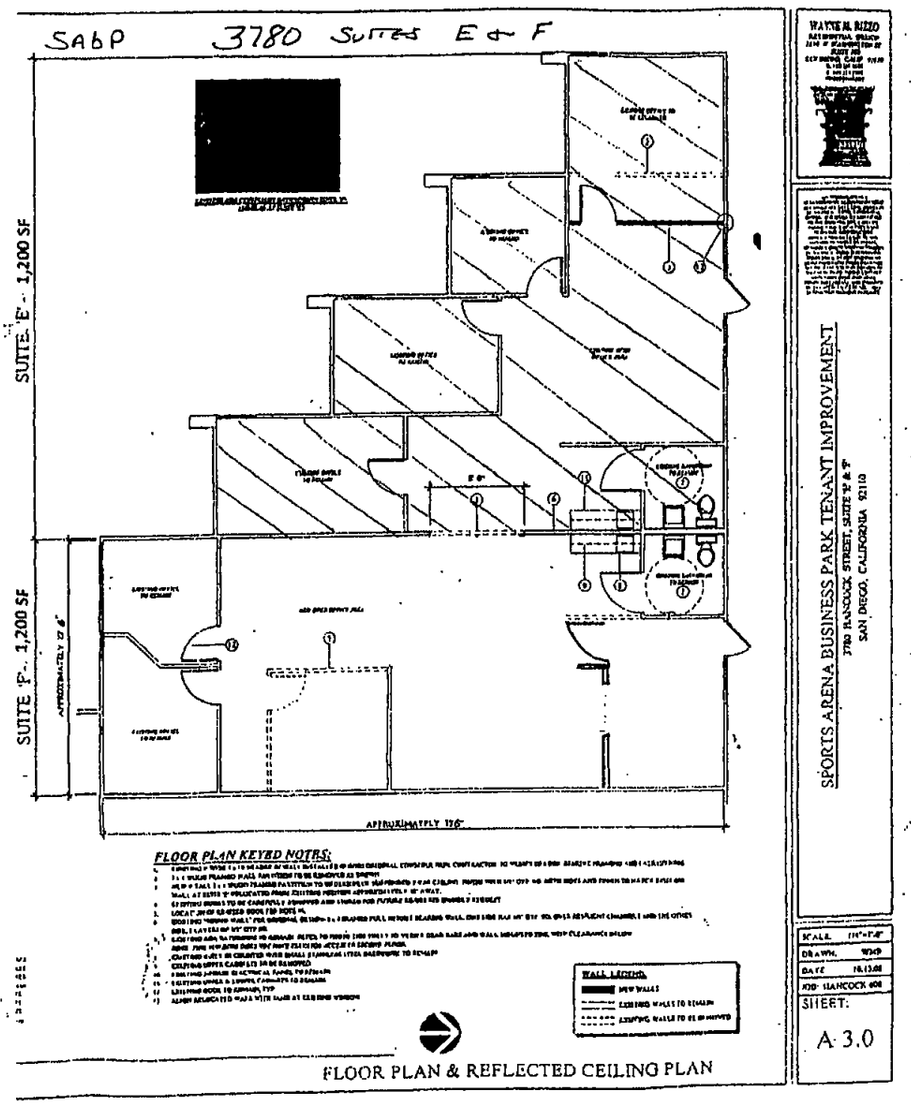
LESSEE'S INITIALS

LESSOR'S INITIALS

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EXHIBIT B

DEMISED PREMISES PLAN (IF AVAILABLE)



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EXHIBIT C
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Addendum to Commercial/Industrial Multi-Tenant Lease

1. Early Possession: With early move-in of Lessee, Lessee may not interfere with any tenant improvements needed to be done by Lessor. Additionally, M.C. Strauss Company is not responsible for loss, theft, or damage of any of Lessee's property should Lessee desire to move-in prior to commencement of Lease Term.

2. Term Adjustment: If the Commencement Date is other than the first day of a calendar month, the Term shall be deemed to have commenced on the first day of the next succeeding month.

3. Modified Common Area Operating Expenses: Lessor shall pay Tenant's portion of common area maintenance, taxes,and insurance.
   a. "Operating Costs" means all costs reasonably incurred by Lessor in accordance with generally accepted accounting principles, and fairly allocable to the applicable Calendar Year which relate to, or are fairly allocable to, the ownership and operation of the Common Areas. Lessor shall pay tenant's portion of common area maintenance, axes and insurance
   b. Periodic painting of the building exterior and common areas shall be included as a common area operating expense. If Lessor undertakes a program of preventive maintenance for the HVAC systems for all of the Tenants per Paragraph 7.1(b), the cost thereby shall be included as a common area expense.
   c. The common area definition shall also include lighting facilities, sewer, water, gas, electric, phone and other utility lines, storm drains, roads and approaches servicing the Center generally; and any other items that Lessor deems necessary and appropriate.
   d. Replacement costs, defined as that which cannot be repaired other than at a cost which is in excess of fifty percent (50%) of the cost of replacing such item, then such item shall be replaced and the cost prorated over sixty (60) months and Tenant shall pay one sixtieth (1/60) of the cost each month of the Lease term and extension thereto.

4. Utilities: Lessee shall pay before delinquency all charges for water, sewer, gas heat, electricity, power, telephone service and all and any other services or utilities used in, upon or about the Demised Premises by Lessee or any of its subtenants, licensees or concessionaries, provided, however, if any such services or utilities shall be billed to Lessor and not separately metered to the Demised Premises the mount thereof shall be prorated and Lessee shall pay to Lessor upon demand as additional rental hereunder an amount equal to that proportion of the total charges therefore which the number of square feet of Gross Floor Area in the Demised Premises bears to the total number of square feet of gross floor area of stores then rented as of the date of the utility bill served in the area and/or buildings covered by such combined charges. With respect to gas and electric service, which is not separately metered, Lessor may, at Lessor's option, in lieu of prorating on the fore-going basis, determine the amount of use of such services by Lessee on the basis of Lessee's estimated usage as determined by the utility company servicing the Demised Premises, or, if such company ceases providing such service, by a qualified electrical contractor selected by Lessor. Water is furnished to the part of the Common Area via as is central meter. Accordingly, Lessee will pay Lessor a flat charge of $75.00 per suite a month for its share of the water for its premises. Water charges may be reevaluated and increased by Lessor based on the use of the premises especially due to the number of patrons of and Lessee's business use. Lessor may require a high water user such as a restaurant or beauty parlor to install a separate meter or if the cost is prohibitive, to install an inline meter at Lessee's expense to be able to determine Lessee's fair share for any excess use.

5. Continuous Operations: Lessee shall keep the Demised Premises open for business during all hours customarily maintained by business similar to Lessee's business in the trading area in which the Demised Premises are located. At all such times Lessee shall have upon the Demised Premises a sufficient number of employees and a sufficient stock of merchandise to adequately serve the patrons thereof or render the services offered. A business holiday of more than 30 days of consecutive closing in any one year shall be considered a default.

6. Locks: Should Lessee change the locks on their suite, Lessee must furnish Lessor with a copy of the new key which is for the protection of the Lessee and per the Lease.

7. Vacating Premises: The definition "ordinary wear and tear" shall NOT include such items as carpet cleaning, cleaning, patching and painting necessary to restore Premises to a releasable condition. Additionally, Tenant will be charged for repainting rear access doors, repairing store front doors, rekeying locks to the master system and removing alarm systems or personal property and/or debris, etc, upon Lease termination.

8. Insurance: Lessor's appropriate liability insurance coverage is $3,000,000. Therefore, Paragraph 8.1 and/or Paragraph 8.2 is amended to increase the ceiling to $3,000,000 and Lessee shall reimburse Lessor for its portion accordingly.

9. Assignment and Subletting:
(This is in addition to lease language and prevails in the event of conflict.)

a. Consent to Assignment or Subletting shall not be unreasonably withheld: Subject to a compatible and noncompetitive business use with respect to the other businesses in the Center and sufficient financial statement and credit record of assignee and reasonable experience in conducting the intended business, Lessor's consent to assign or sublet this Lease shall not be unreasonably withheld provided however, that Lease shall not be in default and/or if Lessee shall have, previously breached or otherwise failed to perform under this Lease since its inception, and Lessee did not cure that breach, Lessor, at its sole discretion, may declare this Sub-paragraph null and void. Any increase in rents shall become the property of the Lessor. Any such assignment or subleasing even with the approval of the Lessor, shall not relieve the Lessee from liability for payment of the rental herein provided or from the obligation to keep and be bound by the terms, conditions and covenants of this Lease.

b. Assignment or Transfer to a Corporation: Notwithstanding anything to the contrary set forth herein, Lessee may assign this Lease, without the consent of Lessor, to a corporation or other entity not less than fifty percent (50%) of the voting stock or controlling interest of which is owned by Lessee; provided that Lessee shall at all times remain liable for performance hereunder; and provided, further, that any transfer by Lessee of the controlling stock or interest in such corporation or other entity shall be a prohibited assignment hereunder.

c. Consent to be in writing: Lessee shall not assign, mortgage, pledge, hypothecate or encumber this lease or the leasehold interest created hereby or any interest herein or sublet the Demised Premises or any portion thereof, or license the use of all or any portion of the Demised Premises, without the written consent of Lessor first had and obtained. Without in any way limiting any other rights available to the Lessor at the time of any proposed assignment or subletting, Lessor expressly reserves the right to adjust the Guaranteed Minimum Monthly Rental to an amount derived by multiplying said guaranteed minimum monthly rental times a number equal to the percentage by which the Bureau of Labor Statistics, United States Department of Labor for Los Angeles-Riverside-Orange County under the heading of "All Items" for "All Urban Consumers" for the month in which the date of such assignment or subletting occurs has increased over the same Cost of Living Index figure for the month in which the Commencement Date under this Lease occurs (i.e., if the percentage of such increase is thirty percent (30%), then the guaranteed minimum monthly rental will be multiplied

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times 130%). Tenant agrees to pay Lessor an administrative fee of $500 and to reimburse Lessor for Lessor's reasonable attorney fees incurred in conjunction with the processing and documentation of any such requested transfer, assignment, subletting, licensing or concession agreement

10. Broker's Fee:
    a. All Broker's fees as referred to in the Lease and Lease addendums shall be by separate agreement pursuant to a schedule to be agreed upon by Owner and Broker.
    b. However, it is understood and agreed that no commissions shall be paid on option exercises, or renewals, or expansions that unless at the invitation of the Owner first had obtained in writing.

11. Lessee's Financial Information: Lessee will furnish a credit report and financial statement at its expense, subject to Lessor's approval or reimburse Lessor $35 if Lessor obtains a credit report. Lessee also agrees to deliver to Lessor a resume of its business experience, a copy of its income tax returns for the prior year, a letter of reference from Lessee's bank, and a completed Lessor's "Credit Information" form. The Lease is contingent upon Lessor's review and approval to its sole satisfaction of Lessee's qualifications to lease. Said credit application must include but not be limited to listing specifics of next of kin, closest living relative not living with you, closest non-relative and who to notify in case of emergency.

12. Dispute or Delay: In the event of any dispute between the parties concerning the time of actual completion of Lessor's Work or Lessee's Work or any claimed excuse for delay in performance or non-performance thereof or whether such work has been adequately performed in a good and workmanlike manner and is satisfactory for the use intended, such dispute shall be referred to Lessor's architect whose determination with regard thereto shall be final and conclusive upon the parties.

13. Deletion: Wherever in this Lease a Section or Subsection is preceded by the word "Deleted" or "Deleted," such Section or Subsection is deleted from this Lease in its entirety and is of no force or effect.

14. Parking: Lessee shall have the right to N/A parking spaces on level N/A at no cost to Lessee for the term of the Lease and any Option Periods. The surface parking is designated for customers and retail tenants only, All employees, visitors, guests of Lessee are not Permitted to use surface parking, but shall park on lower levels A & B of the parking structure, if any.

15. Attorney's Fees: The Lessor is entitled to attorney's fees or costs for the enforcement of the lease regardless of whether an action is filed, said fees and costs to be considered additional rent.

16. Lease Incentives: If Tenant is in default under this Lease at any time during the Term and without limiting the foregoing, if Landlord has given Tenant any lease incentives or other inducements or consideration in connection with this Lease ("Incentives"), including without limitation, any abatement of rent, the unamortized portion of any Tenant Improvement Allowance and/or leasing commissions then the incentives will terminate and Landlord may recover from Tenant the value of all such Incentives received by Tenant in addition to all other damages recoverable by Landlord pursuant to the provisions of this Lease.

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A. Lessee is responsible for sending rent payments on the first of the month to:

B. For any questions or building management problems, call:

C. Required Personal Data:
Lessee's Home Address: 1729 Poinciana dr. Elcajon CA 92021
Home Phone: 619-454-3178 Home Fax: _____

In case of emergency: Chris Gonzales
Address: same
Phone: 619-454-3479 Fax: _____

Next of Kin (Name): Cecily Ruama
Address: Peach St.
Phone: 619-490-5996 Fax: _____

D. Other: Lessor reserves the right to change the management company and the address to which rent payments shall be made by delivering notice to Lessee in accordance with this Lease.

LESSEE'S INITIALS: _____ LESSOR'S INITIALS: _____

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EXHIBIT D

TENANT IMPROVEMENTS AND ACCEPTANCE OF PREMISES

Scope of Lessor's Work

Lessor shall provide Lessee, at the sole cost and expense of Lessor, the following "standard" improvements as follows:

1. Lessee acknowledges that the Demised Premises are being leased in "as is" condition and that Lessee has inspected some and the Demised Promises are in satisfactory condition with the following exceptions:

NONE

Scope of Lessee's Work

All improvements desired by Lessee, shall be considered "Non-standard" and shall be at the sole cost and expense of Lessee including, but not limited to :

1. Permits, Plans, and supervision for any Tenant improvements.

2. Lessor grants permission to Lessee to install necessary and/or required improvements or modifications, subject to Lessor's prior written approval, to accommodate Lessee's intended business use, at Lessee's sole cost and expense, and in accordance with any and all governmental requirements including the obtaining of any required permits for the Demised Premises and said business.

Perform any and all additional work required to complete the Premises to a condition customary and ready for the normal operation of Lessee's business. Lessee shall be responsible to pay for any additional water, and/or sewer impact fees if imposed due to the nature of Lessee's business or use of Premises.

Within thirty (30) days following the execution of the Lease, Lessee, at Lessee's sole cost and expense, shall deliver to Lessor a fully dimensioned 1/4-inch scale set of plans. Said plans shall show all storefronts, interior partitions, fixtures, lighting, electrical outlets, plumbing (including fixtures), floor coverings, ceiling and other improvements that Lessee wishes to construct and install upon Premises. Said plans shall be subject to Lessor's approval prior to start of any work by Lessee or his contractors, which shall not be unreasonably withheld, which shall thereafter be called "Lessee Plans Approved for Construction." Should Lessee fail to deliver to Lessor plans for "Lessee's Work" within thirty (30) days following execution of the Lease, Lessor may, at his option and with written notification to that effect to Lessee, terminate this Lease.

No changes, modifications or alterations to Lessee Plans Approved for Construction may be made without the written consent of Lessor. Any additional costs, including any increased fees which Lessor may be required to Pay for architectural, engineering and/or other similar services arising by reason of any subsequent change to Lessee Plans Approved for Construction made at the request of Lessee, shall be at the sole cost and expense of Lessee and shall be paid by Lessee to Lessor before the performance of the work requested by Lessee.

All of Lessee's work and improvements shall be performed by Lessee, at Lessee's sole cost and expense except as outlined above and pursuant to the plans and specifications approved by Lessor. It is understood that the approval of Lessor shall in no manner relieve Lessee of Lessee's obligation to obtain, at Lessee's sole cost and expense, all necessary and appropriate permits from all applicable governmental or public agencies for the construction of Lessee's improvements, installation of Lessee's personal property and the operation of Lessee's business at Premises.

Upon delivery of Premises to the Lessee, Lessee shall immediately and diligently proceed to install Lessee's Work as described in Lessee's Plans Approved for Construction at Lessee's sole cost and expense without interfering with other work being done, if any, in the building or shopping center.

All work done by Lessee shall be done by a licensed contractor and in compliance with all rules and regulations required by local building authorities, Lessor or his agents and in accordance with all uniform building codes as dictated by state, federal and local requirements.

Upon final completion of Lessee's Work, Lessee shall furnish Lessor with all certificates, approvals and permits "signed off" by local governmental building inspector, that were required to complete Lessee's Work. Lessor shall not be responsible for any loss or damage to Lessee's improvements/property that is installed or left on Premises.

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Lessee's entry upon Premises prior to commencement of the Term of this Lease shall be subject to all provisions of this Lease other than payment of rent. At all times after such entry, Lessee shall maintain an insurance policy that complies with the provisions of this Lease. The inability of Lessee to complete Lessee's Work in a timely manner and to a condition acceptable for conducting business, through no fault of Lessor, shall not delay the Term Commencement or payment of rent.

Lessee hereby indemnifies and holds Lessor free and harmless from and against any and all claims, demands and liabilities, including, but not limited to attorney costs, expenses and court costs, arising from or relating to Lessee's Work and improvements. It is the intent of the parties that this indemnification shall survive the expiration or sooner termination of this Lease.

LESSEE'S INITIALS: _____ LESSOR'S INITIALS: _____

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EXHIBIT E

ESTIMATED OPERATING EXPENSES (GROSS LEASE)

DOES NOT APPLY

The operating expenses are estimated at $_____ per square foot annually or _____
($_____ psf x _____ sq. ft. /12 = $_____) per month for the Demised Premises until adjusted per the Lease.

LESSEE'S INITIALS: _____

LESSOR'S INITIALS: _____

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*NOT APPLICABLE *EXHIBIT F

RENT ADJUSTMENT(S)

ADDENDUM TO
STANDARD LEASE

Dated _____

By and Between (Lessor) M.C. Strauss Company

(Lessee) _____

Property Address: Hancock Street, Suite #

San Diego, CA 92110

Paragraph _____

A. **RENT ADJUSTMENTS:**

The monthly rent for each month of the adjustment period(s) specified below shall be increased using the method(s) indicated below:

(Check Method(s) to be Used and Fill in Appropriately)

0 I. **Cost of Living Adjustment(s) (COL)**

(a) On (Fill in COL Adjustment Date(s): _____

_____

the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted by the change, if any, from the Base Month specified below, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for (select one): 0 CPI-W (Urban Wage Earners and Clerical Workers) or 0 CPI-U (All Urban Consumers), for (Fill in Urban Area): _____, All Items (1982-1984 = 100), herein referred to as "C.P.I."

(b) The monthly rent payable in accordance with paragraph A(a) of this Addendum shall be calculated as follows: the Base Rent set forth in paragraph 1.5 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the C.P.I. of the calendar month 2 (two) months prior to the month(s) specified in paragraph A(a) above during which the adjustment is to take effect, and the denominator of which shall be the C.P.I. of the calendar month which is two (2) months prior to (select one): 0 the first month of the term of this Lease as set forth in paragraph 1.3 ("Base Month") or 0 (Fill in Other "Base Month"): _____. The sum so calculated shall constitute the new monthly rent hereunder, but in no event, shall any such new monthly rent be less than the rent payable for the month immediately preceding the date for rent adjustment, plus _____ rounded up to the next dollar figure.

(c) In the event the compilation and/or publication of the C.P.I. shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the C.P.I. shall be used to make such calculation. In the event that Lessor and Lessee cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid equally by Lessor and Lessee.

0 II. **Market Rental Value Adjustment(s) (MRV)**

(a) On (Fill in MRV Adjustment Date(s): _____

_____

the monthly rent payable under paragraph 1.6 ("Base Rent") of the attached Lease shall be adjusted to the "Market Rental Value" of the property as follows:

1) Four months prior to the Market Rental Value (MRV) Adjustment Date(s) described above, Lessor and Lessee shall meet to establish an agreed upon new MRV for the specified term. If agreement cannot be reached, then:
i) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the parties, or
ii) Both Lessor and Lessee shall each immediately select and pay the appraiser or broker of their choice to establish a MRV within the next 30 days. If, for any reason, either one of the appraisals is not completed within the next 30 days, as stipulated, then the appraisal that is completed at that time shall automatically become the new MRV. If both appraisals are completed and the two appraisers/brokers cannot agree on a reasonable average MRV then they shall immediately select a third mutually acceptable appraiser/broker to establish a third MRV within the next 30 days. The average of the two appraisals closest in value shall then become the new MRV. The costs of the third appraisal will be split equally between the parties.

2) In any event, the new MRV shall not be less than the rent payable for the month immediately preceding the date for rent adjustment.

(b) Upon the establishment of each New Market Rental Value as described in paragraph A(l):

1) the monthly rental sum so calculated for each term as specified in paragraph A(l)(a) will become the new "Base Rent" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph A(l)(a) above and
2) the first month at each Market Rental Value term as specified in paragraph A(l)(a) shall become the new "Base Month" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph A(l)(b).

0 III. **Fixed Rental Adjustment(s) (FRA)**

The monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be increased to the following amounts on the dates set forth below.

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On (Fill in FRA Adjustment Date(s)): The New Base Rental shall be:

	$
	$
	$
	$

B. **NOTICE:** Unless specified otherwise herein, notice of any escalations other than Fixed Rental Adjustment(s) shall be made as specified in paragraph 23 of the attached Lease.

*C. **BROKER'S FEE:** *Deleted

The Real Estate Brokers specified in paragraph 1.10 of the attached Lease shall be paid a Brokerage Fee for each adjustement specified above in accordance with paragraph 15 of the attached Lease.

LESSEE'S INITIAL: _____

LESSOR'S INITIAL: _____

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EXHIBIT G

CENTER SIGN CRITERIA

The purpose of this sign criteria has been established for the intent of assuring an outstanding shopping center and mutual benefit of all Lessee's. Conformance will be strictly enforced. Any installed non-conforming or unapproved signs will be brought into conformance at the expense of the Lessee.

A. Lessee shall be entitled to signage above the Premises. Signage shall be subject to City of San Diego and Lessors prior written approval. All costs associated with the design, construction, installation, as well as removal, shall be borne by Lessee. Lessee shall be required to remove all Lessee signage at the conclusion of Lessee's occupancy of the Premises. Ground level Lessee's shall be entitled to signage on the Center's pole sign at its expense and subject to availability.

B. General Requirements:

1. Lessee shall submit to the Lessor the exact sign specifications, copy and colors desired for Lessor's approval from a license and experienced sign company.

2. All approvals or disapprovals of sign submittals based on esthetics and design shall remain sole right of the Lessor and local governing authorities.

3. Selected sign company will be responsible for obtaining all permits and sign installation.

4. No exposed lamp, raceways, crossovers, conduit, conductors, transformers or similar devices shall be permitted.

5. All maintenance of signage shall be the responsibility of the Lessee.

6. All signs shall be individually illuminated.

7. No audible, flashing or animated signs will be permitted.

8. No projections above or below the sign will be permitted.

9. Electrical service to all signs will be connected to Lessee's meter.

10. Lessee's signs shall be designed and installed in a manner compatible with and complimentary to adjacent and facing storefronts and the overall design concept of the center.

11. All penetrations of the building structure required for sign installation shall be sealed in a watertight condition and shall be patched to match adjacent finish. At termination of lease when sign is removed, Lessee or its sign company shall patch and paint and restore to "as was" condition.

12. No advertising placards, banners, pennants, names, insignias or other descriptive material shall be affixed or maintained upon the glass pane supports of the show windows and doors or upon the exterior was of building without the prior written approval of Lessor.

13. Logos require prior approval of lessor unless nationally recognized logos of a franchise.

14. Letter height restrictions:

a. One line of copy with the letter and logo height not to exceed 24 inches or to be less than 10 inches. Allowable, sign fascia coverage not to exceed seventy-five percent (75) of store frontage.

b. Two lines of copy will be allowed with the overall height of the two lines of letters not to exceed 30 inches with a maximum height of the letters not to exceed 18 inches or to be less than 16 inches.

15. Designs submitted for the City/County approval must follow ft following guidelines:

a. Drawings of elevations and sign with all measurements to scale.
b. Plot plan and legal description (plans to scale).
c. Sections drawings of sign and fascia showing construction and electrical details.
d. Color of plastic faces and logos.
e. Color of neon, size and intensity.
f. Letter style selection

16. Lessee is granted permission by Lessor to install a temporary sign banner at its expense above the premises while signs are being fabricated.

17. Lessee shall indemnify and hold harmless Lessor against any loss, cost, damages or liability caused to persons, property or otherwise caused by Lessee's sign installations.

LESSEE'S INITIALS: _____ LESSOR'S INITIALS: _____

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BLDG. C SIGN AREA-WEST ELEVATION

TYPICAL TENANT DISPLAY

TYPICAL DISPLAY SIGN 8ft.X 18in.X 9in. depth

EXHIBIT C-2

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EXHIBIT H

SPECIAL USE OF PREMISES CLAUSE

A. Uses Of Premises:

Lessee shall occupy and use the premises solely for the operation of a tattoo shop and for no other purpose or use.

LESSEE'S INITIALS: _____

LESSOR'S INITIALS: _____

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EXHIBIT I
APPLICATION FOR LEASE AND CREDIT INFORMATION

The undersigned furnishes the following as a true and accurate statement of the financial condition of the undersigned. It is understood that the Landlord, in entering into a lease or other agreement, are doing so in reliance upon this financial statement and in consideration of such the undersigned agree that if any of the representations of the undersigned prove to be untrue, such shall be considered as a default under such lease or agreement.

NAME: Kennedra Gonzales AGE: 27 SPOUSES NAME Chris Gonzales

ADDRESS: 1729 Poinciana dr. HOW LONG: 7 yrs.

CITY, STATE, ZIP El Cajon CA 92021

Previous Address - if less than five years:

SOCIAL SECURITY NO: 561-77-3483 SPOUSE'S SOCIAL SECURITY NO: 609-20-4149

PHONE: 619-454-3478 OWN OR RENT: own NO. OF DEPENDENTS: 3

PRESENT EMPLOYER: Rosemont Media LLC HOW LONG: 3 yrs.

ADDRESS: 1010 Turquoise St suite 201

PHONE: 800-491-8623 POSITION: Chief Administrator

SPOUSE'S EMPLOYER: N/A PHONE:

IN CASE OF EMERGENCY CONTACT: NAME: Chris Gonzales

ADDRESS: Chris Gonzales PHONE: 619-454-3479

1729 Poinciana dr. RELATIONSHIP: Spouse

NEXT OF KIN NOT LIVING WITH YOU: NAME:

ADDRESS: PHONE:

RELATIONSHIP:

CLOSEST NON RELATIVE CONTACT: NAME: Cecily Rugama

ADDRESS: Cecily Rugama PHONE: 619-550-5996

Peach St. El Cajon RELATIONSHIP: Mother-in-law

BALANCE SHEET

Cash:	$ 7,200	Notes Payable - Total Owed: (List on Back)	$
Stocks & Bonds: (List on Back)	$	Accounts Payable - Total Owed: (List on Back)	$
Notes / Accounts Receivable:	$		
Life Insurance: (Not full value, only surrender value)	$	Mortgages - Total Owed: (List on Back)	$
Real Estate - Total Value: (List on Back)	$	Automobiles - Total Owed:	$ 23,000
		Income Taxes - Accrued to Date:	$ 25,000
Automobiles:	$ 25,000	Other:	$
	$ 28,000		$
			$
Personal Possessions:		**TOTAL LIABILITIES:**	$ 48,500
	$		
	$	**NET WORTH:**	$ 11,700
TOTAL ASSETS:	$ 100,200	**(Assets minus Liabilities)**	

ANNUAL INCOME & EXPENSE

Income:		**Expense:**	
Annual Salary:	$ 43,000	Annual Rental/Mortgage Payments	$ 0
Annual Rentals:	$		
Annual Dividends:	$	Annual Payments:	$ 18,840

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Annual Interests:	$	(Notes & Accounts)	
Other Annual Income:	$ 21,600	Annual Interest & Taxes:	$
		Personal Living Expense:	$
		Other Annual Expenses:	$ 12,000
TOTAL ANNUAL INCOME:	$ 64,600	**TOTAL ANNUAL EXPENSE:**	$ 33,760

BANK REFERENCES

BANK & ADDRESS: Wells Fargo Fletcher Pkwy El Cajon ACCT. NO.: 7116602038

BANK & ADDRESS: _____ ACCT. NO.: _____

STOCKS & BONDS

Description	No. of Shares	Cost	Market Value
		$	$
		$	$
		$	$
		$	$
		$	$
TOTALS		$	$

REAL ESTATE - MORTGAGES

Description & Address	Original Cost	Present Value	Trust Deed or Mortgage Unpaid Bal.	Mo. Pay.
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
TOTALS	$	$	$	$

NOTES & ACCOUNTS PAYABLE (Do not include Real Estate)

Description	Account Number	Total Amount Owed (DO NOT LIST PAYMENTS)
		$
		$
		$
		$
		$
		$
TOTAL		$

The undersigned further consent(s) to the addresses above making any inquires it deems necessary to reach a decision on this application, and consent(s) to the disclosure at any time of any credit information about me / us to any credit reporting agency or to any one with whom I/we have financial relations. The undersigned further understands that should a lease be entered into that the authorizing party will pay a $35.00 application credit check fee.

DATE: 1/20/16 SIGNATURE: _____

DATE: _____ SPOUSE'S SIGNATURE: _____

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*Lessee by signing Lease is acting as a Guarantor

*EXHIBIT J

GUARANTY OF LEASE

THIS GUARANTY OF LEASE ("Guaranty"), effective as of _____, 200____, is executed by _____ ("Guarantor"), with reference to the following facts:

RECITALS

A. M.C. Strauss Company ("Lessor"), and _____ ("Lessee") have agreed to enter into that certain Lease ("Lease"), dated the same date as this Guaranty, covering Premises described therein, located in the City of San Diego, County of San Diego, State of California.

B. Lessor requires, as a condition to its execution of the Lease, that Guarantor guarantee the full performance of the obligations of Lessee thereunder.

C. Guarantor is willing to execute this Guaranty for the benefit of Lessor and as a material inducement to Lessor to enter into the Lease.

GUARANTY

NOW, THEREFORE, in order to induce Lessor to enter into the Lease, Guarantor agrees as follows:

1. **Guarantor's Obligations.** Guarantor hereby unconditional guarantees the full and timely performance of each and every obligation to be kept and performed by the Lessee pursuant to the terms of the Lease ("Lease Obligations") in accordance with the terms of and at the time and place specified therein, including, but not limited to, the payment of all rents and other charges accruing pursuant thereto.

2. **Term.** This Guaranty shall continue for the term of the Lease and any extension or renewal thereof. If the Lease terminates and Lessor has any rights which Lessor may enforce against Lessee after termination, Lessor may also enforce such rights against Guarantor.

3. **Primary Liability.** The Lease Obligations guaranteed by Guarantor under this Guaranty shall be primary and independent of the obligations of Lessee under the Lease. Lessor may bring a separate action or actions against Guarantor hereon and such actions may be brought either in conjunction with actions against Lessee or against Lessee directly, regardless of whether Lessor has commenced any action or obtained any judgment against Lessee. If Lessee defaults under the Lease, Lessor may proceed directly against Guarantor, without having commenced any action or obtained any judgment against Lessee, and without applying any property of Lessee (or any other person), if any, held by Lessor as security for the performance of the Lease Obligations. The liability of Guarantor hereunder shall not be released, diminished, or extinguished by Lessor's failure or delay in enforcing any of its rights.

4. **Continuation; No Release.** This Guaranty shall continue in favor of Lessor notwithstanding any modification, alteration, extension or renewal of the Lease entered into by the parties thereto, or their successors or assigns, and notwithstanding any assignment of the Lease, with or without the consent of Lessor. No such modification, alteration, extension, renewal or assignment shall affect this Guaranty or in any way release, diminish, or extinguish the liability of Guarantor hereunder.

5. **Assignment.** Lessor may, with notice to Guarantor, assign this Guaranty in whole, or in part in connection with any transfer of any interest in the Lease or the Premises, and no such assignment or transfer shall release, diminish, or extinguish or otherwise affect the liability of Guarantor hereunder. In such event the benefits of this Guaranty shall inure to the benefit of Lessor's successors and assigns.

6. **Security.** Guarantor authorizes Lessor, without further notice or demand and without affecting the liability of Guarantor hereunder, from time to time, to: (a) take and hold security (including the Security Deposit and any security filing consented to by Lessee) (the "Security") (if any) for performance of the Lease Obligations and exchange, enforce, waive or release any such Security; (b) apply such Security in whole or in part and direct the order or manner of sale thereof as Lessor, in Lessor's discretion, may determine; and (c) proceed against Lessee or proceed against and exhaust such Security held from Lessee; the provisions of this paragraph shall constitute a waiver of Guarantor's right to claim exoneration from the Lease Obligations for the foregoing actions.

7. **Events of Insolvency.**

7.1 **Defined.** The term "Event of Insolvency" shall mean any of the following:

(a) Lessee becomes insolvent or is adjudicated a bankrupt;

(b) Lessee files a petition for reorganization, arrangement or similar relief under any present or future provisions of the Federal Bankruptcy Code, or any other state or federal statute for the relief of debtors or any similar law;

(c) A court approves a petition filed against Lessee by its creditors for reorganization, arrangement or similar relief under any present or future provision of the Federal Bankruptcy Code, or any other state or federal statute for the relief of debtors or any other similar law;

(d) Lessee seeks a judicial readjustment of the rights of its creditors under any present or future federal or state law; or

(e) A receiver of all or part of Lessee's property and assets is appointed by any state or federal court.

7.2 **Effect.** This Guaranty shall in full force and effect, notwithstanding the occurrence of any Event of Insolvency affecting Lessee, or any successor or assignee of Lessee, or in the event of any disaffirmance, or abandonment by a trustee of Lessee, or in the event that the Lease is terminated, rejected or modified in the course of any proceeding relating to an Event of Insolvency. To the extent necessary to effectuate the purpose of this Guaranty, Guarantor hereby assigns to Lessor any rights Guarantor may have to file a claim and proof of claim in any bankruptcy or similar proceeding of Lessee any awards or payments thereon to which Guarantor would otherwise be entitled, to the extent of any unsatisfied Lease Obligations.

8. **Waiver of Defenses.** Guarantor waives any defense Guarantor may acquire by reason of Lessor's election of any remedy against Guarantor or Lessee, or both. In addition, Guarantor waives any defense arising by reason of any disability or other defense of Lessee, including, without limitation, any defense based upon: (a) invalidity of the Lease (b) any lack of authority of the officers, directors, partners or agents acting or purporting to act on behalf of Lessee or any principal of Lessee; or (c) by reason of the cessation from any cause whatsoever of the liability of Lessee other than full performance and discharge of the Lease Obligations.

9. **Waiver of Rights.** Guarantor waives the right to require Lessor: (a) to proceed against Lessee or any successor of Lessee; and (b) to pursue any other remedy in Lessor's power. Guarantor expressly waives the provisions of the California and/or Arizona Civil Code, which grants a surety certain rights to require a creditor to pursue alternative remedies before proceeding against a surety.

10. **Subrogation.** Until the Lease Obligations shall have been performed in full, Guarantor shall have no right of subrogation and waive any right to enforce any remedy which Lessor now has or may hereafter have against Lessee. Guarantor waives any right to participate in any security now or hereafter held by Lessor.

11. **Successive Demands.** Guarantor's liability shall extend to each and every payment to be made by Lessee and any additional Lease Obligation to be performed or observed by Lessee. Successive demands may be made upon, and successive actions for the enforcement of such demands may be brought against Guarantor upon successive defaults by Lessee and the enforcement of this Guaranty against Guarantor with respect to any Lease Obligation shall not operate to exhaust this Guaranty or operate as a waiver of the right to proceed under this Guaranty with respect to any future default or defaults.

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12. General Provisions.

12.1 **Attorney's Fees.** Guarantor agrees to pay all costs and other expenses, including reasonable attorneys' fees and court costs, paid or incurred by Lessor in enforcing or attempting to enforce this Guaranty or the obligations guaranteed hereby. Guarantor is obligated as to attorney's fees and costs pursuant to Paragraphs 31 and 37.1 of the Lease, as to the obligations under the Lease and the Guaranty, and the provision in the Addendum as to attorneys fees made applicable here to the Lease and the Guaranty.

12.2 **Governing Law.** This Guaranty shall be enforceable by Lessor in accordance with the laws of the State of California and shall be construed in accordance therewith.

12.3 **Interest.** Interest shall accrue on all accounts which are not paid by Guarantor when due under the Lease, from the date due until due date paid by Guarantor, at the interest rate specified in the Lease, but not to exceed the maximum legal rate of interest.

12.4 **Joint and Several.** If Guarantor is more than one person, each person's obligations hereunder are joint and several and are independent of Lessee's obligations. Lessor may bring a separate action against any Guarantor whether the action is brought against any other Guarantor, or whether any other Guarantor is joined in the action.

12.5 **Modification.** This Guaranty may not be amended, modified, released, or terminated except by a written instrument executed by Guarantor and Lessor.

12.6 **Severability.** If any of Guarantor's obligations hereunder shall be held to be unenforceable, the remainder of this Guaranty and its application to all obligations other than those with respect to which is held unenforceable shall not be affected thereby and shall remain in full and effect.

12.7 **Successors.** The terms and provisions of this Guaranty shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto.

IN WITNESS WHEREOF, the undersigned has executed this guaranty of lease as of the date first written above.

GUARANTOR:

Res. Address: _____
Phone: _____
Soc Sec#: _____
DL#: _____ DOB _____

By: _____

Res. Address: _____
Phone: _____
Soc Sec#: _____
DL#: _____ DOB _____

By: _____

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*NOT APPLICABLE

*EXHIBIT J-1

SPOUSAL CONSENT

~~To the Lease dated _____, 200___, by and between _____, as Lessor, and _____, as Lessee, for the premises known as _____.~~

~~The undersigned, being the spouse of the Guarantor to this Lease, hereby (a) consent to the Lease, (b) agree that all now owned and hereafter acquired community and quasi-community property of the undersigned and Guarantor shall be liable for the satisfaction of obligations imposed by the Lease, and (c) agree solely for purposes of subjecting any community or quasi-community property received pursuant to liability for satisfaction of the obligations imposed by the Lease, the undersigned have "incurred" the obligations of the Lease.~~

Spouse

_____

_____

_____

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*See Below

*EXHIBIT K

MEMORANDUM
CERTIFICATE

This memorandum is made of _____ 19____ with reference to that certain Lease Agreement (hereinafter referred to as the "Lease") dated _____ by and between _____ as "Lessor" therein, and _____ as "Lessee."

The undersigned, as Lessee under said Lease, hereby confirms the following:

1. The Lessee accepted possession of the Demised Premises (as described in said Lease) on _____ and acknowledges that the premises are as represented by Lessor and in good order, condition and repair; and that the improvements, if any, required to be constructed for and/or furnished to Lessee by Lessor under said Lease have been so constructed and/or furnished and are satisfactorily completed in all respects.

2. That all conditions of said Lease to be performed by Lessor prerequisite to the full effectiveness of said Lease have been satisfied and that Lessor has fulfilled all of its duties of an inducement nature.

3. That in accordance with the provisions of Paragraph 4 of said Lease the Commencement Date (as the phrase "Commencement Date" is defined in said Lease) of the term is _____ and that, unless sooner terminated, the original term thereof expires on _____.

4. That said Lease (as amended, if amended) is in full force and effect and that the same represents the entire agreement between Lessor and Lessee concerning said Lease.

5. That there are no existing defenses which Lessee has against the enforcement of said Lease by Lessor, and no offsets or credits against rentals except as may be expressly provided in said Lease.

6. That the minimum rental obligation of said Lease is presently in effect and that all rentals, charges and other obligations on the part of Lessee under said Lease commenced to accrue on _____.

7. That the undersigned Lessee has no notice of any prior assignment, hypothecation or pledge of said Lease or of the rents thereunder.

LESSEE: _____ LESSOR:

BY: _____ BY: _____

ITS: _____ ITS: _____

This "Memorandum" is hereby approved in form and shall be completed (if necessary) pursuant with Paragraph 4.A of The Lease and incorporated as part of The Lease.

LESSEE'S INITIALS: _____

LESSOR'S INITIALS: _____

*Not Applicable if Term Date is fixed per the Lease.

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EXHIBIT L

OPTION(S) TO EXTEND

ADDENDUM TO
STANDARD LEASE

Dated January 18, 2011

By and Between (Lessor) Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company

(Lessee) Kenneda and Chris Gonzales, as husband and wife

Property Address: 3780 Hancock Street, Suite E, San Diego, CA 92110

Paragraph 39

A. **OPTION(S) TO EXTEND:**

Lessor hereby grants to Lessee the option to extend the term of this Lease for one (1) additional twenty-four (24) month period(s) commencing when the prior term expires upon each and all of the following terms and conditions:

(i) Lessee gives to Lessor, and Lessor actually receives on a date which is prior to the date that the option period would commence (if exercised) by no earlier than six (6) months and no later than four (4) months, a written notice of the exercise of the option(s) to extend this Lease for said additional term(s), time being of essence. If said notification of the exercise of said option(s) is (are) not so given and received, the option(s) shall automatically expire; said option(s) may (if more than one) only be exercised consecutively;

(ii) The provisions of paragraph 39, including the provision relating to default of Lessee set forth in paragraph 39.4 of this Lease are conditions of this Option;

(iii) All of the terms and conditions of this Lease except where specifically modified by this option shall apply;

(iv) The monthly rent for each month of the option period shall be calculated as follows, using the method(s) indicated below:

(Check Method(s) to be Used and Fill In Appropriately)

() ~~I. Cost of Living Adjustment(s) (COL)~~

~~(a) On (Fill in COL Adjustment Date(s):~~ _____ ~~the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted by the change, if any, from the Base Month specified below, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for (select one): () CPI-W (Urban Wage Earners and Clerical Workers) or () CPI-U (All Urban Consumers), for (Fill in Urban Area):~~ _____ ~~All Items (1982-1984=100), herein referred to as "C.P.I."~~

~~(b) The monthly rent payable in accordance with paragraph A(a) of this Addendum shall be calculated as follows: the Base Rent set forth in paragraph 1.5 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the C.P.I. of the calendar month 2 (two) months prior to the month(s) specified in paragraph A(a) above during which the adjustment is to take effect, and the denominator of which shall be the C.P.I. of the calendar month which is two (2) months prior to (select one): () the first month of the term of this Lease as set forth in paragraph 1.3 ("Base Month") or () (Fill In Other "Base Month"):~~ _____ ~~The sum so calculated shall constitute the new monthly rent hereunder, but in no event, shall any such new monthly rent be less than the rent payable for the month immediately preceding the date for rent adjustment plus 5% increase and 5% for each option year rounded up to the next dollar figure.~~

~~(c) In the event the compilation and/or publication of the C.P.I. shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the C.P.I. shall be used to make such calculation. In the event that Lessor and Lessee cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid equally by Lessor and Lessee.~~

() ~~II. Market Rental Value Adjustment(s) (MRV)~~

~~(a) On (Fill in MRV Adjustment Date(s):~~ _____ ~~the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted to the "Market Rental Value" of the property as follows:~~

~~1) Four months prior to the Market Rental Value (MRV) Adjustment Date(s) described above, Lessor and Lessee shall meet to establish an agreed upon new MRV for the specified term. If agreement cannot be reached, then:~~

~~i) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the parties, or~~

~~ii) Both Lessor and Lessee shall each immediately select and pay the appraiser or broker of their choice to establish a MRV within the next 30 days. If, for any reason, either one of the appraisals is not completed within the next 30 days, as stipulated, then the appraisal that is completed at that time shall automatically become the new MRV. If both appraisals are completed and the two appraisers/brokers cannot agree on a reasonable average MRV then they shall immediately select a third mutually acceptable appraiser/broker to establish a third MRV within the next 30 days. The average of the two appraisals closest in value shall then become the new MRV. The costs of the third appraisal will be split equally between the parties.~~

~~2) In any event, the new MRV shall not be less than the rent payable for the month immediately preceding the date for rent adjustment plus five percent (5%, rounded up) and five percent (5%, rounded up) each succeeding option year.~~

Initials

Initials

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~~(b) Upon the establishment of each New Market Rental Value as described in paragraph AII:~~

~~1) the monthly rental sum so calculated for each term as specified in paragraph AII(a) will become the new "Base Rent" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph AII(a) above and~~
~~2) the first month at each Market Rental Value term as specified in paragraph AII(a) shall become the new "Base Month" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph AI(b).~~

✓ () III. **Fixed Rental Adjustment(s) (FRA)**

The monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be increased to the following amounts on the dates set forth below.

On (Fill in FRA Adjustment Date(s)):	The New Base Rental shall be:
3/1/2012 thru 2/28/2013	$ 1,440.00 per month plus $75 per month for water/sewer fees
3/1/2013 thru 2/28/2014	$ 1,500.00 per month plus $75 per month for water/sewer fees

B. **NOTICE:** Unless specified otherwise herein, notice at any escalations other than Fixed Rental Adjustment(s) shall be made as specified in paragraph 23 of the attached Lease.

*C. **~~BROKER'S FEE:~~ *Deleted**

~~The Real Estate Brokers specified in paragraph 1.10 of the attached Lease shall be paid a Brokerage Fee for each adjustement specified above in accordance with paragraph 15 of the attached Lease.~~

D. **OPTION RIGHTS CONDITION:** Lessee's Option Rights are contingent upon Lessee not having previously breached or otherwise failed to perform under the Lease since its inception. Otherwise Landlord at its sole discretion may declare any option to extend null and void.

LESSEE'S INITIAL: _____

LESSOR'S INITIAL: _____

Initials

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*NOT APPLICABLE

*EXHIBIT M

SPECIAL ADDENDUM

This Addendum to Lease ("Addendum") is made a part of the Lease dated _____ by and between _____ ("Lessor") and _____ ("Lessee") for the Demised Premises commonly known as _____. Should there be any conflicts between the terms and conditions of this Addendum and the Lease, this Addendum shall prevail.

1. TERMINATION OF FORMER LEASE:

The present Lease agreement on the Demised Premises by and, between, _____ and _____ dated _____ and Estopple dated _____ (hereinafter called "Previous Lease") shall be terminated and superseded by this lease agreement upon the Commencement Date hereof. However, it is understood and agreed that Lessee shall hold Lessor harmless from any Liability or claim under Previous Lease with respect to said Lease, (the Security Deposit $_____ is acknowledged and hereby transferred to new Lease) and Lessee shall assume the responsibility for payment to Lessor (through escrow or otherwise, if any) of all past due rents, taxes, common area charges, and any other lawful charges due Lessor under Previous Lease and prior to the effective date of this Lease Agreement.

2. OTHER (IF ANY):

NEW LESSEE:

By: Fernando Gonzalez

Its:

LESSOR:

By: _____

Its: _____

FORMER LESSEE:

By: _____

Its: _____

Initials

Initials

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3760 - C

By and Between

Strauss Family Trust UDT 6/5/92
dba. M.C. Strauss Company

as Landlord / Lessor

and

Jon Carren, a married man, dba: JMC Performance

as Tenant / Lessee

At 3760 Hancock Street, Suite C
San Diego, CA 92110

Dated for Reference Purposes
As of
February 3, 2014

Standard Commercial Multi-Tenant Lease

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Standard Commercial Multi-Tenant Lease

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Exhibit L:	Option(s) to Extend
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SCAN SLIP

Lease Name: Strauss Family Trust

Lease ID # Q317PM-001-A01

Document Type	Sub Category
Legal 3760-C	Agreements Sublease Expired Documents Amendments Assignments Encumbrances - Estoppels
Financial	Receipts /Payments Rent Adjustment - Credit Audit Financial Statements
Correspondence	
Plans -Maps	
CONFIDENTIAL?	Yes No

STANDARD INDUSTRIAL/ COMMERCIAL
MULTI-TENANT LEASE—GROSS
AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

1. **Basic Provisions ("Basic Provisions").**

1.1 **Parties:** This Lease ("**Lease**"), dated for reference purposes only February 3, 2014, is made by and between Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company ("**Lessor**") and Jon Carren, a married man, dba: JMC Performance ("**Lessee**"), (**collectively the "Parties"**, or individually a "**Party**").

1.2(a) **Premises:** That certain portion of the Project (as defined below), including all Improvements therein or to be provided by Lessor under the terms of this Lease, commonly known by the street address of 3760 Hancock Street, Suite C, located in the City of San Diego, County of San Diego, State of California, with zip code 92110, as outlined on Exhibit A & A-1 attached hereto ("**Premises**") and generally described as (describe briefly the nature of the Premises): Sport Arena Business Park. The demised premises consists of approx. 2,100 square feet. The property is further described on Exhibit A & A.1. In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Areas (as defined in Paragraph 2.7 below) as hereinafter specified, but shall not have any rights to the roof, exterior walls or utility raceways of the building containing the Premises ("**Building**") or to any other buildings in the Project. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the "**Project.**" (See also Paragraph 2.)

1.2(b) **Parking:** See Exhibit C item 14 unreserved vehicle parking spaces ("**Unreserved Parking Spaces**"); and (Not applicable) reserved vehicle parking spaces ("**Reserved Parking Spaces**"). (See also Paragraph 2.6)

1.3 **Term:** Thirty- Eight (38) months ("**Original Term**") commencing March 1, 2014 ("**Commencement Date**") and ending April 30, 2017 ("**Expiration Date**"). (See also Paragraph 3.) (see Exhibit K)

1.4 **Early Possession:** upon mutual lease execution-Lessee shall provide first month's rent, security deposit, and provide General Commercial Liability Insurance. All upfront money must be submitted in certified funds only. ("**Early Possession Date**").(See also Paragraphs 3.2 and 3.3.)

1.5 **Base Rent:** Year One: $1.25psf x 2,100sf = $2,625.00 per month ("**Base Rent**"), payable on the first day of each month commencing March 1, 2014. **Lessee shall be granted two (2) months of free base rent to be given in months 2 and 12. Lessee shall be responsible to pay the monthly water/sewer during the abatement period.** (See also Paragraph 4.)

0 If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted. See Exhibit F.

1.6 **Lessee's Share of Common Area Operating Expenses:** (Not applicable) percent (___%) ("**Lessee's Share**").

1.7 **Base Rent and Other Monies paid Upon Execution:**

(a) Base Rent: $ 2,625.00 for first month's rent.

(b) Common Area Operating Expenses: $ *does not apply for the period *does not apply.

(c) Security Deposit: $ 2,910.00 ("**Security Deposit**"). (See also Paragraph 5.)

(d) Other: $75.00 per month for water/sewer fees (See Exhibit C, Item #4).

(e) Other: $35.00 credit report

(f) Total Due Upon Execution of this Lease: **$5,645.00 (payment must be made in certified funds.)**

1.8 **Agreed Use:** tire storage and installation and for no other purpose or use. See Exhibit H. (See also Paragraph 6.)

1.9 **Insuring Party:** Lessor is the "**Insuring Party**". (See also Paragraph 8.)

1.10 **Real Estate Brokers:** (See also Paragraph 5).

(a) **Representation:** The following real estate brokers (the "**Brokers**") and brokerage relationships exist in this transition (check applicable boxes):

θ ECP Commercial/Nelson Anderson represents Lessor exclusively ("**Lessor's Broker**");

θ Lee & Associates Commercial RE Services/Erik Thompson represents Lessee exclusively ("**Lessee's Broker**"); or

θ (Not Applicable) represents both Lessor and Lessee ("**Dual Agency**").

(b) **Payment to Brokers:** Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Brokers the brokerage fee agreed to in a separate written agreement (or if there is no such agreement, the sum of (Not applicable) or (N/A) % of the total Base Rent for the brokerage services rendered by the Brokers).

1.11 **Guarantor.** The obligations of the Lessee under this Lease are to be guaranteed by (Lessee by signing the Lease is acting as a Guarantor). See Exhibits J and J.1 ("**Guarantor**"). (See also Paragraph 37.)

1.12 **Addenda and Exhibits:** Attached hereto is an Addendum or Addenda consisting of Paragraphs ___ through ___ and Exhibits A through N, all of which constitute a part of this lease.

2. Premises.

2.1 **Letting.** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of size set forth in this Lease, or that may have been used in calculating Rent, is an approximation which the Parties agree is reasonable and any payments based thereon are not subject to revision whether or not the actual size is more or less.

2.2 **Condition.** Lessor shall deliver that portion of the Premises contained within the Building ("**Unit**") to Lessee broom clean and free of debris on the Commencement Date or the Early Possession Date, whichever first occurs ("**Start Date**"), and, so long as the required service contracts described in Paragraph 7.1(b) below are obtained by Lessee and in effect within thirty days following the Start Date, warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems ("**HVAC**"), loading doors, if any, and all other such elements in the Unit, other than those constructed by Lessee, shall be in good operating condition on said date and that the structural elements of the roof, bearing walls and foundation of the Unit shall be free of material defects. If a non-compliance with such warranty exists as of the Start Date, or if one of such systems or elements should malfunction or fail within the appropriate warranty period, Lessor shall, as Lessor's sole obligation with respect to such matter, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, malfunction or failure, rectify same at Lessor's expense. The warranty periods shall be as follows: (i) 6 months as to the HVAC systems, and (ii) 30 days as to the remaining systems and other elements of the Unit. If Lessee does not give Lessor the required notice within the appropriate warranty period, correction of any such non-compliance, malfunction or failure shall be the obligation of Lessee at Lessee's sole cost and expense (except for the repairs to the fire sprinkler systems, roof, foundations, and/or bearing walls—see Paragraph 7).

2.3 **Compliance.** Lessor warrants that the Improvements on the Premises and the Common Areas comply with the building codes that were in effect at the time that each such Improvement, or portion thereof and also with all applicable laws, covenants or restrictions of record, regulations, and ordinances in effect on the Start Date ("**Applicable Requirements**"). The Premises has not undergone an inspection by a Certified Access Specialist (CASp). Said warranty does not apply to the use of which Lessee will put the Premises or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a).) made or to be made by Lessee. **NOTE: Lessee is responsible for determining whether or not the zoning is appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed.** If the Premises do not comply with said warranty; Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within 6 months following the Start Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense. If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Unit, Premises and/or Building, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Unit, Premises and/or Building ("**Capital Expenditure**"), Lessor and Lessee shall allocate the cost of such work as follows:

(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof,

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provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease and the cost thereof exceeds 6 months' Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within 10 days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and the amount equal to 6 months' Base Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least 90 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor and Lessee shall allocate the obligation to pay for the portion of such costs reasonably attributable to the Premises pursuant to the formula set out in Paragraph 7.1(d); provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor.

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to non-voluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall be fully responsible for the cost thereof, and Lessee shall not have any right to terminate this Lease.

2.4 **Acknowledgements.** Lessee acknowledges that: (a) it has been advised by Lessor and/or Brokers to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler Systems, security, environmental aspects, and compliance with Applicable Requirements and the Americans with Disabilities Act), and their suitability for Lessee's intended use, (b) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefore as the same relate to its occupancy of the Premises, and (c) neither Lessor, Lessor's Agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (ii) it is Lessor's sole responsibility to investigate the financial capability and/or suitability of all proposed tenants. (See Exhibit D)

2.5 **Lessee as Prior Owner/Occupant.** The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the Start Date Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.

2.6 **Vehicle Parking.** Lessee shall be entitled to use the number of Unreserved Parking Spaces and Reserved Parking Spaces specified in Paragraph 1.2(b) on those portions of the Common Areas designated from time to time by Lessor for parking. Lessee shall not use more parking spaces than said number. Said parking spaces shall be used for parking by vehicles no larger than full-size passenger automobiles or pick-up trucks, herein called **"Permitted Size Vehicles."** Lessor may regulate the loading and unloading of vehicles by adopting Rules and Regulations as provided in Paragraph 2.9. No vehicles other than Permitted Size Vehicles may be parked in the Common Area without the prior written permission of Lessor.

(a) Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, contractors or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.

(b) Lessee shall not service or store any vehicles in the Common Areas.

(c) If Lessee permits or allows any of the prohibited activities described in this Paragraph 2.6, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.7 **Common Areas—Definition.** The term **"Common Areas"** is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Project and interior utility raceways and installations within the Unit that are provided and designated by the Lessor from time to time for the general non-exclusive use of Lessor, Lessee and other tenants of the Project and their respective employees, suppliers, shippers, customers, contractors and invitees, including parking areas, loading and unloading areas, trash areas, roadways, walkways, driveways and landscaped areas.

2.8 **Common Areas—Lessee's Rights.** Lessor grants to Lessee, for the benefit of Lessee and its employees, suppliers, shippers, contractors, customers and invitees, during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Lessor under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Project. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Lessor or Lessor's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.9 **Common Areas—Rules and Regulations.** Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to establish, modify, amend and enforce reasonable rules and regulations **("Rules and Regulations")** for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Project and their invitees. Lessee agrees to abide by and conform to all such Rules and Regulations, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessor shall not be responsible to Lessee for the non-compliance with said Rules and Regulations by other tenants of the Project.

2.10 **Common Areas—Changes.** Lessor shall have the right, in Lessor's sole discretion, from time to time:

(a) To make changes to the Common Areas, including, without limitation, changes in the location, size, shape and number of driveways, entrances, parking spaces, Parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways;

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;

(c) To designate other land outside the boundaries of the Project to be a part of the Common Areas;

(d) To add additional buildings and improvements to the Common Areas;

(e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Project, or any portion thereof; and

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Project as Lessor may, in the exercise of sound business judgment, deem to be appropriate.

3. **Term.**

3.1 **Term.** The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3. (see Exhibit C #2)

3.2 **Early Possession.** If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early possession. All other terms of this Lease (including but not limited to the obligations to pay Lessee's Share of Common Area Operating Expenses, Real Property taxes and insurance premiums and to maintain the Premises) shall, however, be in effect during such period. Any such early possession shall not affect the Expiration Date. (See Exhibit C # 1)

3.3 **Delay In Possession.** Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession as agreed, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease. Lessee shall not, however, be obligated to

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pay Rent or perform its other obligations until it receives possession of the Premises. If possession is not delivered within 60 days after the Commencement Date, Lessee may, at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10 day period, Lessee's right to cancel shall terminate. Except as otherwise provided, if possession is not tendered to Lessee by the Start Date and Lessee does not terminate this Lease, as aforesaid, any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession of the Premises is not delivered within 4 months after the Commencement Date, this Lease shall terminate, unless other agreements are reached between Lessor and Lessee, in writing. (See Exhibit C #12)

3.4 **Lessee Compliance.** Lessor shall not be required to tender possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of insurance (Paragraph 8.5). Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.

4. **Rent.**

4.1 **Rent Defined.** All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit) are deemed to be rent (**"Rent"**).

4.2 **Common Area Operating Expenses.** INTENTIONALLY DELETED

(a) **"Common Area operating Expenses"** are defined, for purposes of this Lease, as all costs incurred by Lessor relating to the ownership and operation of the Project, including, but not limited to, the following:

(i) The operation, repair and maintenance, in neat, clean, good order and condition, but not the replacement (see subparagraph (e)), of the following:

(aa) The Common Areas and Common Area improvements, including parking areas, loading and unloading areas, trash areas, roadways, parkways, walkways, driveways landscaped areas, bumpers, irrigation systems, Common Area lighting facilities, fences and gates, elevators, roofs, and roof drainage systems

(bb) Exterior signs and any tenant directories.

(cc) Any fire sprinkler systems.

(ii) The cost of water, gas, electricity and telephone to service the Common Areas and any utilities not separately metered.

(iii) Trash disposal, pest control services, property management, security services, and the costs of any environmental inspections.

(iv) Reserves set aside for maintenance and repair of Common Areas.

(v) Any increase above the Base Real Property Taxes (as defined in Paragraph 10).

(vi) Any "Insurance Cost Increase" (as defined in Paragraph 8).

(vii) Any deductible portion of an insured loss concerning the Building or the Common Areas.

(viii) The cost of any Capital Expenditure to the Building or the Project not covered under the provisions of Paragraph 2.3 provided; however, that Lessor shall allocate the cost of any such Capital Expenditure over a 12 year period and Lessee shall not be required to pay more than Lessee's Share of 1/144th of the cost of such Capital Expenditure in any given month.

(ix) Any other services to be provided by Lessor that are stated elsewhere in this Lease to be a Common Area Operating Expense.

(b) Any Common Area Operating Expenses and Real Property Taxes that are specifically attributable to the Unit, the Building or to any other building in the Project or to the operation, repair and maintenance thereof, shall be allocated entirely to such Unit, Building, or other building. However, any Common Area Operating Expenses and Real Property Taxes, that are not specifically attributable to the Building or to any other building or to the operation, repair and maintenance thereof, shall be equitably allocated by Lessor to all buildings in the Project. (See Exhibit C, Items 3 & 4.)

(c) The inclusion of the improvements, facilities and services set forth in Subparagraph 4.2(a) shall not be deemed to impose an obligation upon Lessor to either have said improvements or facilities or to provide those services unless the Project already has the same, Lessor already provides the services, or Lessor has agreed elsewhere in this Lease to provide the same or some of them.

(d) INTENTIONALLY DELETED

(e) When a capital component such as the roof, foundations, exterior walls or a Common Area capital improvement, such as the parking lot paving, elevators, fences, etc. requires replacement, rather than repair or maintenance, Lessor shall, at Lessor's expense, be responsible for such replacement. Such expenses and/or costs are not Common Area Operating Expenses.

4.3 **Payment.** Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States, without offset or deduction (except as specifically permitted in this Lease), on or before the day on which it is due. Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a Waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating. In the event that any check, draft, or other instrument of payment given by Lessee to Lessor is dishonored for any reason, Lessee agrees to pay to Lessor the sum of $25.

5. **Security Deposit.** Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease, Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of the Security Deposit, Lessee shall within 10 days after written request therefore deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sub lessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, in Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within 14 days after the expiration or termination of this Lease, if Lessor elects to apply the Security Deposit only to unpaid Rent, and otherwise within 30 days after the Premises have been vacated pursuant to Paragraph 7.4(c) below, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease.

6. **Use.**

6.1 **Use.** Lessee shall use and occupy the Premises only for the Agreed Use and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties. (See Exhibit C, Item 5.)

6.2 **Hazardous Substances,**

(a) **Reportable Uses Require Consent.** The term **"Hazardous Substance"** as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, by-products or fractions thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely

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compliance (at Lessee's expense) with all Applicable Requirements. **"Reportable Use"** shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefore. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability; including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit.

(b) **Duty to Inform Lessor.** If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(c) **Lessee Remediation.** Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) **Lessee Indemnification.** Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, or any Third party (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from areas outside of the Project). Lessee's obligations shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

(e) **Lessor Indemnification.** Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which existed as a result of Hazardous Substances on the Premises prior to the Start Date or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

(f) **Investigations and Remediations.** Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to the Start Date, unless such remediation measure is required as a result of Lessee's use (including "Alterations," as defined in Paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessor's investigative and remedial responsibilities.

(g) **Lessor Termination Option.** If a Hazardous Substance Condition (see Paragraph 9.1(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to remediate such condition exceeds 12 times the then monthly Base Rent or $100,000, whichever is greater, give written notice to Lessee, within 30 days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within 10 days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to 12 times the then monthly Base Rent or $100,000, whichever is greater. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation, as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

6.3 **Lessee's Compliance with Applicable Requirements.** Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the Premises, without regard to whether said requirements are now in effect or become effective after the Start Date. Lessee shall, within 10 days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements.

6.4 **Inspection Compliance.** Lessor and Lessor's **"Lender"** (as defined in Paragraph 30) and consultants shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a contamination is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination.

7 **Maintenance; Repairs, Utility Installations; Trade Fixtures and Alterations.**

7.1 **Lessee's Obligations.**

(a) **In General.** Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance), 6.3 (Lessee's Compliance with Applicable Requirements), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole expense, keep the Premises, Utility Installations (intended for Lessee's exclusive use, no matter where located), and Alterations in good order, condition and repair (whether or not the portion of the Premises requiring repairs, or the means of repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, but not limited to, all equipment or facilities, such as plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fixtures, interior walls, interior surfaces of exterior walls, ceilings, floors, windows, doors, plate glass, and skylights but excluding any items which are the responsibility of Lessor pursuant to Paragraph 7.2. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Paragraph 7.1(b) below. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair. (See Exhibit C, Item 6.)

(b) **Service Contracts.** Lessee shall, at Lessee's sole expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in the maintenance of the following equipment and improvements, if any, if and when installed on the Premises: (i) HVAC equipment, (ii) boiler and pressure vessels, (iii) clarifiers, and (iv)

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any other equipment, if reasonably required by Lessor. However, Lessor reserves the right, upon notice to Lessee, to procure and maintain any or all of such service contracts, and if Lessor so elects, Lessee shall reimburse Lessor, upon demand, for the cost thereof.

(c) **Failure to Perform.** If Lessee fails to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after 10 days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, and Lessee shall promptly reimburse Lessor for the cost thereof.

(d) **Replacement.** Subject to Lessee's indemnification of Lessor as set forth in Paragraph 8.7 below, and without relieving Lessee of liability resulting from Lessee's failure to exercise and perform good maintenance practices, if an item described in Paragraph 7.1(b) cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such item, then such item shall be replaced by Lessor, and the cost thereof shall be prorated between the Parties and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease, on the date on which Base Rent is due, an amount equal to the product of multiplying the cost of such replacement by a fraction, the numerator of which is one, and the denominator of which is 144 (ie. 1/144th of the cost per month). Lessee shall pay interest on the unamortized balance at a rate that is commercially reasonable in the judgment of Lessor's accountants. Lessee may, however, prepay its obligation at any time.

7.2 **Lessor's Obligations.** Subject to the Provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 4.2 (Common Area Operating Expenses), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler system, Common Area fire alarm and/or smoke detection systems, fire hydrants, parking lots, walkways, parkways, driveways, landscaping, fences, signs and utility systems serving the Common Areas and all parts thereof, as well as providing the services for which there is a Common Area Operating Expense pursuant to Paragraph 4.2. Lessor shall not be obligated to paint the exterior or interior surfaces of exterior walls nor shall Lessor be obligated to maintain, repair or replace windows, doors or plate glass of the Premises. Lessee expressly waives the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease

7.3 **Utility Installations; Trade Fixtures; Alterations.**

(a) **Definitions.** The term **"Utility Installations"** refers to all floor and window coverings, air lines, power panels, electrical distribution, security and fire protection systems, communication systems, lighting fixtures, HVAC equipment, plumbing, and fencing in or on the Premises. The term **"Trade Fixtures"** shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term **"Alterations"** shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. **"Lessee Owned Alterations and/or Utility Installations"** are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a).

(b) **Consent.** Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, and the cumulative cost thereof during this Lease as extended does not exceed a sum equal to 3 month's Base Rent in the aggregate or a sum equal to one month's Base Rent in any one year. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor.

(c) **Indemnification.** Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or material men's lien against the Premises or any interest therein, Lessee shall give Lessor not less than 10 days notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to 150% of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys' fees and costs.

7.4 **Ownership; Removal; Surrender; and Restoration.**

(a) **Ownership.** Subject to Lessor's right to require removal or elect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

(b) **Removal.** By delivery to Lessee of written notice from Lessor not earlier than 90 and not later than 30 days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent.

(c) **Surrender; Restoration.** Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing, if this Lease is for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures, Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall also completely remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Project) even if such removal would require Lessee to perform or pay for work that exceeds statutory requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below. (See Exhibit C, Item 7.)

8. **Insurance Indemnity.**

8.1 **Payment of Premium Increases.**

(a) As used herein, the term **"Insurance Cost Increase"** is defined as any increase in the actual cost of the insurance applicable to the Building and/or the Project and required to be carried by Lessor, pursuant to Paragraphs 8.2(b), 8.3(a) and 8.3(b) (**"Required Insurance"**), over and above the Base Premium, as hereinafter defined, calculated on an annual basis. Insurance Cost Increase shall include, but not be limited to, requirements of the holder of a mortgage or deed of trust covering the Premises, Building and/or Project, increased valuation of the Premises, Building and/or Project, and/or a general premium rate increase. The term Insurance Cost Increase shall not, however, include any premium increases resulting from the nature of the occupancy of any other tenant of the Building. If the parties insert a dollar amount in Paragraph 1.9, such amount shall be considered the **"Base Premium."** The Base Premium shall be the annual premium applicable to the 12 month period immediately preceding the Start Date. If, however, the Project was not insured for the entirety of such 12 month period, then the Base Premium shall be the lowest annual premium reasonably obtainable for the Required Insurance as of the Start Date, assuming the most nominal use possible of the Building. In no event, however, shall Lessee be responsible for any portion of the premium cost attributable to liability insurance coverage in excess of $2,000,000 procured under Paragraph 8.2(b).

(b) INTENTIONALLY DELETED

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8.2 **Liability Insurance.**

(a) **Carried by Lessee.** Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $1,000,000 per occurrence with an annual aggregate of not less than $2,000,000, an "Additional Insured-Managers or Lessor's of Premises Endorsement" and contain the "Amendment of the Pollution Exclusion Endorsement" for damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "Insured Contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance carried by Lessee shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only. (See Exhibit C, Item 8.)

(b) **Carried by Lessor.** Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 **Property Insurance – Building, Improvements and Rental Value.**

(a) **Building and Improvements.** Lessor shall obtain and keep in force a policy or policies of insurance in the name of Lessor, with loss Payable to Lessor, any ground-lessor, and to any Lender insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full replacement cost of the Premises, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available insurable value thereof. Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee under Paragraph 8.4. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed $1,000 per occurrence.

(b) **Rental Value.** Lessor shall also obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one year with an extended period of indemnity for an additional 180 days ("Rental Value Insurance"). Said insurance shall contain an agreed valuation provision, in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next 12 month period.

(c) **Adjacent Premises.** Lessee shall pay for any increase in the premiums for the property insurance of the Building and for the Common Areas or other buildings in the Project if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(d) **Lessee's Improvements.** Since Lessor is the Insuring Party, Lessor shall not be required to insure Lessee Owned Alterations and Utility Installations unless the item in question has become the property of Lessor under the terms of this Lease.

8.4 **Lessee's Property; Business Interruption Insurance.**

(a) **Property Damage.** Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures, and Lessee Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed $1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of Personal Property, Trade Fixtures and Lessee Owned Alterations and Utility Installations. Lessee shall provide Lessor with written evidence that such insurance in force.

(b) **Business Interruption.** Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all Perils commonly insured against by prudent Lessee's in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

(c) **No Representation of Adequate Coverage.** Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.

8.5 **Insurance Policies.** Insurance required herein shall be by companies duly licensed or admitted to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B+, V, as set forth in the most current issue of "Best's Insurance Guide," or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required Insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates evidencing the existence and amounts of the required Insurance. No such policy shall be cancelable or subject to modification except after 30 days prior written notice to Lessor. Lessee shall, at least 30 days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same.

8.6 **Waiver of Subrogation.** Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation, that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 **Indemnity.** Except for Lessor's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified.

8.8 **Exemption of Lessor from Liability.** Lessor shall not be liable for injury or damage to the person or goods, wares merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the Building, or from other sources or places. Lessor shall not be liable for any damages arising from any act or neglect of any other tenant of Lessor nor from the failure of Lessor to enforce the provisions of any other lease in the Project. Notwithstanding Lessor's negligence or breach of this Lease, Lessor shall under no circumstances be liable for injury to Lessee's business or for any loss of income or profit there from.

9. **Damage or Destruction.**

9.1 Definitions.

(a) **"Premises Partial Damage"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which can reasonably be repaired in 3 months or less from the date of the damage or destruction, and the cost thereof does not exceed a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(b) **"Premises Total Destruction"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which cannot reasonably be repaired in 3 months or less from the date of the damage or destruction and/or the cost thereof exceeds a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) **"Insured Loss"** shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

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(d) **"Replacement Cost"** shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) **"Hazardous Substance Condition"** shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises.

9.2 **Partial Damage – Insured Loss.** If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is $5,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said 10 day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 **Partial Damage – Uninsured Loss.** If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective 60 days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 **Total Destruction.** Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate 60 days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6.

9.5 **Damage Near End of Term.** If at any time during the last 6 months of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective 60 days following the date of occurrence of such damage by giving a written termination notice to Lessee within 30 days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is 10 days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished.

9.6 **Abatement of Rent; Lessee's Remedies.**

(a) **Abatement.** In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from the Rental Value Insurance. All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) **Remedies.** If Lessor shall be obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within 90 days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than 60 days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within 30 days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such 30 days, this Lease shall continue in full force and effect. "Commence" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 **Termination; Advance Payments.** Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

9.8 **Waive Statutes.** Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith.

10. Real Property Taxes.

10.1 **Definitions.**

(a) **"Real Property Taxes."** As used herein, the term **"Real Property Taxes"** shall include a form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Project, Lessor's right to other income therefrom, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Project address and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Project is located. The term "Real Property Taxes" shall also include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Project or any portion thereof or a change in the improvements thereon.

(b) **"Base Real Property Taxes."** As used herein, the term **"Base Real Property Taxes"** shall be the amount of Real Property Taxes, which are assessed against the Premises, Building, Project or Common Areas in the calendar year during which the Lease is executed. In calculating Real Property Taxes for any calendar year, the Real Property Taxes for any real estate tax year shall be included in the calculation of Real Property Taxes for such calendar year based upon the number of days which such calendar year and tax year have in common.

10.2 **Payment of Taxes.** Lessor shall pay the Real Property Taxes applicable to the Project, and except as otherwise provided in Paragraph 10.3, any increases in such amounts over the Base Real Property Taxes shall be included in the calculation of Common Area Operating Expenses in accordance with the provisions of Paragraph 4.2.

10.3 **Additional Improvements.** Common Area Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Project by other Lessee's or by Lessor for the exclusive enjoyment of such other lessees. Notwithstanding Paragraph 10.2 hereof, Lessee shall, however, pay to Lessor at the time

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Common Area Operating Expenses are payable under Paragraph 4.2, the entirety of any increase in Real Property Taxes if assessed solely by reason of Alterations, Trade Fixtures or Utility Installations placed upon the Premises by Lessee or at Lessee's request

10.4 **Joint Assessment.** If the Building is not separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.5 **Personal Property Taxes.** Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within 10 days after receipt of a written statement getting forth the taxes applicable to Lessee's property.

11. **Utilities.** Lessee shall pay for all water, gas, heat, light, power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. Notwithstanding the provisions of Paragraph 4.2, if at any time in Lessor's sole judgment, Lessor determines that Lessee is using a disproportionate amount of water, electricity or other commonly metered utilities, or that Lessee is generating such a large volume of trash as to require an increase in the size of the dumpster and/or an increase in the number of times per month that the dumpster is emptied, then Lessor may increase Lessee's Base Rent by an amount equal to such increased costs.

12. **Assignment and Subletting.** (see Exhibit C #9)

12.1 **Lessor's Consent Required.**

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, **"assign or assignment"**) or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent.

(b) A change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of 25% or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than 25% of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. **"Net Worth of Lessee"** shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.

(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a noncurable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, (i) the Purchase Price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to 110% of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

12.2 **Terms and Conditions Applicable to Assignment and Subletting.**

(a) Regardless of Lessor's consent, any assignment or subletting shall not: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) after the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefore to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of $1,000 or 10% of the current monthly Base Rent applicable to the portion of the Premises which is the subject of the proposed assignment or sublease, whichever is greater, as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested.

(f) Any assignee of, or sublessee under, this lease shall, by reason of accepting such assignment or entering into such sublease, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

12.3 **Additional Terms and Conditions Applicable to Subletting.** The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease, provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. **Default; Breach; Remedies.**

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13.1 **Default; Breach.** A **"Default"** is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A **"Breach"** is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or Property, where such failure continues for a period of 3 business days following written notice to Lessee.

(c) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 41 (easements), or (viii) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Lessee.

(d) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 2.9 hereof, other than those described in subparagraphs 13.1(a), (b) or (c), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

(e) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a **"debtor"** as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(f) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.

(g) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 **Remedies.** If Lessee fails to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. The costs and expenses of any such performance by Lessor shall be due and payable by Lessee upon receipt of invoice therefor. If any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor, at its option, may require all future payments to be made by Lessee to be by cashier's check. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result there from, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover damages under Paragraph 12. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 **Inducement Recapture.** Any agreement for free or abated rent or other charges, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as **"Inducement Provisions,"** shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and condition, of this Lease. Upon Breach of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance. (See Exhibit C #16)

13.4 **Late Charges.** Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within 5 days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a one-time late charge equal to 10% of each such overdue amount or $100, whichever is greater. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment, acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late

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charge is payable hereunder whether or not collected, for 3 consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary. Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 **Interest.** Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due as to scheduled payments (such as Base Rent) or within 30 days following the date on which it was due for non-scheduled payment, shall bear interest from the date when due, as to scheduled payments, or the 31st day after it was due as to non-scheduled payments. The interest ("**Interest**") charged shall be equal to the prime rate reported in the Wall Street Journal as published closest prior to the date when due plus 4%, but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 **Breach by Lessor.**

(a) **Notice of Breach.** Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than 30 days after receipt by Lessor, and any Lender whose name and address shall have been furnished Lessee in writing for such Purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than 30 days are reasonably required for its Performance, then Lessor shall not be in breach of Performance is commenced within such 30 day period and thereafter diligently pursued to completion.

(b) **Performance by Lessee on Behalf of Lessor.** In the event that neither Lessor nor Lender cures said breach within 30 days after receipt of said notice, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from Rent an amount equal to the greater of one Base Rent of the Security Deposit, and to pay an excess of such expense under protest, reserving Lessee's right to reimbursement from Lessor. Lessee shall document the cost of said cure and supply said documentation to Lessor.

14. **Condemnation.** If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively "**Condemnation**") this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs first. If more than 10% of the floor area of the Unit, or more then 25% of Lessee's Reserved Parking Spaces, is taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within 10 days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within 10 days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided however, that Lessee shall be entitled to any compensation for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefore. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation.

15. **Brokerage Fees.** (see Exhibit C #10)

15.1 **Additional Commission.** In addition to the payments owed pursuant to Paragraph 1.10 above, and unless Lessor and the Brokers Otherwise agree in writing, Lessor agrees that: (a) if Lessee exercises any Option, (b) if Lessee acquires from Lessor any rights to the Premises or other premises owned by Lessor and located within the Project, (c) if Lessee remains in Possession of the Premises, with the consent of Lessor, after the expiration of this Lease or (d) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then, Lessor shall pay Brokers a fee in accordance with the schedule of the Brokers in effect at the time of the execution of this Lease.

15.2 **Assumption of Obligations.** Any buyer or transferee of Lessor's interest in this Lease shall be deemed to have assumed Lessor's obligation hereunder. Brokers shall be third party beneficiaries of the provisions of Paragraphs 1.10, 15, 22 and 31. If Lessor fails to pay to Brokers any amounts due as and for brokerage fees pertaining to this Lease when due, then such amounts shall accrue Interest. In addition, if Lessor fails to pay any amounts to Lessee's Broker when due, Lessee's Broker may send written notice to Lessor and Lessee of such failure and if Lessor fails to pay such amounts within 10 days after said notice, Lessee shall pay said monies to its Broker and offset such amounts against Rent. In addition, Lessee's Broker shall be deemed to be a third party beneficiary of any commission agreement entered into by and/or between Lessor and Lessor's Broker for the limited purpose of collecting any brokerage fee owed.

15.3 **Representations and Indemnities of Broker Relationships.** Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any) in connection with this Lease, and that no one other than said named Brokers is entitled to any commission or finder's fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

16. **Estoppel Certificates.**

(a) Each Party (as "**Responding Party**") shall within 10 days after written notice from the other Party (the "**Requesting Party**") execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current "**Estoppel Certificate**" form published by the American Industrial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

(b) If the Responding Party shall fail to execute or deliver the Estoppel Certificate within such 10 day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance. Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate.

(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past 3 years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. **Definition of Lessor.** The term "**Lessor**" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Except as provided in Paragraph 15, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined. Notwithstanding the above, and subject to the provisions of Paragraph 20 below, the original Lessor under this Lease, and all subsequent holders of the Lessor's interest in this Lease shall remain liable and responsible with regard to the potential duties and liabilities of Lessor pertaining to Hazardous Substances as outlined in Paragraph 6.2 above.

18. **Severability.** The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. **Days.** Unless otherwise specifically indicated to the contrary, the word "**days**" as used in this Lease shall mean and refer to calendar days.

20. **Limitation on Liability.** Subject to the provisions of Paragraph 17 above, the obligations of Lessor under this Lease shall not constitute personal obligations of Lessor, the individual partners of Lessor or its or their individual partners, directors, officers or shareholders, and Lessee shall look to the Premises, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with

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respect to this Lease, and shall not seek recourse against the individual partners of Lessor, or its or their individual partners, directors, officers or shareholders, or any of their personal assets for such satisfaction.

21. **Time of Essence.** Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

22. **No Prior or Other Agreements; Broker Disclaimer.** This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the use, nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees), of any Broker with respect to negotiation, execution, delivery or performance by either Lessor or Lessee under this Lease or any amendment or modification hereto shall be limited to an amount up to the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

23 **Notices.**

23.1 **Notice Requirements.** All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may, by written notice to the other, specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing

23.2 **Date of Notice.** Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 48 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices transmitted by facsimile transmission or similar means shall be deemed delivered upon telephone confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

24. **Waivers.** No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of monies or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

25. **Disclosures Regarding The Nature of a Real Estate Agency Relationship.**

(a) When entering into a discussion with a real estate agent regarding a real estate transaction, a Lessor or Lessee should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Lessor and Lessee acknowledge being advised by the Brokers in this transaction, as follows:

(i) Lessor's Agent. A Lessor's agent under a listing agreement with the Lessor acts as the agent for the Lessor only. A Lessor's agent or subagent has the following affirmative obligations: To the Lessor: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessor. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(ii) Lessee's Agent. An agent can agree to act as agent for the Lessee only. In these situations, the agent is not the Lessor's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Lessor. An agent acting only for a Lessee has the following affirmative obligations. To the Lessee: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessee. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that not known to, or within the diligent attention and observation of the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(iii) Agent Representing Both Lessor and Lessee. A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Lessor and the Lessee in a transaction, but only with the knowledge and consent of both the Lessor and the Lessee. In a dual agency situation, the agent has the following affirmative obligations to both the Lessor and the Lessee: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Lessor or the Lessee. b. Other duties to the Lessor and the Lessee as stated above in subparagraphs (i) or (ii). In representing both Lessor and Lessee, the agent may not without the express permission of the respective Party, disclose to the other Party that the Lessor will accept rent in an amount less than that indicated in the listing or that the Lessee is willing to pay a higher rent than that offered. The above duties of the agent in a real estate transaction do not relieve a Lessor or Lessee from the responsibility to protect their own interests. Lessor and Lessee should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

(b) Brokers have no responsibility with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees), of any Broker with respect to any breach of duty, error or omission relating to this Lease shall not exceed the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

(c) Buyer and Seller agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

26. **No Right To Holdover.** Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 150% of the Base Rent applicable immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

27. **Cumulative Remedies.** No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. **Covenants and Conditions; Construction of Agreement.** All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

29. **Binding Effect; Choice of Law.** This Lease shall be binding upon the parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. **Subordination; Attornment; Non-Disturbance.**

30.1 **Subordination.** This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, **"Security Device"**), now or hereafter placed upon the

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Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as **"Lender"**) shall have no liability or obligation to perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to Lessee, whereupon this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 **Attornment.** Subject to the non-disturbance provisions of Paragraph 30.3, Lessee agrees to attorn to a Lender or any other party who acquires ownership of the Premises by reason of a foreclosure of a Security Device, and that in the event of such foreclosure, such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership, (b) be subject to any offsets or defenses which Lessee might have against any prior lessor, (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor.

30.3 **Non-Disturbance.** With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a **"Non-Disturbance Agreement"**) from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within 60 days after the execution of this Lease, Lessor shall use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to provide the Non-Disturbance Agreement within said 60 days, then Lessee may, at Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 **Self-Executing.** The agreements contained in this Paragraph 30 shall be effective without the execution or any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

31. **Attorneys' Fees.** If any Party or Broker brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit whether or not such action or proceeding is pursued to decision or judgment. The term, **"Prevailing Party"** shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgement, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach ($200 is a reasonable minimum per occurrence for such services and consultation). (see Exhibit C #15)

32. **Lessor's Access; Showing Premises; Repairs.** Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times for the purpose of showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary. All such activities shall be without abatement of rent or liability to Lessee. Lessor may at any time place on the Premises any Ordinary **"For Sale"** signs and Lessor may during the last 6 months of the term hereof place on the Premises any ordinary **"For Lease"** signs. Lessee may at any time place on the Premises any ordinary **"For Sublease"** sign.

33. **Auctions.** Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessor's prior written consent. Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

34. **Signs.** Except for ordinary "For Sublease" signs which may be placed only on the Premises, Lessee shall not place any sign upon the Project without Lessor's prior written consent. All signs must comply with all Applicable Requirements. (see Exhibit G)

35. **Termination; Merger.** Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subtenancies. Lessor's failure within 10 days following any such event to elect to the contrary by written notice to the holder of any such lesser interest shall constitute Lessor's election to have such event constitute the termination of such interest.

36. **Consents.** Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an invoice and supporting documentation therefor. Lessor's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within 10 business days following such request.

37. **Guarantor.**

37.1 **Execution.** The Guarantors, if any, shall each execute a guaranty in the form most recently published by the American Industrial Real Estate Association, and each such Guarantor shall have the same obligations as Lessee under this Lease.

37.2 **Default.** It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantors behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect.

38. **Quiet Possession.** Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. **Options.** If Lessee is granted an option, as defined below, then the following provisions shall apply. (see Exhibit L, if any)

39.1 **Definition. "Option"** shall mean: (a) the right to extend the term of or renew this Lease or to extend or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Promises or other property of Lessor; (c) the right to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 **Options Personal To Original Lessee.** Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting.

39.3 **Multiple Options.** In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised.

39.4 **Effect of Default on Options.**

(a) Lessee shall have no right to exercise an Option: (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

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(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), (ii) Lessor gives to Lessee 3 or more notices of separate Default during any 12 month period, whether or not the Defaults are cured, or (iii) if Lessee commits a Breach of this Lease.

40. **Security Measures.** Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

41. **Reservations.** Lessor reserves the right, (i) to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, (ii) to cause the recordation of parcel maps and restrictions, and (iii) to create and/or install new utility raceways, so long as such easements, rights dedications, maps, restrictions, and utility raceways do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate such rights.

42. **Performance Under Protest.** If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make Payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay.

43. **Authority.** If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duty authorized to execute and deliver this Lease an its behalf. Each party shall, within 30 days after request, deliver to the other party satisfactory evidence of such authority.

44. **Conflict.** Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions. (see Exhibit C #13)

45. **Offer.** Preparation of this Lease by either party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

46. **Amendments.** This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

47. **Multiple Parties.** If more than one person or entity is named herein as either Lessor or Lessee, such multiple Parties shall have joint and several responsibility to comply with the terms of this Lease.

48. **Waiver of Jury Trial.** The Parties hereby waive their respective rights to trial by jury in any action or proceeding involving the Property or arising out of this Agreement.

49. **Mediation and Arbitration of Disputes.** An Addendum requiring the Mediation and/or the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease is not attached to this Lease.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION, OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL, AND TAX CONSEQUENCES OF THIS LEASE.
2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

WARNING: IF THE PREMISES ARE LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES ARE LOCATED.

The parties hereto have executed this lease at the place and on the dates specified above their respective signatures.

Executed at: Solana Beach, CA
on: 2/5/14
By LESSOR:
Strauss Family Trust UDT 8/5/92 dba M.C. Strauss Company
By: M.C. Strauss
Name Printed:
Title: M.C. Strauss, TTEE
Address: 990 Highland Drive #200
Solana Beach, CA 92075
Telephone: (858) 792-7500
Facsimile: (858) 792-7834
Federal ID No.

Executed at: Anaheim Hills, CA
on: 2/3/14
By LESSEE:
Jon Carren, a married man, dba: JMC Performance
By:
Name Printed: Jon Carren
Title: CEO
Address: 3911 E. La Palma #D
Anaheim Hills, CA 92807
Telephone: (714) 323-2913
Facsimile: (714) 632-8377
Federal ID No. 46-2350445

These forms are often modified to meet changing requirements of law and needs of the industry. Always write or call to make sure you are utilizing the most current form: American Industrial Real Estate Association, 700 South Flower Street, Suite 600, Los Angeles, CA 90017. (213) 687-8777.

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TENANTS SHALL FURNISH:

1. Its personal and corporate (if applicable) financial statements.
2. Completed Landlord furnished credit information forms.
3. Letter of reference from Tenant's bank.
4. If a corporation, its duly Authorized Corporate Resolution notifying the Lease. (SEE Exhibit C Item #11)

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EXHIBIT A

LEGAL DESCRIPTION & SITE PLAN

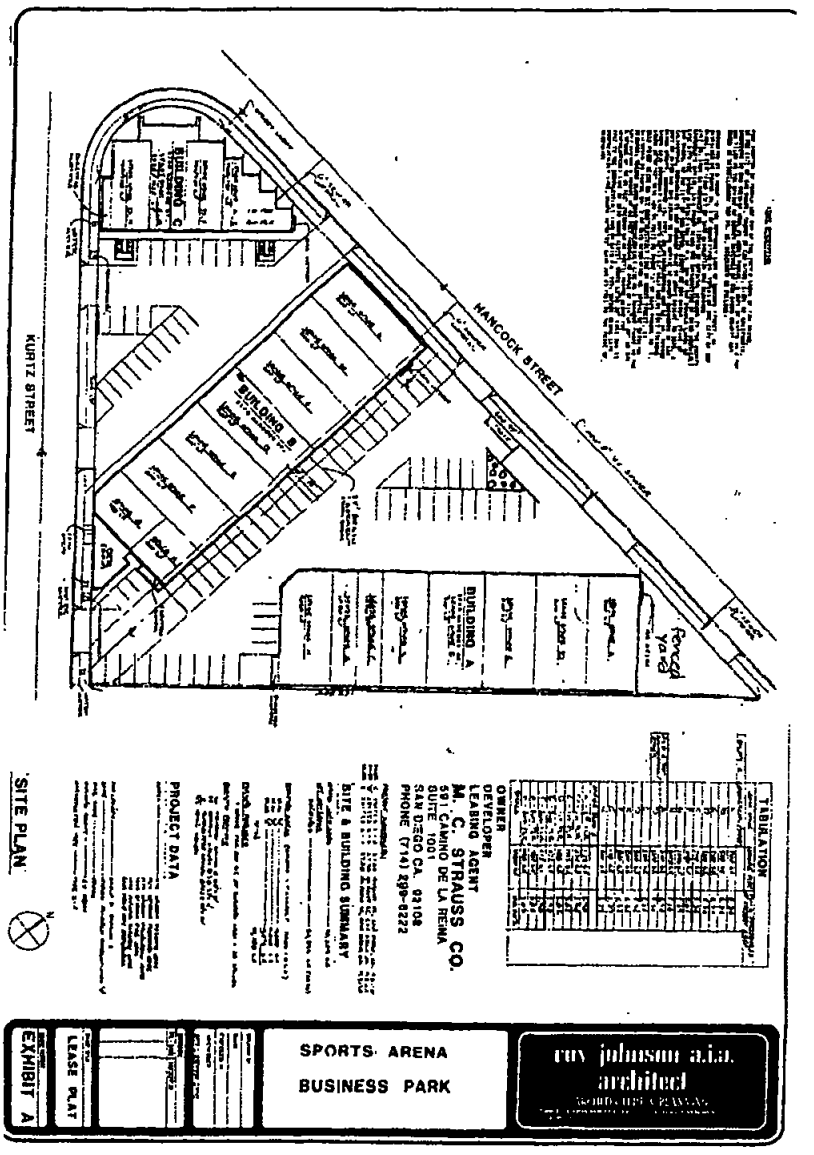


EXHIBIT A

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EXHIBIT A-1 TO LEASE (SUBLEASE)

MINIMUM STANDARD SUBLEASE CONDITIONS

(1) ASSIGNMENT AND SUBLEASING: Sublessee, shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and the City of San Diego, hereinafter, "City." An assignment by operation of law shall automatically terminate this lease.

(2) HOLD HARMLESS: Sublessee shall assume the defense of, indemnify and save harmless Lessee and City from all claims, expenses and liability of every nature, directly or indirectly arising from, or alleged to have arisen from the operations conducted on the leased premises or from any act or omission of Sublessee, its agents and invitees.

(3) INSURANCE: Sublessee shall be insured by an insurance carrier acceptable to the Lessee and City against loss from public liability arising from the use or condition of or operation conducted on the leased premises. Minimum coverage shall be as set forth in Paragraph 16-B hereof. A copy of the policy of insurance shall be filed with the City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or canceled without 30 days prior written notice to the. City by the insurance company,

(4) LEGAL PROCEEDINGS: Should it become necessary to Lessee or City to commence legal Proceedings to collect rent, to recover possessions or enforce any other provision of this lease, Sublessee agrees that the prevailing party shall be entitled to all legal costs in connection therewith, including a reasonable sum as attorney's fees

(5) SUBORDINATION: This agreement is in effect a sublease of a portion of the premises covered by that certain Lease Agreement dated September 13, 1977, as amended between the sublessor herein and the City of San Diego- This sublease is subject and subordinated to the covenants and conditions of said Lease Agreement notwithstanding any provision hereto contrary to or in conflict with said agreement.

(6) The property is subject to a City of San Diego ground lease mentioned hereinabove and lies with in the recently formed North Bay Redevelopment Area. The property will be redeveloped sometime in the future- Accordingly, Landlord and or city at its sole option may terminate this lease at anytime after Dec 1, 2003 with 6 months notice in writing, and without invalidating or superceding any of the rights contained here in this Addendum of the lease or the city land lease agreements there under

LESSOR'S INITIALS _____

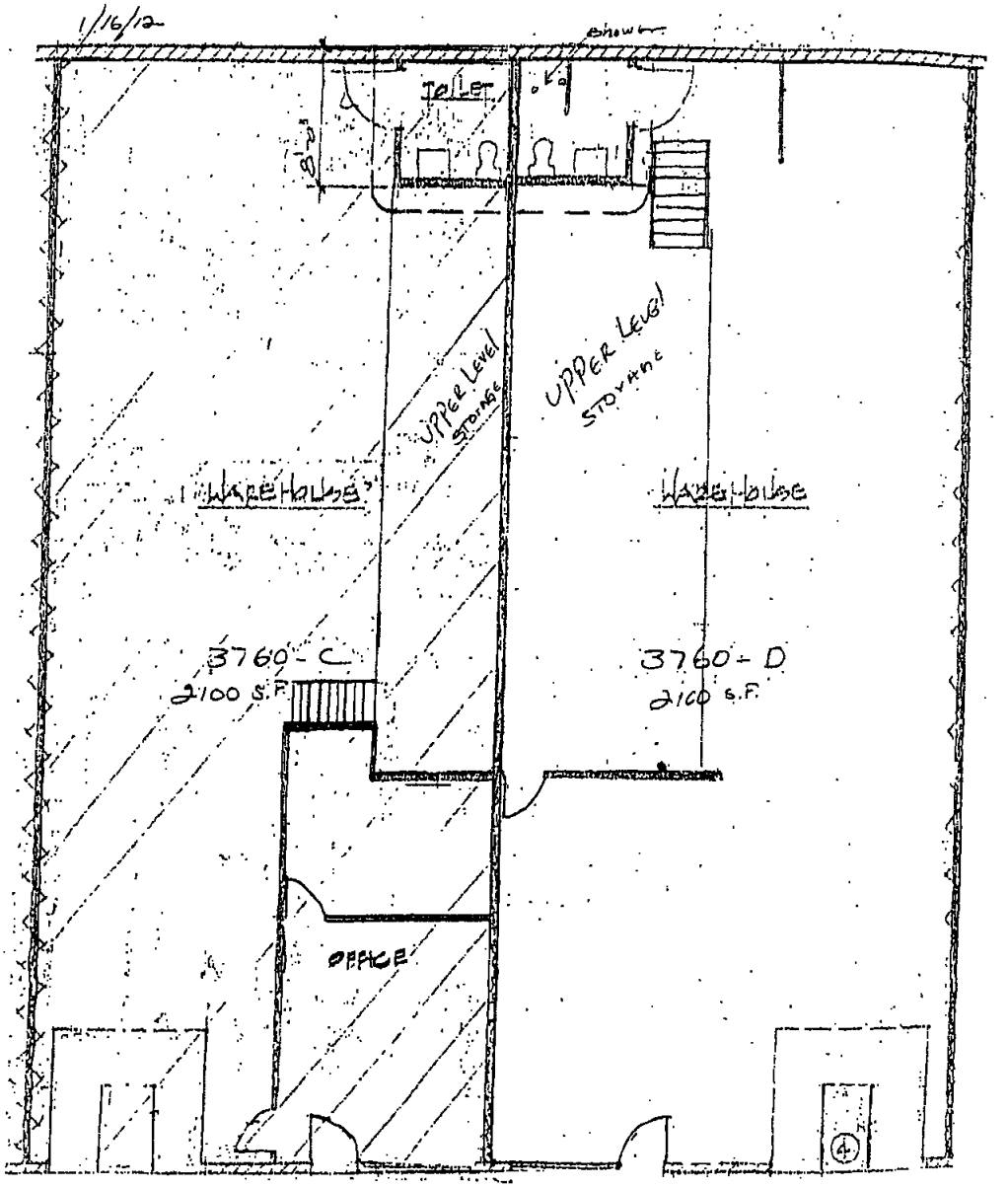
LESSEE'S INITIALS _____

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EXHIBIT B

DEMISED PREMISES PLAN (IF AVAILABLE)

SPORTS ARENA BUSINESS PARK



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Addendum to Commercial/Industrial Multi-Tenant Lease

1. Early Possession: With early move-in of Lessee, Lessee may not interfere with any tenant improvements needed to be done by Lessor. Additionally, M.C. Strauss Company is not responsible for loss, theft, or damage of any of Lessee's property should Lessee desire to move-in prior to commencement of Lease Term.

2. Term Adjustment: If the Commencement Date is other than the first day of a calendar month, the Term shall be deemed to have commenced on the first day of the next succeeding month.

3. Modified Common Area Operating Expenses: Lessor shall pay Tenant's portion of common area maintenance, taxes,and insurance.
   a. "Operating Costs" means all costs reasonably incurred by Lessor in accordance with generally accepted accounting principles, and fairly allocable to the applicable Calendar Year which relate to, or are fairly allocable to, the ownership and operation of the Common Areas. Lessor shall pay tenant's portion of common area maintenance, taxes and insurance
   b. Periodic painting of the building exterior and common areas shall be included as a common area operating expense. If Lessor undertakes a program of preventive maintenance for the HVAC systems for all of the Tenants per Paragraph 7.1(b), the cost thereby shall be included as a common area expense.
   c. The common area definition shall also include lighting facilities, sewer, water, gas, electric, phone and other utility lines, storm drains, roads and approaches servicing the Center generally; and any other items that Lessor deems necessary and appropriate
   d. Replacement costs, defined as that which cannot be repaired other than at a cost which is in excess of fifty percent (50%) of the cost of replacing such item, then such item shall be replaced and the cost prorated over sixty (60) months and Tenant shall pay one sixtieth (1/60) of the cost each month of the Lease term and extension thereto

4. Utilities: Lessee shall pay before delinquency all charges for water, sewer, gas heat, electricity, power, telephone service and all and any other services or utilities used in, upon or about the Demised Premises by Lessee or any of its subtenants, licensees or concessionaries, provided, however, if any such services or utilities shall be billed to Lessor and not separately metered to the Demised Premises the mount thereof shall be prorated and Lessee shall pay to Lessor upon demand as additional rental hereunder an amount equal to that proportion of the total charges therefore which the number of square feet of Gross Floor Area in the Demised Premises bears to the total number of square feet of gross floor area of stores then rented as of the date of the utility bill served in the area and/or buildings covered by such combined charges. With respect to gas and electric service, which is not separately metered, Lessor may, at Lessor's option, in lieu of prorating on the fore-going basis, determine the amount of use of such services by Lessee on the basis of Lessee's estimated usage as determined by the utility company servicing the Demised Premises, or, if such company ceases providing such service, by a qualified electrical contractor selected by Lessor. Water is furnished to the part of the Common Area via as is central meter. Accordingly, Lessee will pay Lessor a flat charge of ___(per Section 1.7 (d))___ a month for its share of the water for its premises Water charges may be reevaluated and increased by Lessor based on the use of the premises especially due to the number of patrons of and Lessee's business use. Lessor may require a high water user such as a restaurant or beauty parlor to install a separate meter or if the cost is prohibitive, to install an inline meter at Lessee's expense to be able to determine Lessee's fair share for any excess use.

5 Continuous Operations. Lessee shall keep the Demised Premises open for business during all hours customarily maintained by business similar to Lessee's business in the trading area in which the Demised Premises are located. At all such times Lessee shall have upon the Demised Premises a sufficient number of employees and a sufficient stock of merchandise to adequately serve the patrons thereof or render the services offered A business holiday of more than 30 days of consecutive closing in any one year shall be considered a default

6. Locks: Should Lessee change the locks on their suite, Lessee must furnish Lessor with a copy of the new key which is for the protection of the Lessee and per the Lease.

7. Vacating Premises: The definition "ordinary wear and tear" shall NOT include such items as carpet cleaning, cleaning, patching and painting necessary to restore Premises to a releasable condition. Additionally, Tenant will be charged for repainting rear access doors, repairing store front doors, rekeying locks to the master system and removing alarm systems or personal property and/or debris, etc, upon Lease termination,

8. Insurance: Lessor's appropriate liability insurance coverage is $3,000,000 Therefore, Paragraph 8.1 and/or Paragraph 8.2 is amended to increase the ceiling to $3,000,000 and Lessee shall reimburse Lessor for its portion accordingly.

9. Assignment and Subletting
(This is in addition to lease language and prevails in the event of conflict.)

a. Consent to Assignment or Subletting shall not be unreasonably withheld: Subject to a compatible and noncompetitive business use with respect to the other businesses in the Center and sufficient financial statement and credit record of assignee and reasonable experience in conducting the intended business, Lessor's consent to assign or sublet this Lease shall not be unreasonably withheld provided however, that Lease shall not be in default and/or if Lessee shall have, previously breached or otherwise failed to perform under this Lease since its inception, and Lessee did not cure that breach, Lessor, at its sole discretion, may declare this
Sub-paragraph null and void. Any increase in rents shall become the property of the Lessor. Any such assignment or subleasing even with the approval of the Lessor, shall not relieve the Lessee from liability for payment of the rental herein provided or from the obligation to keep and be bound by the terms, conditions and covenants of this Lease.

b. Assignment or Transfer to a Corporation: Notwithstanding anything to the contrary set forth herein, Lessee may assign this Lease, without the consent of Lessor, to a corporation or other entity not less than fifty percent (50%) of the voting stock or controlling interest of which is owned by Lessee; provided that Lessee shall at all times remain liable for performance hereunder; and provided, further, that any transfer by Lessee of the controlling stock or interest in such corporation or other entity shall be a prohibited assignment hereunder.

c. Consent to be in writing: Lessee shall not assign, mortgage, pledge, hypothecate or encumber this lease or the leasehold interest created hereby or any interest herein or sublet the Demised Premises or any portion thereof, or license the use of all or any portion of the Demised Premises. without the written consent of Lessor first had and obtained. Without in any way limiting any other rights available to the Lessor at the time of any proposed assignment or subletting, Lessor expressly reserves the right to adjust the Guaranteed Minimum Monthly Rental to an amount derived by multiplying said guaranteed minimum monthly rental times a number equal to the percentage by which the Bureau of Labor Statistics, United States Department of Labor for Los Angeles-Riverside-Orange County under the heading of "All Items" for "All Urban Consumers" for the month in which the date of such assignment or subletting occurs has increased over the same Cost of Living Index figure for the month in which the Commencement Date under this Lease occurs (i.e., if the percentage of such increase is thirty percent (30%), then the guaranteed minimum monthly rental will be multiplied times 130%). Tenant agrees to pay Lessor an administrative fee of $500 and to reimburse Lessor for Lessor's reasonable attorney fees

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incurred in conjunction with the processing and documentation of any such requested transfer, assignment, subletting, licensing or concession agreement

10. Broker's Fee
   a. All Broker's fees as referred to in the Lease and Lease addendums shall be by separate agreement pursuant to a schedule to be agreed upon by Owner and Broker.
   b. However, it is understood and agreed that no commissions shall be paid on option exercises, or renewals, or expansions that unless at the invitation of the Owner first had obtained in writing.

11. Lessee's Financial Information: Lessee will furnish financial statements which shall be subject to Lessor's approval and shall reimburse Lessor $35 if Lessor obtains a credit report. Lessee also agrees to deliver to Lessor a resume of its business experience and a completed Lessor's "Credit Information" form. The Lease is contingent upon Lessor's review and approval to its sole satisfaction of Lessee's qualifications to lease. Said credit application must include but not be limited to listing specifics of next of kin, closest living relative not living with you, closest non-relative and who to notify in case of emergency.

12. Dispute or Delay: In the event of any dispute between the parties concerning the time of actual completion of Lessor's Work or Lessee's Work or any claimed excuse for delay in performance or non-performance thereof or whether such work has been adequately performed in a good and workmanlike manner and is satisfactory for the use intended, such dispute shall be referred to Lessor's architect whose determination with regard thereto shall be final and conclusive upon the parties

13. Deletion: Wherever in this Lease a Section or Subsection is preceded by the word "Deleted" or "Deleted," such Section or Subsection is deleted from this Lease in its entirety and is of no force or effect.

14. Parking. Lessee shall have the right to N/A parking spaces on level N/A at no cost to Lessee for the term of the Lease and any Option Periods. The surface parking is designated for customers and retail tenants only, All employees, visitors, guests of Lessee are not Permitted to use surface parking, but shall park on lower levels A & B of the parking structure, if any.

15. Attorney's Fees: The Lessor is entitled to attorney's fees or costs for the enforcement of the lease regardless of whether an action is filed, said fees and costs to be considered additional rent

16. Lease Incentives: If Tenant is in default under this Lease at any time during the Term and without limiting the foregoing, if Landlord has given Tenant any lease incentives or other inducements or consideration in connection with this Lease ("Incentives"), including without limitation, any abatement of rent, the unamortized portion of any Tenant Improvement Allowance and/or leasing commissions then the incentives will terminate and Landlord may recover from Tenant the value of all such Incentives received by Tenant in addition to all other damages recoverable by Landlord pursuant to the provisions of this Lease.

17. Confidentiality: Lessee shall keep the content and all copies of this Lease and related documents now or hereafter entered into, and all proposals, materials, information and matters relating thereto, strictly confidential, and shall not disclose, disseminate or distribute any of the same, or permit the same to occur, except to the extent reasonably required for proper business purposes by Lessee's attorneys, insurers, auditors and lenders, and, in such event, Lessee shall obligate any such parties to whom disclosure is permitted to honor the confidentiality provisions hereto, except as may be required by Law or court proceedings.

18. Substitute Premises: Lessor shall have the right from time to time during the term of this lease to relocate the Premises within the Project on the following terms and conditions: (i) the square footage of the substitute premise ("Substitute Premises") are equal to the square footage of the Premises (subject to a variation of up to fifteen percent (15%) in the square footage of the Substitute Premises, provided that the amount of rent payable under this lease is not thereby increased); (ii) Lessor shall pay the cost of providing Lessee Improvements (defined below) in the Substitute Premises substantially comparable to the Tenant Improvements in the Premises; (iii) Lessor shall pay the expenses directly related to and reasonably incurred by Lessee in connection with such relocation to the Substitute Premises; and (iv) Lessor shall not be liable for (a) any loss of business or good will, or (b) any damage to Lessee's Property or other personal property relocated, unless caused by Lessor or it's employees gross negligence or willful misconduct. Lessor shall deliver to Lessee written notices of Lessor's election to relocate the Premises specifying the new location at least thirty (30) days prior to the date the relocation is to be effective. If the relocation of the Premises is unacceptable to Lessee, then Lessee may terminate this lease during a period of thirty (30) days after receipt of Lessor's notice to relocate, by delivering written notice to Lessor within the thirty (30) day period. Such notice of termination shall be effective upon receipt thereof by Lessor. If Lessee elects to terminate this Lease pursuant to this Section, then the parties shall be discharged from all obligations hereunder, other than those that have accrued prior to the actual date of Lessee's termination of this Lease or which specifically survive the termination of this Lease and Lessee shall be granted a reasonable period of tenancy in order to relocate to suitable premises.

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A. Lessee is responsible for sending rent payments on the first of the month to:

MC Strauss Company
990 Highland Drive, Suite 200
Solana Beach, CA 92075

B. For any questions or building management problems, call:

MC Strauss Company
990 Highland Drive, Suite 200
Solana Beach, CA 92075
Phone: 858-792-7500; Fax: 858-792-7834

C. Required Personal Data:
Lessee's Home Address: 520 Pinehurst, Placentia, CA
Home Phone: 714-681-0558 Home Fax: 714-632-8377

In case of emergency: Heather Curren
Address: 520 Pinehurst Placentia, CA
Phone: 714-323-2418 Fax: _____

Next of Kin (Name): _____
Address: _____
Phone: _____ Fax: _____

D. Other: Lessor reserves the right to change the management company and the address to which rent payments shall be made by delivering notice to Lessee in accordance with this Lease.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: JC

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EXHIBIT D

TENANT IMPROVEMENTS AND ACCEPTANCE OF PREMISES

Scope of Lessor's Work

Lessor shall provide Lessee, at the sole cost and expense of Lessor, the following "standard" improvements as follows:

1. Lessee acknowledges that the Demised Premises are being leased in "as is" good working condition and that Lessee has inspected same and the Demised Premises are in satisfactory condition.

(a) Lessor shall deliver all the functions of the building in good working condition, to include but not limited to, HVAC, plumbing, roof, light and power.

Scope of Lessee's Work

All improvements desired by Lessee, shall be considered "Non-standard" and shall be at the sole cost and expense of Lessee including, but not limited to :

1. Permits, Plans, and supervision for any Tenant improvements.

2. Lessor grants permission to Lessee to install necessary and/or required improvements or modifications, subject to Lessor's prior written approval, to accommodate Lessee's intended business use, at Lessee's sole cost and expense, and in accordance with any and all governmental requirements including the obtaining of any required permits for the Demised Premises and said business.

Perform any and all additional work required to complete the Premises to a condition customary and ready for the normal operation of Lessee's business. Lessee shall be responsible to pay for any additional water, and/or sewer impact fees if imposed due to the nature of Lessee's business or use of Premises.

Within thirty (30) days following the execution of the Lease, Lessee, at Lessee's sole cost and expense, shall deliver to Lessor a fully dimensioned 1/4-inch scale set of plans. Said plans shall show all storefronts, interior partitions, fixtures, lighting, electrical outlets, plumbing (including fixtures), floor coverings, ceiling and other improvements that Lessee wishes to construct and install upon Premises. Said plans shall be subject to Lessor's approval prior to start of any work by Lessee or his contractors, which shall not be unreasonably withheld, which shall thereafter be called "Lessee Plans Approved for Construction." Should Lessee fail to deliver to Lessor plans for "Lessee's Work" within thirty (30) days following execution of the Lease, Lessor may, at his option and with written notification to that effect to Lessee, terminate this Lease.

No changes, modifications or alterations to Lessee Plans Approved for Construction may be made without the written consent of Lessor. Any additional costs, including any increased fees which Lessor may be required to Pay for architectural, engineering and/or other similar services arising by reason of any subsequent change to Lessee Plans Approved for Construction made at the request of Lessee, shall be at the sole cost and expense of Lessee and shall be paid by Lessee to Lessor before the performance of the work requested by Lessee.

All of Lessee's work and improvements shall be performed by Lessee, at Lessee's sole cost and expense except as outlined above and pursuant to the plans and specifications approved by Lessor. It is understood that the approval of Lessor shall in no manner relieve Lessee of Lessee's obligation to obtain, at Lessee's sole cost and expense, all necessary and appropriate permits from all applicable governmental or public agencies for the construction of Lessee's improvements, installation of Lessee's personal property and the operation of Lessee's business at Premises.

Upon delivery of Premises to the Lessee, Lessee shall immediately and diligently proceed to install Lessee's Work as described in Lessee's Plans Approved for Construction at Lessee's sole cost and expense without interfering with other work being done, if any, in the building or shopping center.

All work done by Lessee shall be done by a licensed contractor and in compliance with all rules and regulations required by local building authorities, Lessor or his agents and in accordance with all uniform building codes as dictated by state, federal and local requirements.

Upon final completion of Lessee's Work, Lessee shall furnish Lessor with all certificates, approvals and permits "signed off" by local governmental building inspector, that were required to complete Lessee's Work. Lessor shall not be responsible for any loss or damage to Lessee's improvements/property that is installed or left on Premises.

Lessee's entry upon Premises prior to commencement of the Term of this Lease shall be subject to all provisions of this Lease other than payment of rent. At all times after such entry, Lessee shall maintain an insurance policy that complies with the provisions of this Lease. The inability of Lessee to complete Lessee's Work in a timely manner and to a condition acceptable for conducting business, through no fault of Lessor, shall not delay the Term Commencement or payment of rent.

Lessee hereby indemnifies and holds Lessor free and harmless from and against any and all claims, demands and liabilities, including, but not limited to attorney costs, expenses and court costs, arising from or relating to Lessee's Work and improvements. It is the intent of the parties that this indemnification shall survive the expiration or sooner termination of this Lease.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: JC

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*DOES NOT APPLY

*EXHIBIT E

ESTIMATED OPERATING EXPENSES (GROSS LEASE)

~~The operating expenses are estimated at $_____ per square foot annually or _____ ($_____ psf x _____ sq. ft. /12 = $_____) per month for the Demised Premises until adjusted per the Lease.~~

LESSOR'S INITIALS:

LESSEE'S INITIALS:

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EXHIBIT F

RENT ADJUSTMENT(S)

ADDENDUM TO
STANDARD LEASE

Dated February 3, 2014

By and Between (Lessor) Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company

(Lessee) Jon Carren, a married man, dba: JMC Performance

Property Address: 3760 Hancock Street, Suite #C

San Diego, CA 92110

Paragraph 1.5

A. **RENT ADJUSTMENTS:**

The monthly rent for each month of the adjustment period(s) specified below shall be increased using the method(s) indicated below:

✓ **III. Fixed Rental Adjustment(s) (FRA)**

The monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be increased to the following amounts on the dates set forth below.

On (Fill in FRA Adjustment Date(s)): The New Base Rental shall be:

Year Two = $1.30psf x 2,100sf = $2,730.00 per month plus $75.00 per month water/sewer fees = $2,805.00 per month
Year Three = $1.35psf x 2,100sf = $2,835.00 per month plus $75.00 per month water/sewer fees = $2,910.00 per month.

B. **NOTICE:** Unless specified otherwise herein, notice at any escalations other than Fixed Rental Adjustment(s) shall be made as specified in paragraph 23 of the attached Lease

C. **BROKER'S FEE:** The Real Estate Brokers specified in paragraph 1.10 of the attached Lease shall be paid a Brokerage Fee for each adjustement specified above in accordance with paragraph 15 of the attached Lease.

LESSOR'S INITIAL: _____

LESSEE'S INITIAL: JC

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EXHIBIT G

CENTER SIGN CRITERIA

The purpose of this sign criteria has been established for the intent of assuring an outstanding shopping center and mutual benefit of all Lessee's. Conformance will be strictly enforced. Any installed non-conforming or unapproved signs will be brought into conformance at the expense of the Lessee.

A. Lessee shall be entitled to signage above the Premises. Signage shall be subject to City of San Diego and Lessors prior written approval. All costs associated with the design, construction, installation, as well as removal, shall be borne by Lessee. Lessee shall be required to remove all Lessee signage at the conclusion of Lessee's occupancy of the Premises. Ground level Lessee's shall be entitled to signage on the Center's pole sign at its expense and subject to availability.

B. General Requirements:

1. Lessee shall submit to the Lessor the exact sign specifications, copy and colors desired for Lessor's approval from a license and experienced sign company.

2. All approvals or disapprovals of sign submittals based on esthetics and design shall remain sole right of the Lessor and local governing authorities.

3. Selected sign company will be responsible for obtaining all permits and sign installation.

4. No exposed lamp, raceways, crossovers, conduit, conductors, transformers or similar devices shall be permitted.

5. All maintenance of signage shall be the responsibility of the Lessee.

6. All signs shall be individually illuminated.

7. No audible, flashing or animated signs will be permitted.

8. No projections above or below the sign will be permitted.

9. Electrical service to all signs will be connected to Lessee's meter.

10. Lessee's signs shall be designed and installed in a manner compatible with and complimentary to adjacent and facing storefronts and the overall design concept of the center.

11. All penetrations of the building structure required for sign installation shall be sealed in a watertight condition and shall be patched to match adjacent finish. At termination of lease when sign is removed, Lessee or its sign company shall patch and paint and restore to "as was" condition.

12. No advertising placards, banners, pennants, names, insignias or other descriptive material shall be affixed or maintained upon the glass pane supports of the show windows and doors or upon the exterior was of building without the prior written approval of Lessor.

13. Logos require prior approval of lessor unless nationally recognized logos of a franchise.

14. Letter height restrictions:

a. One line of copy with the letter and logo height not to exceed 24 inches or to be less than 10 inches. Allowable, sign fascia coverage not to exceed seventy-five percent (75) of store frontage.

b. Two lines of copy will be allowed with the overall height of the two lines of letters not to exceed 30 inches with a maximum height of the letters not to exceed 18 inches or to be less than 16 inches.

15. Designs submitted for the City/County approval must follow ft following guidelines:

a. Drawings of elevations and sign with all measurements to scale.
b. Plot plan and legal description (plans to scale).
c. Sections drawings of sign and fascia showing construction and electrical details.
d. Color of plastic faces and logos.
e. Color of neon, size and intensity.
f. Letter style selection

16. Lessee is granted permission by Lessor to install a temporary sign banner at its expense above the premises while signs are being fabricated.

17. Lessee shall indemnify and hold harmless Lessor against any loss, cost, damages or liability caused to persons, property or otherwise caused by Lessee's sign installations.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: JC

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EXHIBIT 6-1

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EXHIBIT H

SPECIAL USE OF PREMISES CLAUSE

A. Uses Of Premises:

Lessee shall occupy and use the premises solely for the operation of tire storage and installation and for no other purpose and use.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: JC

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EXHIBIT I
APPLICATION FOR LEASE AND CREDIT INFORMATION

The undersigned furnishes the following as a true and accurate statement of the financial condition of the undersigned. It is understood that the Landlord, in entering into a lease or other agreement, are doing so in reliance upon this financial statement and in consideration of such the undersigned agree that if any of the representations of the undersigned prove to be untrue, such shall be considered as a default under such lease or agreement.

NAME: Jon Carren AGE: 31 SPOUSES NAME: Heather Carren

ADDRESS: 520 Pinehurst HOW LONG: 11

CITY, STATE, ZIP Placentia, CA 92870

Previous Address - if less than five years:

SOCIAL SECURITY NO: 562-79-8089 SPOUSE'S SOCIAL SECURITY NO: 550-81-7577

PHONE: 714-323-2913 OWN OR RENT: Rent NO. OF DEPENDENTS: 4

PRESENT EMPLOYER: JMC Performance HOW LONG: 5

ADDRESS: 3911 E. La Palma #D Anaheim Hills, CA 92807

PHONE: 714-323-2913 POSITION: CEO

SPOUSE'S EMPLOYER: Self employed PHONE: 714-322-2418

IN CASE OF EMERGENCY CONTACT: NAME: Heather Carren

ADDRESS: 520 Pinehurst PHONE: 714-323-2418

Placentia, CA 92870 RELATIONSHIP: Wife

NEXT OF KIN NOT LIVING WITH YOU: NAME:

ADDRESS: PHONE:

RELATIONSHIP:

CLOSEST NON RELATIVE CONTACT: NAME: Adrianne Huang

ADDRESS: 221 Sparkleberry PHONE: 714-313-1939

Orange, CA 92865 RELATIONSHIP: Employee

BALANCE SHEET

Cash:	$ 30,000	Notes Payable - Total Owed: (List on Back)	$ 2,000
Stocks & Bonds: (List on Back)	$ ~~0~~	Accounts Payable - Total Owed: (List on Back)	$ 2,000
Notes / Accounts Receivable:	$ 250,000		
Life Insurance: (Not full value, only surrender value)	$ ~~0~~	Mortgages - Total Owed: (List on Back)	$ ~~0~~
Real Estate - Total Value: (List on Back)	$ ~~0~~	Automobiles - Total Owed:	$ ~~0~~
		Income Taxes - Accrued to Date:	$
Automobiles:	$ 40,000	Other:	$
	$		$
			$
Personal Possessions:	$ 150,000	**TOTAL LIABILITIES:**	$
	$	**NET WORTH:**	$
TOTAL ASSETS:	$	**(Assets minus Liabilities)**	

ANNUAL INCOME & EXPENSE

Income:		**Expense:**	
Annual Salary:	$ 120,000	Annual Rental/Mortgage Payments	$
Annual Rentals:	$		
Annual Dividends:	$	Annual Payments: (Notes & Accounts)	$
Annual Interests:	$		

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Other Annual Income:	$	Annual Interest & Taxes:	$
		Personal Living Expense:	$
		Other Annual Expenses:	$
TOTAL ANNUAL INCOME:	$	**TOTAL ANNUAL EXPENSE:**	$

BANK REFERENCES

BANK & ADDRESS: Citi National Bank ACCT. NO.: 5112074144

BANK & ADDRESS: 2401 E. Katella Anaheim, CA ACCT. NO.:

STOCKS & BONDS

Description	No. of Shares	Cost	Market Value
		$	$
		$	$
		$	$
		$	$
		$	$
TOTALS		$	$

REAL ESTATE - MORTGAGES

Description & Address	Original Cost	Present Value	Trust Deed or Mortgage Unpaid Bal.	Mo. Pay.
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
TOTALS	$	$	$	$

NOTES & ACCOUNTS PAYABLE (Do not include Real Estate)

Description	Account Number	Total Amount Owed (DO NOT LIST PAYMENTS)
		$
		$
		$
		$
		$
		$
TOTAL		$

The undersigned further consent(s) to the addresses above making any inquires it deems necessary to reach a decision on this application, and consent(s) to the disclosure at any time of any credit information about me / us to any credit reporting agency or to any one with whom I/we have financial relations. The undersigned further understands that should a lease be entered into that the authorizing party will pay a $35.00 application credit check fee.

DATE: 2/13/14 SIGNATURE:

DATE: SPOUSE'S SIGNATURE: Heather Ca

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*LESSEE BY SIGNING LEASE IS ACTING AS A GUARANTOR

*EXHIBIT J

GUARANTY OF LEASE

THIS GUARANTY OF LEASE ("Guaranty"), effective as of _____, 200_____, is executed by _____ ("Guarantor"), with reference to the following facts:

RECITALS

A. M C Strauss Company ("Lessor"), and _____ ("Lessee") have agreed to enter into that certain Lease ("Lease"), dated the same date as this Guaranty, covering Premises described therein, located in the City of San Diego, County of San Diego, State of California.

B. Lessor requires, as a condition to its execution of the Lease, that Guarantor guarantee the full performance of the obligations of Lessee thereunder.

C. Guarantor is willing to execute this Guaranty for the benefit of Lessor and as a material inducement to Lessor to enter into the Lease.

GUARANTY

NOW, THEREFORE, in order to induce Lessor to enter into the Lease, Guarantor agrees as follows:

1. **Guarantor's Obligations.** Guarantor hereby unconditionally guarantees the full and timely performance of each and every obligation to be kept and performed by the Lessee pursuant to the terms of the Lease ("Lease Obligations") in accordance with the terms of and at the time and place specified therein, including, but not limited to, the payment of all rents and other charges accruing pursuant thereto.

2. **Term.** This Guaranty shall continue for the term of the Lease and any extension or renewal thereof. If the Lease terminates and Lessor has any rights which Lessor may enforce against Lessee after termination, Lessor may also enforce such rights against Guarantor.

3. **Primary Liability.** The Lease Obligations guaranteed by Guarantor under this Guaranty shall be primary and independent of the obligations of Lessee under the Lease. Lessor may bring a separate action or actions against Guarantor hereon and such actions may be brought either in conjunction with actions against Lessee or against Lessee directly, regardless of whether Lessor has commenced any action or obtained any judgment against Lessee. If Lessee defaults under the Lease, Lessor may proceed directly against Guarantor, without having commenced any action or obtained any judgment against Lessee, and without applying any property of Lessee (or any other person), if any, held by Lessor as security for the performance of the Lease Obligations. The liability of Guarantor hereunder shall not be released, diminished, or extinguished by Lessor's failure or delay in enforcing any of its rights.

4. **Continuation; No Release.** This Guaranty shall continue in favor of Lessor notwithstanding any modification, alteration, extension or renewal of the Lease entered into by the parties thereto, or their successors or assigns, and notwithstanding any assignment of the Lease, with or without the consent of Lessor. No such modification, alteration, extension, renewal or assignment shall affect this Guaranty or in any way release, diminish, or extinguish the liability of Guarantor hereunder.

5. **Assignment.** Lessor may, with notice to Guarantor, assign this Guaranty in whole, or in part in connection with any transfer of any interest in the Lease or the Premises, and no such assignment or transfer shall release, diminish, or extinguish or otherwise affect the liability of Guarantor hereunder. In such event the benefits of this Guaranty shall inure to the benefit of Lessor's successors and assigns.

6. **Security.** Guarantor authorizes Lessor, without further notice or demand and without affecting the liability of Guarantor hereunder, from time to time, to: (a) take and hold security (including the Security Deposit and any security filing consented to by Lessee) (the "Security") (if any) for performance of the Lease Obligations and exchange, enforce, waive or release any such Security; (b) apply such Security in whole or in part and direct the order or manner of sale thereof as Lessor, in Lessor's discretion, may determine; and (c) proceed against Lessee or proceed against and exhaust such Security held from Lessee; the provisions of this paragraph shall constitute a waiver of Guarantor's right to claim exoneration from the Lease Obligations for the foregoing actions.

7. **Events of Insolvency.**

7.1. **Defined.** The term "Event of Insolvency" shall mean any of the following:

(a) Lessee becomes insolvent or is adjudicated a bankrupt;

(b) Lessee files a petition for reorganization, arrangement or similar relief under any present or future provisions of the Federal Bankruptcy Code, or any other state or federal statute for the relief of debtors or any similar law;

(c) A court approves a petition filed against Lessee by its creditors for reorganization, arrangement or similar relief under any present or future provision of the Federal Bankruptcy Code, or any other state or federal statute for the relief of debtors or any other similar law;

(d) Lessee seeks a judicial readjustment of the rights of its creditors under any present or future federal or state law; or

(e) A receiver of all or part of Lessee's property and assets is appointed by any state or federal court.

7.2 **Effect.** This Guaranty shall in full force and effect, notwithstanding the occurrence of any Event of Insolvency affecting Lessee, or any successor or assignee of Lessee, or in the event of any disaffirmance, or abandonment by a trustee of Lessee, or in the event that the Lease is terminated, rejected or modified in the course of any proceeding relating to an Event of Insolvency. To the extent necessary to effectuate the purpose of this Guaranty, Guarantor hereby assigns to Lessor any rights Guarantor may have to file a claim and proof of claim in any bankruptcy or similar proceeding of Lessee any awards or payments thereon to which Guarantor would otherwise be entitled, to the extent of any unsatisfied Lease Obligations.

8. **Waiver of Defenses.** Guarantor waives any defense Guarantor may acquire by reason of Lessor's election of any remedy against Guarantor or Lessee, or both. In addition, Guarantor waives any defense arising by reason of any disability or other defense of Lessee, including, without limitation, any defense based upon: (a) invalidity of the Lease (b) any lack of authority of the officers, directors, partners or agents acting or purporting to act on behalf of Lessee or any principal of Lessee; or (c) by reason of the cessation from any cause whatsoever of the liability of Lessee other than full performance and discharge of the Lease Obligations.

9. **Waiver of Rights.** Guarantor waives the right to require Lessor: (a) to proceed against Lessee or any successor of Lessee, and (b) to pursue any other remedy in Lessor's power. Guarantor expressly waives the provisions of the California and/or Arizona Civil Code, which grants a surety certain rights to require a creditor to pursue alternative remedies before proceeding against a surety.

10. **Subrogation.** Until the Lease Obligations shall have been performed in full, Guarantor shall have no right of subrogation and waive any right to enforce any remedy which Lessor now has or may hereafter have against Lessee. Guarantor waives any right to participate in any security now or hereafter held by Lessor.

11. **Successive Demands.** Guarantor's liability shall extend to each and every payment to be made by Lessee and any additional Lease Obligation to be performed or observed by Lessee. Successive demands may be made upon, and successive actions for the enforcement of such demands may be brought against Guarantor upon successive defaults by Lessee and the enforcement of this Guaranty against Guarantor with respect to any Lease Obligation shall not operate to exhaust this Guaranty or operate as a waiver of the right to proceed under this Guaranty with respect to any future default or defaults.

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12. **General Provisions.**

12.1 **Attorney's Fees.** Guarantor agrees to pay all costs and other expenses, including reasonable attorneys' fees and court costs, paid or incurred by Lessor in enforcing or attempting to enforce this Guaranty or the obligations guaranteed hereby. Guarantor is obligated as to attorney's fees and costs pursuant to Paragraphs 31 and 37.1 of the Lease, as to the obligations under the Lease and the Guaranty, and the provision in the Addendum as to attorneys fees made applicable here to the Lease and the Guaranty.

12.2 **Governing Law.** This Guaranty shall be enforceable by Lessor in accordance with the laws of the State of California and shall be construed in accordance therewith.

12.3 **Interest.** Interest shall accrue on all accounts which are not paid by Guarantor when due under the Lease, from the date due until due date paid by Guarantor, at the interest rate specified in the Lease, but not to exceed the maximum legal rate of interest.

12.4 **Joint and Several.** If Guarantor is more than one person, each person's obligations hereunder are joint and several and are independent of Lessee's obligations. Lessor may bring a separate action against any Guarantor whether the action is brought against any other Guarantor, or whether any other Guarantor is joined in the action.

12.5 **Modification.** This Guaranty may not be amended, modified, released or terminated except by a written instrument executed by Guarantor and Lessor.

12.6 **Severability.** If any of Guarantor's obligations hereunder shall be held to be unenforceable, the remainder of this Guaranty and its application to all obligations other than those with respect to which is held unenforceable shall not be affected thereby and shall remain in full and effect.

12.7 **Successors.** The terms and provisions of this Guaranty shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto.

IN WITNESS WHEREOF, the undersigned has executed this guaranty of lease as of the date first written above.

GUARANTOR:

Res. Address: _____ By: _____

Phone: _____

Soc Sec#: _____

DL#: _____ DOB _____

Res. Address: _____ By: _____

Phone: _____

Soc Sec#: _____

DL#: _____ DOB _____

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EXHIBIT J-1

SPOUSAL CONSENT

To the Lease dated February 3, 2014, by and between Strauss Family Trust UDT 6/5/92, dba: M. C. Strauss Company, as Lessor, and Jon Carren, a married man, dba: JMC Performance, as Lessee, for the premises known as 3760 Hancock Street, Suite C, San Diego, CA 92110

The undersigned, being the spouse of the Guarantor and/or Lessee to this Lease, hereby (a) consent to the Lease, (b) agree that all now owned and hereafter acquired community and quasi-community property of the undersigned and Guarantor/Lessee shall be liable for the satisfaction of obligations imposed by the Lease, and (c) agree solely for purposes of subjecting any community or quasi-community property received pursuant to liability for satisfaction of the obligations imposed by the Lease, the undersigned have "incurred" the obligations of the Lease.

Spouse's signature: Heather Carren

By: Heather Carren
Heather Carren

Res. Address: 520 Pinehurst
Phone/Fax#: 714-323-2418
Soc Sec#: 550-91-7527
DL#: A3049422 DOB 1/11/72

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*DELETED

*EXHIBIT K

MEMORANDUM
CERTIFICATE

This memorandum is made of _____, 20____ with reference to that certain Lease Agreement (hereinafter referred to as the "Lease") dated _____ by and between _____ as "Lessor" therein, and _____ as "Lessee."

The undersigned, as Lessee under said Lease, hereby confirms the following:

1. The Lessee accepted possession of the Demised Premises (as described in said Lease) on _____ and acknowledges that the premises are as represented by Lessor and in good order, condition and repair, and that the improvements, if any, required to be constructed for and/or furnished to Lessee by Lessor under said Lease have been so constructed and/or furnished and are satisfactorily completed in all respects.

2. That all conditions of said Lease to be performed by Lessor prerequisite to the full effectiveness of said Lease have been satisfied and that Lessor has fulfilled all of its duties of an inducement nature.

3. That in accordance with the provisions of Paragraph 4 of said Lease the Commencement Date (as the phrase "Commencement Date" is defined in said Lease) of the term is _____ and that, unless sooner terminated, the original term thereof expires on _____.

4. That said Lease (as amended, if amended) is in full force and effect and that the same represents the entire agreement between Lessor and Lessee concerning said Lease.

5. That there are no existing defenses which Lessee has against the enforcement of said Lease by Lessor, and no offsets or credits against rentals except as may be expressly provided in said Lease.

6. That the minimum rental obligation of said Lease is presently in effect and that all rentals, charges and other obligations on the part of Lessee under said Lease commenced to accrue on _____.

7. That the undersigned Lessee has no notice of any prior assignment, hypothecation or pledge of said Lease or of the rents thereunder.

LESSOR: _____ LESSEE:

BY: _____ BY: _____

ITS: _____ ITS: _____

This "Memorandum" is hereby approved in form and shall be completed (if necessary) pursuant with Paragraph 4.A of The Lease and incorporated as part of The Lease.

LESSOR'S INITIALS: _____ LESSEE'S INITIALS:

_____ _____

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*DELETED

*EXHIBIT L

OPTION(S) TO EXTEND

ADDENDUM TO
STANDARD LEASE

Dated _____

By and Between (Lessor) M.C. Strauss Company

(Lessee) _____

Property Address: _____ Hancock Street, Suite _____, San Diego, CA 92110

Paragraph _____:

A. **OPTION(S) TO EXTEND:**

Lessor hereby grants to Lessee the option to extend the term of this Lease for _____ additional _____ month period(s) commencing when the prior term expires upon each and all of the following terms and conditions.

(i) Lessee gives to Lessor, and Lessor actually receives on a date which is prior to the date that the option period would commence (if exercised) by at least _____ and not more than _____ months, a written notice of the exercise of the option(s) to extend this Lease for said additional term(s), time being of essence. If said notification of the exercise of said option(s) is (are) not so given and received, the option(s) shall automatically expire; said option(s) may (if more than one) only be exercised consecutively;

(ii) The provisions of paragraph 39, including the provision relating to default of Lessee set forth in paragraph 39.4 of this Lease are conditions of this Option;

(iii) All of the terms and conditions of this Lease except where specifically modified by this option shall apply;

(iv) The monthly rent for each month of the option period shall be calculated as follows, using the method(s) indicated below:

(Check Method(s) to be Used and Fill In Appropriately)

0 I. **Cost of Living Adjustment(s) (COL)**

(a) On (Fill in COL Adjustment Date(s): _____ the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted by the change, if any, from the Base Month specified below, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for (select one): 0 CPI-W (Urban Wage Earners and Clerical Workers) or q CPI-U (All Urban Consumers), for (Fill in Urban Area) _____ All Items (1982–1984 = 100), herein referred to as "C.P.I."

(b) The monthly rent payable in accordance with paragraph A(a) of this Addendum shall be calculated as follows: the Base Rent set forth in paragraph 1.5 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the C.P.I. of the calendar month 2 (two) months prior to the month(s) specified in paragraph A(a) above during which the adjustment is to take effect, and the denominator of which shall be the C.P.I. of the calendar month which is two (2) months prior to (select one): 0 the first month of the term of this Lease as set forth in paragraph 1.3 ("Base Month") or 0 (Fill In Other "Base Month"): _____. The sum so calculated shall constitute the new monthly rent hereunder, but in no event, shall any such new monthly rent be less than the rent payable for the month immediately preceding the date for rent adjustment plus 5% increase and 5% for each option year rounded up to the next dollar figure.

(c) In the event the compilation and/or publication of the C.P.I. shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the C.P.I. shall be used to make such calculation. In the event that Lessor and Lessee cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid equally by Lessor and Lessee.

0 II. **Market Rental Value Adjustment(s) (MRV)**

(a) On (Fill in MRV Adjustment Date(s): _____ the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted to the "Market Rental Value" of the property as follows:

1) Four months prior to the Market Rental Value (MRV) Adjustment Date(s) described above, Lessor and Lessee shall meet to establish an agreed upon new MRV for the specified term. If agreement cannot be reached, then:

i) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the parties, or

ii) Both Lessor and Lessee shall each immediately select and pay the appraiser or broker of their choice to establish a MRV within the next 30 days. If, for any reason, either one of the appraisals is not completed within the next 30 days, as stipulated, then the appraisal that is completed at that time shall automatically become the new MRV. If both appraisals are completed and the two appraisers/brokers cannot agree on a reasonable average MRV then they shall immediately select a third mutually acceptable appraiser/broker to establish a third MRV within the next 30 days. The average of the two appraisals closest in value shall then become the new MRV. The costs of the third appraisal will be split equally between the parties.

2) In any event, the new MRV shall not be less than the rent payable for the month immediately preceding the date for rent adjustment plus five percent (5%, rounded up) and five percent (5%, rounded up) each succeeding option year.

(b) Upon the establishment of each New Market Rental Value as described in paragraph A.II.

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1) the monthly rental sum so calculated for each term as specified in paragraph AII(a) will become the new "Base Rent" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph AII(a) above and

2) the first month at each Market Rental Value term as specified in paragraph AII(a) shall become the new "Base Month" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph AI(b)

θ III. **Fixed Rental Adjustment(s) (FRA)**

The monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be increased to the following amounts on the dates set forth below:

On (Fill in FRA Adjustment Date(s)): The New Base Rental shall be:

_____ $_____
_____ $_____
_____ $_____
_____ $_____

B. **NOTICE:** Unless specified otherwise herein, notice at any escalations other than Fixed Rental Adjustment(s) shall be made as specified in paragraph 23 of the attached Lease.

C. **OPTION RIGHTS CONDITION:** Lessee's Option Rights are contingent upon Lessee not having previously breached or otherwise failed to perform under the Lease since its inception. Otherwise Landlord at its sole discretion may declare any option to extend null and void.

LESSOR'S INITIAL: _____

LESSEE'S INITIAL: JC _____

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*DELETED

*EXHIBIT M

SPECIAL ADDENDUM

~~This Addendum to Lease ("Addendum") is made a part of the Lease dated _____ by and between _____ ("Lessor") and _____ ("Lessee") for the Demised Premises commonly known as _____. Should there be any conflicts between the terms and conditions of this Addendum and the Lease, this Addendum shall prevail.~~

LESSOR:

By:_____

Its:_____

LESSEE.

By:_____

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Exhibit N

SPORTS ARENA BUSINESS PARK

RULES AND REGULATIONS

1. Use of Premises.

(a) All floor area, including vestibules, entrances and returns, doors, fixtures, windows and plate glass shall be maintained in a safe, neat and clean condition.

(b) All trash, refuse and waste material shall be regularly removed from the premises of each occupant and until removal shall be stored (i) in adequate containers, which containers shall be located so as not to be visible to the general public in the Center; and (ii) so as not to constitute any health or fire hazard or nuisance to any occupant.

(c) No portion of the Premises or Center shall be used for lodging purposes.

(d) Neither sidewalks nor walkways shall be used to display, store or place any merchandise, equipment or devices.

(e) No advertising medium, device, instrument or apparatus shall be utilized which can be heard or experienced outside the Premises including, without limiting the generality of the foregoing, flashing lights, searchlights, loudspeakers, phonographs, organs, radios, television or video monitors.

(f) No auction, fire, bankruptcy, or going-out-of-business sale shall be conducted in, at, or about the Center or any portion or portions thereof, except pursuant to court order.

(g) No use shall be made of the Center or any portion or portions thereof which would (i) violate any law, ordinance or regulation, (ii) constitute a nuisance; (iii) constitute a hazardous use; or (iv) violate, suspend; or void any policy or policies of insurance.

(h) All occupants of the Center shall use their best efforts to cause all trucks servicing retail facilities within the Center to load and unload prior to the hours of the Center opening for business to general public.

2. Conduct of Persons.

The following rules and regulations govern the use of roadways, walkways, the Center, parking areas and other common areas and facilities:

(a) No person shall use any roadway or walkway except as a means of egress from or ingress to any floor area or parking area within the Center or adjacent public streets. Such use shall be in an orderly manner and in accordance with directional or other signs or guides. Roadways shall not be used at a speed in excess of ten (10) miles per hour or any lesser posted speed limit and shall not be used for parking or stopping, except for the immediate loading or unloading of passengers No walkways, hallways or corridors shall be used for other than pedestrian travel.

(b) No person shall use any parking area, except for ingress and egress to and from the Center and for the parking of motors vehicles during the period of time such person or the occupants of such vehicle are customers or business invitees of the establishments within the Center. All motor vehicles shall be parked in an orderly manner within the painted lines defining the individual parking places. During peak periods of business activity, limitations may be imposed as to the length of time for parking use. Such limitations may be made in specified areas.

(c) No person shall use any utility area, truck court or other area reserved for use in connection with the conduct of business, except for the specific purpose for which permission to use such area is given.

(d) No tenant, contractor, agent or employee of any business in the Center shall use any area for motor vehicle parking, except the area or areas specifically designated by Landlord for employee parking and for the particular period of time such use is to be made as determined, or as established by ordinance.

(e) Unless the following prohibitions are forbidden by law, no person shall, in or on any part of the common areas:

(i) Vend, peddle, store, display, place or solicit orders for sales or distribution of any merchandise, equipment, device, service, periodical, book, pamphlet or other matter whatsoever.

(ii) Exhibit any sign, placard, banner, notice or other written material; distribute any circular, booklet, handbill, placard, or other material; solicit signatures or registration for membership in any organization, group or association or contribution for any purpose, parade, rally, patrol, picket, demonstrate, or engage in any conduct that might tend to interfere with or impede the use of any of the common areas by any person entitled to use the same, create a disturbance, attract attention or harass, annoy, disparage or be detrimental to the interest of any of the retail establishments within the Center.

(iii) Throw, discard, or deposit any paper, glass or extraneous matter of any kind, except in designated receptacles, or create litter or hazards of any kind.

(iv) Use any sound-making device of any kind or create or produce in any manner noise or sound that is annoying, unpleasant, or distasteful to occupants or invitees.

(vi) Deface, damage or demolish any sign, light standard or fixture, landscaping material or other improvements within the Center, or the property of customers, business invitees or employees situated within the Center.

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The listing of specific items as being prohibited is not intended to be exclusive, but to indicate in general the manner in which the right to use the common areas solely as a means of access and convenience in shopping at the establishments in the Center is limited and controlled.

3. Prohibited Operations and Nuisances.

No use or operation will be made, conducted or permitted on any part of the Center site, which use or operation is clearly objectionable to the development or operation of the Center. Included among the uses or operations which are objectionable are uses or operations which produce or are accompanied by the following characteristics, which list is not intended to be all inclusive:

(a) Any noise, liter, dust, dirt, odor or other activity which may constitute a public or private nuisance;

(b) Any unusual firing, explosive or other damaging or dangerous hazards (including the storage, display or sale of explosives or fireworks);

(c) Any trailer court, mobile home park, labor camp, junkyard, stockyard or animal raising,

(d) The sale, distribution or growth of marijuana.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: _____

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3760 E

AMENDMENT #3 TO LEASE

THIS AMENDMENT, made and entered into May 1st, 2013, by and between Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company, as Lessor, and Gregory Lynn Larson, dba: Cylinder Head Services, as Lessee, does hereby supplement, modify, and amend that certain Amendment#2 to Lease dated May 21, 2012, Amendment #1 to Lease dated November 15, 2005, and Lease Agreement dated October 15, 2003, together with all modifications and amendments thereto (collectively, the "Lease"), by and between the above named parties for the premises located at 3760 Hancock Street, Suite E, San Diego, CA 92110.

The parties hereto agree as follows:

1. TERM. The Term of the Lease shall be extended for two (2) years to commence May 1, 2013 and expiring April 30, 2015.

2. BASE RENT/WATER &SEWER FEES. The Base Monthly Rents and Water/Sewer Fees shall be as follows;

   May 1, 2013 through April 30, 2105: $1.10psf x 2,100sf = $2,310.00 per month

   Water & Sewer Fee shall remain the same at $75.00 per month.

3. CONFIDENTIALITY. Lessee shall keep the content and all copies of this Amendment and related documents now or hereafter entered into, and all proposals, materials, information and matters relating thereto, strictly confidential, and shall not disclose, disseminate or distribute any of the same, or permit the same to occur, except to the extent reasonably required for proper business purposes by Lessee's attorneys, insurers, auditors and lenders, and, in such event, Lessee shall obligate any such parties to whom disclosure is permitted to honor the confidentiality provisions hereto, except as may be required by Law or court proceedings.

4. COUNTERPARTS. This Amendment may be executed in one or more counterparts, each of which counterparts shall constitute an original and all of which counterparts together shall constitute one and the same Amendment. The delivery by Lessor or Lessee of a facsimile signature of this Amendment shall have the same legally binding effect as the delivery of an original signature.

5. ENFORCEABILITY. Lessor acknowledges and represents to Lessee that this Amendment is the binding obligation of Lessor enforceable in accordance with its terms and that Lessor has obtained the consent of its lender or any other third party from whom the Lessor is required to obtain consent for the execution and performance of this Amendment. Lessee acknowledges and represents to Lessor that this Amendment is the binding obligation of Lessee enforceable in accordance with its terms and that Lessee has obtained the consent of its lender, if any, or any other third party from whom the Lessee is required to obtain consent for the execution and performance of this Amendment.

6. CONFLICT OF PROVISIONS; RATIFICATION. In the event of a conflict between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall govern. Except as specifically referenced or addressed herein, all other terms, covenants, and provisions of the Lease are hereby ratified and confirmed and shall remain unchanged and in full force and effect throughout the Term.

7. ENTIRE AGREEMENT; BINDING. This Amendment represents the entire agreement between Lessor and Lessee regarding the subject matter contained in this Amendment and there are no other terms, obligations, covenants, representations, statements or conditions oral or otherwise of any kind whatsoever between the parties regarding the subject matter contained in this Amendment except as set forth in this Amendment. No amendment or modification to this Amendment shall be effective unless it is in writing and executed by both Lessor and Lessee. All references to the term "Lease" in this Amendment and the Lease shall mean the Lease as amended by this Amendment.

8. CAPTIONS. The captions and section numbers appearing in this Amendment are for convenience only and are not a part of this Amendment and do not in any way limit, amplify, define, construe or describe the scope or intent of the terms or provisions of this Amendment.

9. CAPITALIZED TERMS. All capitalized terms in this Amendment, unless specifically defined

herein, shall have the same meaning as in the Lease

10. AUTHORITY TO EXECUTE. Lessor and Lessee represent and warrant to each other that the person executing this Amendment on behalf of such applicable party has the full right, power and authority to execute this Amendment and perform its obligations under this Amendment.

11. SEVERABILITY. If any provision of this Amendment is determined by a court having jurisdiction to be illegal, invalid or unenforceable under any present or future law, the remainder of this Amendment will not be affected thereby. It is the intention of the parties that if any provision is so held to be illegal, invalid or unenforceable, there will be added in lieu thereof a provision as similar in terms to such provision as is possible that is legal, valid and enforceable.

IN WITNESS WHEREOF, the parties have signed this Amendment effective on the date set forth above.

LESSOR:

STRAUSS FAMILY TRUST UDT 6/5/92, DBA: M.C. STRAUSS CO.

By: _____

Its: TTEE

LESSEE:

GREGORY LARSON

By: _____
Gregory Larson

SUBLEASE AGREEMENT

1. PARTIES: This Sublease is entered into by and between Gregory Lynn Larson, dba: Cylinder Head Services, Sublessor, and Belinda Kaesler, an individual, Sublessee, as a sublease under the Lease agreement dated October 15, 2003, as amended in Amedment#1 to Lease dated November 15, 2005 (collectively, the "Master Lease"), entered into by Strauss Family Trust UDT 6/5/92, as Lessor, and Sublessor under this Lease as Lessee, a copy of the Master Lease is attached hereto.

2. PROVISIONS CONSTITUTING SUBLEASE:

   a. This sublease is subject to all of the terms and conditions of the Master Lease and Sublessee shall assume and perform the obligations of Sublessor and Lessee in said Lease, to the extent said terms and conditions are applicable to the premises subleased pursuant to this Sublease. Sublessee shall not commit or permit to be committed on the Subleased premises any act or omission, which shall violate any terms or conditions of the Master Lease. In the event of the termination of Sublessor's interest as Lessee under the Master Lease for any reason, then this Sublease shall terminate coincidently therewith without any liability of Lessor to Sublessee.

   b. All of the terms and conditions contained in the Master Lease are incorporated herein as terms and conditions of this Sublease (with each reference therein to Lessee to be deemed to refer to Sublessee) and along with all of the following paragraphs set out in this Sublease, shall be the complete terms and conditions of this Sublease.

3. PREMISE: Sublessor leases to Sublessee and Sublessee leases from said Sublessor the front office portion of the Premises consisting of approximately 300 sq.ft. of that certain property located at 3760 Hancock Street, Suite E, San Diego, CA 92110, situated in the City of San Diego, County of San Diego, State of California.

4. RENTAL:

   a. Sublessee shall pay to Sublessor, as rental, the sum of Four Hundred and 00/100 Dollars ($400.00) per month payable on or before the first of each month and throughout the balance of the Term in accordance with the Master Lease. However, Lessor and Sublessor agree that Lessor reserves the right at its sole option to require Sublessee to make payments directly to Lessor at anytime during the term of this Sublease, in which event; payments shall be credited towards Sublessor's account.

5. TERM:

   a. The term of this Sublease shall be for a period of one (1) year commencing on May 1, 2012, and ending on April 30, 2013, provided, however, that this Sublease shall sooner terminate for any cause whatsoever pursuant to the Master Lease.

6. USE: Sublessee shall use the premises for selling bamboo poles, thatch and tropical related products and for no other purpose or use. Sublessee's signage shall be confined only to the windows store front only. Any cost of such removal shall be solely at the expense of Sublessor and/or Sublessee pursuant to the Master Lease.

7. APPROVAL OF MASTER LEASE: All parties hereto have received a copy of the Master Lease agreement and are familiar with the provisions thereto, and Lessor shall be given a copy of Sublessee's credit application and/or current financial statement pursuant to Paragraph12 of the Master Lease.

a. This Sublease is subject to the approval of the Lessor and the parties hereto agree to modify this Sublease so as to conform to any reasonable requests of the Lessor as a condition of its approval.

b. All terms and conditions of the Master Lease shall remain the same except as provided in this agreement and as may be additionally required by Lessor pursuant to Paragraph 7.a herein above.

8. SPECIAL PROVISIONS:

a. Lessor retains the exclusive right at its sole option to receive and retain all rents, incremented rental increases, common area charges, taxes and insurance, etc., required under the Master Lease for its own account. Lessor shall credit Sublessor's account only those collected amounts which are Sublessor's obligation to Lessor under the Master Lease and Lessor shall retain all other funds for its own account without off-set or credit to Sublessor, except as may be provided herein and by the Master Lease.

9. NOTICES AND PAYMENTS: That all notices or demands pertaining to the Master Lease and Sublease pursuant to Paragraph 23 of the Master Lease shall be as follows:

SUBLESSOR:

(same as Master Lease)_

SUBLESSEE: [please provide]

8815 Laddie Lane
Address
San Diego, CA 92123
(619) 817-5284
Phone/Fax
FAX (858) 277-4802

This document consists of 2 pages. Dated this __ day of _____, 2012.

SUBLESSOR:
GREGORY LYNN LARSON
DBA: CYLINDER HEAD SERVICES

BY: _____
Gregory Larson

Employer I.D. or S.S. # 13-4344902

SUBLESSEE:
BELINDA KAESLER, AN INDIVIDUAL

BY: Belinda Kaesler
Belinda Kaesler

Employer I.D. or S.S. # 97-920805

CONSENT OF LESSOR: The undersigned is the Lessor in the Master Lease described in the foregoing Sublease and hereby consents to the Sublease of the premises described in the Sublease to Sublessee waiving none of its rights under the Master Lease as to the Lessee or under the Sublease as to the Sublessee. This consent shall apply only to this Sublease and shall not be deemed to be a consent to any other Sublease.

DATE: May 21, 2012

LESSOR:
Strauss Family Trust UDT 6/8/92

BY: _____

ITS: TTEE

AMENDMENT #2 TO LEASE

THIS AMENDMENT, made and entered into May 21, 2012, by and between Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company, as Lessor, and Gregory Lynn Larson, dba: Cylinder Head Services, as Lessee, does hereby supplement, modify, and amend that certain Amendment #1 to Lease dated November 15, 2005, and Lease Agreement dated October 15, 2003, together with all modifications and amendments thereto (collectively, the "Lease"), by and between the above named parties for the premises located at 3760 Hancock Street, Suite E, San Diego, CA 92110.

The parties hereto agree as follows:

1. TERM. Effective May 1, 2012, the Term of the Lease shall be modified and changed to one (1) year to commence May 1, 2012 and expiring April 30, 2013.

2. BASE RENT/WATER &SEWER FEES. Effective May 1, 2012, the Base Monthly Rents and Water/Sewer Fees shall be as follows:

   $1.05psf x 2,100sf = $2,205.00 per month

   Water & Sewer Fee shall remain the same at $75.00 per month.

3. ASSIGNMENT AND SUBLETTING. In accordance to Paragraph 12 of the Lease and given that Lessee shall sign a one (1) year lease as stated above, Lessor shall approve Lessee subletting the front office portion of the Premises to Belinda Kaesler (the "Sublessee") pursuant to a separate Sublease Agreement.

4. CONFIDENTIALITY. Lessee shall keep the content and all copies of this Amendment and related documents now or hereafter entered into, and all proposals, materials, information and matters relating thereto, strictly confidential, and shall not disclose, disseminate or distribute any of the same, or permit the same to occur, except to the extent reasonably required for proper business purposes by Lessee's attorneys, insurers, auditors and lenders, and, in such event, Lessee shall obligate any such parties to whom disclosure is permitted to honor the confidentiality provisions hereto, except as may be required by Law or court proceedings.

5. COUNTERPARTS. This Amendment may be executed in one or more counterparts, each of which counterparts shall constitute an original and all of which counterparts together shall constitute one and the same Amendment. The delivery by Lessor or Lessee of a facsimile signature of this Amendment shall have the same legally binding effect as the delivery of an original signature.

6. ENFORCEABILITY. Lessor acknowledges and represents to Lessee that this Amendment is the binding obligation of Lessor enforceable in accordance with its terms and that Lessor has obtained the consent of its lender or any other third party from whom the Lessor is required to obtain consent for the execution and performance of this Amendment. Lessee acknowledges and represents to Lessor that this Amendment is the binding obligation of Lessee enforceable in accordance with its terms and that Lessee has obtained the consent of its lender, if any, or any other third party from whom the Lessee is required to obtain consent for the execution and performance of this Amendment.

7. CONFLICT OF PROVISIONS; RATIFICATION. In the event of a conflict between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall govern. Except as specifically referenced or addressed herein, all other terms, covenants, and provisions of the Lease are hereby ratified and confirmed and shall remain unchanged and in full force and effect throughout the Term.

8. ENTIRE AGREEMENT; BINDING. This Amendment represents the entire agreement between Lessor and Lessee regarding the subject matter contained in this Amendment and there are no other terms, obligations, covenants, representations, statements or conditions oral or otherwise of any kind whatsoever between the parties regarding the subject matter contained in this Amendment except as set forth in this Amendment. No amendment or modification to this Amendment shall be effective unless it is in writing and executed by both Lessor and Lessee. All references to the term "Lease" in this Amendment and the Lease shall mean the Lease as amended by this Amendment.

9. CAPTIONS. The captions and section numbers appearing in this Amendment are for

convenience only and are not a part of this Amendment and do not in any way limit, amplify, define, construe or describe the scope or intent of the terms or provisions of this Amendment.

10. CAPITALIZED TERMS. All capitalized terms in this Amendment, unless specifically defined herein, shall have the same meaning as in the Lease

11. AUTHORITY TO EXECUTE. Lessor and Lessee represent and warrant to each other that the person executing this Amendment on behalf of such applicable party has the full right, power and authority to execute this Amendment and perform its obligations under this Amendment.

12. SEVERABILITY. If any provision of this Amendment is determined by a court having jurisdiction to be illegal, invalid or unenforceable under any present or future law, the remainder of this Amendment will not be affected thereby. It is the intention of the parties that if any provision is so held to be illegal, invalid or unenforceable, there will be added in lieu thereof a provision as similar in terms to such provision as is possible that is legal, valid and enforceable.

IN WITNESS WHEREOF, the parties have signed this Amendment effective on the date set forth above.

LESSOR:

STRAUSS FAMILY TRUST UDT
6/5/92, DBA: M.C. STRAUSS CO.

By: _____

Its: TTEE

LESSEE:

GREGORY LARSON

By: _____
Gregory Larson

M.C. STRAUSS
COMPANY

January 25, 2012

All Tenants
Sports Arena Business Park
3760, 3770, 3780 Hancock Street
San Diego, CA

RE: Rules and Regulations
Sports Arena Business Park, San Diego, CA

Dear Tenant:

Pursuant to Section 2.9 of your Lease, enclosed please find the Rules and Regulations that will take effective immediately for Sports Arena Business Park.

The Rules and Regulations shall be inserted into your existing Lease agreement as Exhibit N and shall be made a part of the Lease.

Sincerely,

M.C. Strauss
Strauss Family Trust

Enclosure

1/26/12
Mailed letter to Tenants.

990 HIGHLAND DRIVE #200 SOLANA BEACH, CALIFORNIA 92075
PHONE (858) 792-7500 FAX (858) 792-7834

Exhibit N

SPORTS ARENA BUSINESS PARK

RULES AND REGULATIONS

1. Use of Premises.

(a) All floor area, including vestibules, entrances and returns, doors, fixtures, windows and plate glass shall be maintained in a safe, neat and clean condition.

(b) All trash, refuse and waste material shall be regularly removed from the premises of each occupant and until removal shall be stored (i) in adequate containers, which containers shall be located so as not to be visible to the general public in the Center; and (ii) so as not to constitute any health or fire hazard or nuisance to any occupant.

(c) No portion of the Premises or Center shall be used for lodging purposes.

(d) Neither sidewalks nor walkways shall be used to display, store or place any merchandise, equipment or devices.

(e) No advertising medium, device, instrument or apparatus shall be utilized which can be heard or experienced outside the Premises including, without limiting the generality of the foregoing, flashing lights, searchlights, loudspeakers, phonographs, organs, radios, television or video monitors.

(f) No auction, fire, bankruptcy, or going-out-of-business sale shall be conducted in, at, or about the Center or any portion or portions thereof, except pursuant to court order.

(g) No use shall be made of the Center or any portion or portions thereof which would (i) violate any law, ordinance or regulation; (ii) constitute a nuisance; (iii) constitute a hazardous use; or (iv) violate, suspend; or void any policy or policies of insurance.

(h) All occupants of the Center shall use their best efforts to cause all trucks servicing retail facilities within the Center to load and unload prior to the hours of the Center opening for business to general public.

2. Conduct of Persons.

The following rules and regulations govern the use of roadways, walkways, the Center, parking areas and other common areas and facilities:

(a) No person shall use any roadway or walkway except as a means of egress from or ingress to any floor area or parking area within the Center or adjacent public streets. Such use shall be in an orderly manner and in accordance with directional or other signs or guides. Roadways shall not be used at a speed in excess of ten (10) miles per hour or any lesser posted speed limit and shall not be used for parking or stopping, except for the immediate loading or unloading of passengers. No walkways, hallways or corridors shall be used for other than pedestrian travel.

(b) No person shall use any parking area, except for ingress and egress to and from the Center and for the parking of motors vehicles during the period of time such person or the occupants of such vehicle are customers or business invitees of the establishments within the Center. All motor vehicles shall be parked in an orderly manner within the painted lines defining the individual parking places. During peak periods of business activity, limitations may be imposed as to the length of time for parking use. Such limitations may be made in specified areas.

(c) No person shall use any utility area, truck court or other area reserved for use in connection with the conduct of business, except for the specific purpose for which permission to use such area is given.

(d) No tenant, contractor, agent or employee of any business in the Center shall use any area for motor vehicle parking, except the area or areas specifically designated by Landlord for employee parking and for the particular period of time such use is to be made as determined, or as established by ordinance.

(e) Unless the following prohibitions are forbidden by law, no person shall, in or on any part of the common areas:

(i) Vend, peddle, store, display, place or solicit orders for sales or distribution of any merchandise, equipment, device, service, periodical, book, pamphlet or other matter whatsoever.

(ii) Exhibit any sign, placard, banner, notice or other written material; distribute any circular, booklet, handbill, placard, or other material; solicit signatures or registration for membership in any organization, group or association or contribution for any purpose; parade, rally, patrol, picket, demonstrate, or engage in any conduct that might tend to interfere with or impede the use of any of the common areas by any person entitled to use the same, create a disturbance, attract attention or harass, annoy, disparage or be detrimental to the interest of any of the retail establishments within the Center.

(iii) Throw, discard, or deposit any paper, glass or extraneous matter of any kind, except in designated receptacles, or create litter or hazards of any kind.

(iv) Use any sound-making device of any kind or create or produce in any manner noise or sound that is annoying, unpleasant, or distasteful to occupants or invitees.

(vi) Deface, damage or demolish any sign, light standard or fixture, landscaping material or other improvements within the Center, or the property of customers, business invitees or employees situated within the Center.

The listing of specific items as being prohibited is not intended to be exclusive, but to indicate in general the manner in which the right to use the common areas solely as a means of access and convenience in shopping at the establishments in the Center is limited and controlled.

3. Prohibited Operations and Nuisances.

No use or operation will be made, conducted or permitted on any part of the Center site, which use or operation is clearly objectionable to the development or operation of the Center. Included among the uses or operations which are objectionable are uses or operations which produce or are accompanied by the following characteristics, which list is not intended to be all inclusive:

(a) Any noise, litter, dust, dirt, odor or other activity which may constitute a public or private nuisance;

(b) Any unusual firing, explosive or other damaging or dangerous hazards (including the storage, display or sale of explosives or fireworks);

(c) Any trailer court, mobile home park, labor camp, junkyard, stockyard or animal raising;

(d) The sale, distribution or growth of marijuana.

M.C. STRAUSS
COMPANY

January 3, 2011

Gregory Larson
Cylinder Head Service
3760 Hancock Street, Suite E
San Diego, CA 92110

RE: Sports Arena Business Park
3760 Hancock Street, Suite E, San Diego

Dear Gregory:

Attached you will find a Notice of Change of Terms of Tenancy increasing your monthly Base Rent and Water/Sewer Fees effective February 1, 2011 from $2,100.00 ($2,050.00 Base Rent plus $50.00 Water/Sewer) to $2,230.00 ($2,155.00 Base Rent plus $75.00 Water/Sewer).

You have been paying significantly lower than the rest of the other tenants in the center for the past three years and I believe the increase is fair. Bare in mind that you have been on a gross lease (except for the water/sewer fees).

If you would like to discuss this matter in further detail, you can contact me at my office at 858-792-7500.

Sincerely,

M.C. Strauss
Owner/Trustee

Encl.

Tony to hand-deliver to Tenant and original sent certified return Receipt

TP

990 HIGHLAND DRIVE #200 SOLANA BEACH, CALIFORNIA 92075
PHONE (858) 792-7500 FAX (858) 792-7834

NOTICE OF CHANGE OF TERMS OF TENANCY

To **Gregory Larson dba: Cylinder Head Services**, all other tenants and/or subtenants in possession, and all others in possession of the premises commonly known as **Sports Arena Business Park** located at **3760 Hancock Street, Suite E, San Diego, CA 92110.**

You are hereby notified, in accordance with Civil Code Section 827, that thirty (30) days after service upon you of this notice, or **February 1, 2011**, your tenancy of the above designated premises will be changed as follows:

1. The monthly Base Rent and Water/Sewer Fees which is payable in advance on or before the first (1st) day of each month will be the sum of **$2,230.00** instead of $2,100.00, the current monthly base rent and water/sewer fees.

2. OTHER CHANGES: N/A

Except as herein provided, all other terms of your tenancy shall remain in full force and effect.

Dated: January 3, 2011

M.C. Strauss, Owner/Trustee

Strauss Family Trust UDT 6/5/92
c/o MC Strauss Company
990 Highland Drive, Suite 200
Solana Beach, CA 92075
858-792-7500

AMENDMENT#1 TO LEASE

THIS AMENDMENT, made and entered into this 15th Day of November, 2005, by and between The Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company, as Lessor and Gregory Lynn Larson dba Cylinder Head Services, as Tenant, does hereby supplement, modify, and amend that certain Lease Agreement made and entered into on the October 15, 2003, by and between the above named parties for the premises located at 3760 Hancock Street, Suite E, San Diego, CA 92110.

The parties hereto agree as follows:

1. TERM. The Lease Term shall extend for two (2) years commencing December 1, 2005 and terminating November 30, 2007.

2. BASE RENT: The monthly Base Rent in the extended term set forth in this amendment shall be Two Thousand Dollars and No/Cents ($2,000.00) per month plus water and sewer fees in months one through twelve and Two Thousand Fifty Dollars and No/100 Cents ($2,050.00) per month plus water and sewer fees in months thirteen through twenty-four.

3. DEFINE TERMS. All initial capitalized terms used in this Amendment shall have the right same meaning given such terms in the Lease, unless otherwise defined in this Amendment.

4. COUNTERPARTS. This Amendment may be executed in one or more counterparts, each of which counterparts shall constitute an original and all of which counterparts together shall constitute one and the same Amendment. The delivery by Landlord or Tenant of a facsimile signature of this Amendment shall have the same legally binding effect as the delivery of an original signature.

5. ENFORCEABILITY. Landlord acknowledges and represents to Tenant that this Amendment is the binding obligation of Landlord enforceable in accordance with its terms and that Landlord has obtained the consent of its lender or any other third party from whom the Landlord is required to obtain consent for the execution and performance of this Amendment. Tenant acknowledges and represents to Landlord that this Amendment is the binding obligation of Tenant enforceable in accordance with its terms and that Tenant has obtained the consent of its lender, if any, or any other third party from whom the Tenant is required to obtain consent for the execution and performance of this Amendment.

6. CONFLICT OF PROVISIONS; RATIFICATION. In the event of a conflict between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall govern. Except as specifically referenced or addressed herein, all other terms, covenants, and provisions of the Lease are hereby ratified and confirmed and shall remain unchanged and in full force and effect throughout the Term.

7. ENTIRE AGREEMENT; BINDING. This Amendment represents the entire agreement between Landlord and Tenant regarding the subject matter contained in this Amendment and there are no other terms, obligations, covenants, representations, statements or conditions oral or otherwise of any kind whatsoever between the parties regarding the subject matter contained in this Amendment except as set forth in this Amendment. No amendment or modification to this Amendment shall be effective unless it is in writing and executed by both Landlord and Tenant. All references to the term "Lease" in this Amendment and the Lease shall mean the Lease as amended by this Amendment.

8. CAPTIONS. The captions and section numbers appearing in this Amendment are for convenience only and are not a part of this Amendment and do not in any way limit, amplify, define, construe or describe the scope or intent of the terms or provisions of this Amendment.

9. AUTHORITY TO EXECUTE. Landlord and Tenant represent and warrant to each other that the person executing this Amendment on behalf of such applicable party has the full right, power and authority to execute this Amendment and perform its obligations under this Amendment.

10. SEVERABILITY. If any provision of this Amendment is determined by a court having jurisdiction to be illegal, invalid or unenforceable under any present or future law, the remainder of this Amendment will not be affected thereby. It is the intention of the parties that if any provision is so held to be illegal, invalid or unenforceable, there will be added in lieu thereof a provision as similar in terms to such provision as is possible that is legal, valid and enforceable.

IN WITNESS WHEREOF, the parties have signed this Amendment effective on the date set forth above.

LANDLORD:	TENANT:
THE STRAUSS FAMILY TRUST UDT	GREGORY LYNN LARSON.
6/5/92 DBA: M.C. STRAUSS CO.	DBA CYLINDER HEAD SERVICES
By: M.C. Strauss	By:
Its: Trustee	Its:
Date: 11/22/05	Date: 11-22-05

By and Between

Sports Arena Business Park

dba. M.C. Strauss Company

as: Landlord / Lessor

and

Name: Gregory Lynn Larson

DBA: Cylinder Head Service

As Tenant / Lessee

At 3760 Hancock Street, Suite E
San Diego, CA 92110

Dated for Reference Purposes
As of
October 15, 2003

Standard Commercial Multi-Tenant Lease

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Standard Commercial Multi-Tenant Lease

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STANDARD INDUSTRIAL/ COMMERCIAL
MULTI-TENANT LEASE—GROSS
AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

1. **Basic Provisions ("Basic Provisions").**

1.1 **Parties:** This Lease (**"Lease"**), dated for reference purposes only October 15, 2003, is made by and between M.C. Strauss Company (**"Lessor"**) and Gregory Lynn Larson (**"Lessee"**), (**collectively the "Parties"**, or individually a **"Party"**).

1.2(a) **Premises:** That certain portion of the Project (as defined below), including all Improvements therein or to be provided by Lessor under the terms of this Lease, commonly known by the street address of 3760 Hancock Street, Suite E, located In the City of San Diego, County of San Diego, State of California, with zip code 92110, as outlined on Exhibit A & A-1 attached hereto (**"Premises"**) and generally described as (describe briefly the nature of the Premises): Sport Arena Business Park, The demised premises consists of approx. 2,100 square feet. The property is further described on Exhibit A & A.1

In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Areas (as defined in Paragraph 2.7 below) as hereinafter specified, but shall not have any rights to the roof, exterior walls or utility raceways of the building containing the Premises (**"Building"**) or to any other buildings In the Project. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the **"Project."** (See also Paragraph 2.)

1.2(b) **Parking:** See Exhibit C item 14 unreserved vehicle parking spaces (**"Unreserved Parking Spaces"**); and _____ reserved vehicle parking spaces (**"Reserved Parking Spaces"**). (See also Paragraph 2.6)

1.3 **Term:** two (2) years and NO months (**"Original Term"**) commencing December 1, 2003 (**"Commencement Date"**) and ending November 30, 2005 (**"Expiration Date"**). (See also Paragraph 3.) (see Exhibit K)

1.4 **Early Possession:** upon signing, payments and certificate of insurance (**"Early Possession Date"**). (See also Paragraphs 3.2 and 3.3.)

1.5 **Base Rent:** Nineteen Hundred Fifty-Three Dollars and No/100 ($1,953.00) per month (**"Base Rent"**), payable on the First day of each month commencing December 1, 2003. (See also Paragraph 4.)

* If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted. See Exhibit F.

1.6 **Lessee's Share of Common Area Operating Expenses:** _____ percent (___%) (**"Lessee's Share"**).

1.7 **Base Rent and Other Monies paid Upon Execution:**

(a) Base Rent: $1,953.00/month in year one; $2,000/month in year two.

(b) Common Area Operating Expenses: $ *does not apply for the period *does not apply.

(c) Security Deposit: $1,000.00 (**"Security Deposit"**). (See also Paragraph 5.)(Transferred from former lease.)

(d) Other: $50.00 per month for water and sewage fee..

(e) Total Due Upon Execution of this Lease: $ _____.

1.8 **Agreed Use:** Automotive machine shop primarily engaged in cylinder head services. _____ only. See Exhibit H. (See also Paragraph 6.)

1.9 **Insuring Party:** Lessor is the **"Insuring Party"**. (See also Paragraph 8.)

1.10 **Real Estate Brokers:** (See also Paragraph 5).

(a) **Representation:** The following real estate brokers (the **"Brokers"**) and brokerage relationships exist in this transition (check applicable boxes):

☛ Pacific Real Estate Group represents Lessor exclusively (**"Lessor's Broker"**);

☐ _____ represents Lessee exclusively (**"Lessee's Broker"**); or

☐ _____ represents both Lessor and Lessee (**"Dual Agency"**).

(b) **Payment to Brokers:** Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Brokers the brokerage fee agreed to in a separate written agreement (or if there is no such agreement, the sum of _____ or _____% of the total Base Rent for the brokerage services rendered by the Brokers).

1.11 **Guarantor.** The obligations of the Lessee under this Lease are to be guaranteed by See Exhibits J and J.1 _____ (**"Guarantor"**). (See also Paragraph 37.)

1.12 **Addenda and Exhibits:** Attached hereto is an Addendum or Addenda consisting of Paragraphs ____ through ____ and Exhibits A through M, all of which constitute a part of this lease.

2. **Premises.**

2.1 **Letting.** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of size set forth in this Lease, or that may have been used in calculating Rent, is an approximation which the Parties agree is reasonable and any payments based thereon are not subject to revision whether or not the actual size is more or less.

2.2 **Condition.** Lessor shall deliver that portion of the Premises contained within the Building (**"Unit"**) to Lessee broom clean and free of debris on the Commencement Date or the Early Possession Date, whichever first occurs (**"Start Date"**), and, so long as the required service contracts described in Paragraph 7.1(b) below are obtained by Lessee and in effect within thirty days following the Start Date, warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems (**"HVAC"**), loading doors, if any, and all other such elements in the Unit, other than those constructed by Lessee, shall be in good operating condition on said date and that the structural elements of the roof, bearing walls and foundation of the Unit shall be free of material defects. If a non-compliance with such warranty exists as of the Start Date, or if one of such systems or elements should malfunction or fail within the appropriate warranty period, Lessor shall, as Lessor's sole obligation with respect to such matter, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, malfunction or failure, rectify same at Lessor's expense. The warranty periods shall be as follows: (i) 6 months as to the HVAC systems, and (ii) 30 days as to the remaining systems and other elements of the Unit. If Lessee does not give Lessor the required notice within the appropriate warranty period, correction of any such non-compliance, malfunction or failure shall be the obligation of Lessee at Lessee's sole cost and expense (except for the repairs to the fire sprinkler systems, roof, foundations, and/or bearing walls—see Paragraph 7).

2.3 **Compliance.** Lessor warrants that the Improvements on the Premises and the Common Areas comply with the building codes that were in effect at the time that each such Improvement, or portion thereof and also with all applicable laws, covenants or restrictions of record, regulations, and ordinances in effect on the Start Date (**"Applicable Requirements"**). Said warranty does not apply to the use of which Lessee will put the Premises or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a).) made or to be made by Lessee. **NOTE: Lessee is responsible for determining whether or not the zoning is appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed.** If the Premises do not comply with said warranty; Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within 6 months following the Start Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense. If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Unit, Premises and/or Building, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Unit, Premises and/or Building **("Capital Expenditure")**, Lessor and Lessee shall allocate the cost of such work as follows:

(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof, provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease and the cost thereof exceeds 6 months'

Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within 10 days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and the amount equal to 6 months' Base Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least 90 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor and Lessee shall allocate the obligation to pay for the portion of such costs reasonably attributable to the Premises pursuant to the formula set out in Paragraph 7.1(d); provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with Interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor.

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to non-voluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall be fully responsible for the cost thereof, and Lessee shall not have any right to terminate this Lease.

2.4 **Acknowledgements.** Lessee acknowledges that: (a) it has been advised by Lessor and/or Brokers to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler Systems, security, environmental aspects, and compliance with Applicable Requirements and the Americans with Disabilities Act), and their suitability for Lessee's intended use, (b) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefore as the same relate to its occupancy of the Premises, and (c) neither Lessor, Lessor's Agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (ii) it is Lessor's solo responsibility to investigate the financial capability and/or suitability of all proposed tenants. (See Exhibit D)

2.5 **Lessee as Prior Owner/Occupant.** The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the Start Date Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.

2.6 **Vehicle Parking.** Lessee shall be entitled to use the number of Unreserved Parking Spaces and Reserved Parking Spaces specified in Paragraph 1.2(b) on those portions of the Common Areas designated from time to time by Lessor for parking. Lessee shall not use more parking spaces than said number. Said parking spaces shall be used for parking by vehicles no larger than full-size passenger automobiles or pick-up trucks, herein called **"Permitted Size Vehicles."** Lessor may regulate the loading and unloading of vehicles by adopting Rules and Regulations as provided in Paragraph 2.9. No vehicles other than Permitted Size Vehicles may be parked in the Common Area without the prior written permission of Lessor.

(a) Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, contractors or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.

(b) Lessee shall not service or store any vehicles in the Common Areas.

(c) If Lessee permits or allows any of the prohibited activities described in this Paragraph 2.6, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.7 **Common Areas—Definition.** The term **"Common Areas"** is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Project and interior utility raceways and installations within the Unit that are provided and designated by the Lessor from time to time for the general non-exclusive use of Lessor, Lessee and other tenants of the Project and their respective employees, suppliers, shippers, customers, contractors and invitees, including parking areas, loading and unloading areas, trash areas, roadways, walkways, driveways and landscaped areas.

2.8 **Common Areas—Lessee's Rights.** Lessor grants to Lessee, for the benefit of Lessee and its employees, suppliers, shippers, contractors, customers and invitees, during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Lessor under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Project. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Lessor or Lessor's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.9 **Common Areas—Rules and Regulations.** Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to establish, modify, amend and enforce reasonable rules and regulations (**"Rules and Regulations"**) for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Project and their invitees. Lessee agrees to abide by and conform to all such Rules and Regulations, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessor shall not be responsible to Lessee for the non-compliance with said Rules and Regulations by other tenants of the Project.

2.10 **Common Areas—Changes.** Lessor shall have the right, in Lessor's sole discretion, from time to time:

(a) To make changes to the Common Areas, including, without limitation, changes in the location, size, shape and number of driveways, entrances, parking spaces, Parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways;

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;

(c) To designate other land outside the boundaries of the Project to be a part of the Common Areas;

(d) To add additional buildings and improvements to the Common Areas;

(e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Project, or any portion thereof; and

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Project as Lessor may, in the exercise of sound business judgment, deem to be appropriate.

3. **Term.**

3.1 **Term.** The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3. (see Exhibit C #2)

3.2 **Early Possession.** If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early possession. All other terms of this Lease (including but not limited to the obligations to pay Lessee's Share of Common Area Operating Expenses, Real Property taxes and insurance premiums and to maintain the Premises) shall, however, be in effect during such period. Any such early possession shall not affect the Expiration Date. (See Exhibit C # 1)

3.3 **Delay In Possession.** Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession as agreed, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until it receives possession of the Premises. If possession is not delivered within 60 days after the Commencement Date, Lessee may, at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10 day period, Lessee's right to cancel shall terminate. Except as otherwise provided, if possession is not tendered to Lessee by the Start Date and Lessee does not terminate this Lease, as aforesaid, any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession of the Premises is not delivered within 4 months after the Commencement Date, this Lease shall terminate, unless other agreements are reached between Lessor and Lessee, in writing. (See Exhibit C #12)

3.4 **Lessee Compliance.** Lessor shall not be required to tender possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of Insurance (Paragraph 8.5). Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.

4. **Rent.**

4.1 **Rent Defined.** All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit) are deemed to be rent (**"Rent"**).

4.2 **Common Area Operating Expenses.** Lessee shall pay to Lessor during the term hereof, in addition to the Base Rent, Lessee's Share (as specified in Paragraph 1.6) of all Common Area Operating Expenses, as hereinafter defined, during each calendar year of the term of this Lease, in accordance with the following provisions:

(a) **"Common Area operating Expenses"** are defined, for purposes of this Lease, as all costs incurred by Lessor relating to the ownership and operation of the Project, including, but not limited to, the following:

(i) The operation, repair and maintenance, in neat, clean, good order and condition, but not the replacement (see subparagraph (e)), of the following:

(aa) The Common Areas and Common Area improvements, including parking areas, loading and unloading areas, trash areas, roadways, parkways, walkways, driveways. landscaped areas, bumpers, irrigation systems, Common Area lighting facilities, fences and gates, elevators, roots, and roof drainage systems.

(bb) Exterior signs and any tenant directories.

(cc) Any fire sprinkler systems.

(ii) The cost of water, gas, electricity and telephone to service the Common Areas and any utilities not separately metered.

(iii) Trash disposal, pest control services, property management, security services, and the costs of any environmental inspections.

(iv) Reserves set aside for maintenance and repair of Common Areas.

(v) Any increase above the Base Real Property Taxes (as defined in Paragraph 10).

(vi) Any "Insurance Cost Increase" (as defined in Paragraph 8).

(vii) Any deductible portion of an insured loss concerning the Building or the Common Areas.

(viii) The cost of any Capital Expenditure to the Building or the Project not covered under the provisions of Paragraph 2.3 provided; however, that Lessor shall allocate the cost of any such Capital Expenditure over a 12 year period and Lessee shall not be required to pay more than Lessee's Share of $1/144^{th}$ of the cost of such Capital Expenditure in any given month.

(ix) Any other services to be provided by Lessor that are stated elsewhere in this Lease to be a Common Area Operating Expense.

(b) Any Common Area Operating Expenses and Real Property Taxes that are specifically attributable to the Unit, the Building or to any other building in the Project or to the operation, repair and maintenance thereof, shall be allocated entirely to such Unit, Building, or other building. However, any Common Area Operating Expenses and Real Property Taxes, that are not specifically attributable to the Building or to any other building or to the operation, repair and maintenance thereof, shall be equitably allocated by Lessor to all buildings in the Project. (See Exhibit C, Items 3 & 4.)

(c) The inclusion of the improvements, facilities and services set forth in Subparagraph 4.2(a) shall not be deemed to impose an obligation upon Lessor to either have said improvements or facilities or to provide those services unless the Project already has the same, Lessor already provides the services, or Lessor has agreed elsewhere in this Lease to provide the same or some of them.

(d) Lessee's Share of Common Area Operating Expenses shall be payable by Lessee within 10 days after a reasonably detailed statement of actual expenses is presented to Lessee. At Lessor's option, however, an amount may be estimated by Lessor from time to time of Lessee's Share of annual Common Area Operating Expenses and the same shall be payable monthly or quarterly, as Lessor shall designate, during each 12 month period of the Lease term, on the same day as the Base Rent is due hereunder. Lessor shall deliver to Lessee within 60 days after the expiration of each calendar year a reasonably detailed statement showing Lessee's Share of the actual Common Area Operating Expenses incurred during the preceding year. If Lessee's payments under this Paragraph 4.2(d) during the preceding year exceed Lessee's Share as indicated on such statement, Lessor shall credit the amount of such over-payment against Lessee's Share of Common Area Operating Expenses next becoming due. If Lessee's payments under this Paragraph 4.2(d) during the preceding year were less than Lessee's Share as indicated on such statement, Lessee shall pay to Lessor the amount of the deficiency within 10 days after delivery by Lessor to Lessee of the statement.

(e) When a capital component such as the roof, foundations, exterior walls or a Common Area capital improvement, such as the parking lot paving, elevators, fences, etc. requires replacement, rather than repair or maintenance, Lessor shall, at Lessor's expense, be responsible for such replacement. Such expenses and/or costs are not Common Area Operating Expenses.

4.3 **Payment.** Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States, without offset or deduction (except as specifically permitted in this Lease), on or before the day on which it is due. Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a Waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating. In the event that any check, draft, or other instrument of payment given by Lessee to Lessor is dishonored for any reason, Lessee agrees to pay to Lessor the sum of $25.

5. **Security Deposit.** Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease. Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of the Security Deposit, Lessee shall within 10 days after written request therefor deposit monies with Lessor sufficient to restore said Security Deposit to the full amount

required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sub lessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, In Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within 14 days after the expiration or termination of this Lease, if Lessor elects to apply the Security Deposit only to unpaid Rent, and otherwise within 30 days after the Premises have been vacated pursuant to Paragraph 7.4(c) below, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease.

6. Use.

6.1 **Use.** Lessee shall use and occupy the Premises only for the Agreed Use, or any other legal use which is reasonably comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties. Lessor shall not unreasonably withhold or delay its consent to any written request for a modification of the Agreed Use, so long as the same will not impair the structural integrity of the improvements on the Premises or the mechanical or electrical systems therein, and/or is not significantly more burdensome to the Premises. If Lessor elects to withhold consent, Lessor shall within 7 days after such request give written notification of same, which notice shall include an explanation of Lessor's objections to the change in the Agreed Use. (See Exhibit C, Item 5.)

6.2 **Hazardous Substances,**

(a) **Reportable Uses Require Consent.** The term **"Hazardous Substance"** as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either; (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, by-products or fractions thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee's expense) with all Applicable Requirements. **"Reportable Use"** shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability; including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit.

(b) **Duty to Inform Lessor.** If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(c) **Lessee Remediation.** Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) **Lessee Indemnification.** Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, or any Third party (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from areas outside of the Project). Lessee's obligations shall Include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

(e) **Lessor Indemnification.** Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which existed as a result of Hazardous Substances on the Premises prior to the Start Date or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

(f) **Investigations and Remediations.** Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to the Start Date, unless such remediation measure is required as a result of Lessee's use (including "Alterations," as defined in Paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessor's investigative and remedial responsibilities.

(g) **Lessor Termination Option.** If a Hazardous Substance Condition (see Paragraph 9.1(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and affect, or (ii) if the estimated cost to remediate such condition exceeds 12 times the then monthly Base Rent or $100,000, whichever is greater, give written notice to Lessee, within 30 days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within 10 days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to 12 times the then monthly Base Rent or $100.000, whichever is greater. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation, as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

6.3 **Lessee's Compliance with Applicable Requirements.** Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the Premises, without regard to whether said requirements are now in effect or become effective after the Start Date. Lessee shall, within 10 days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements.

6.4 **Inspection Compliance.** Lessor and Lessor's **"Lender"** (as defined in Paragraph 30) and consultants shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a contamination is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination.

7. **Maintenance; Repairs, Utility Installations; Trade Fixtures and Alterations.**

7.1 **Lessee's Obligations.**

(a) **In General.** Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance), 6.3 (Lessee's Compliance with Applicable Requirements), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole expense, keep the Premises, Utility Installations (intended for Lessee's exclusive use, no matter where located), and Alterations in good order, condition and repair (whether or not the portion of the Premises requiring repairs, or the means or repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, but not limited to, all equipment or facilities, such as plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fixtures, interior walls, interior surfaces of exterior walls, ceilings, floors, windows, doors, plate glass, and skylights but excluding any items which are the responsibility of Lessor pursuant to Paragraph 7.2. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Paragraph 7.1(b) below. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair. (See Exhibit C, Item 6.)

(b) **Service Contracts.** Lessee shall, at Lessee's sole expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in the maintenance of the following equipment and improvements, if any, if and when installed on the Premises: (I) HVAC equipment, (ii) boiler and pressure vessels, (iii) clarifiers, and (iv) any other equipment, if reasonably required by Lessor. However, Lessor reserves the right, upon notice to Lessee, to procure and maintain any or all of such service contracts, and if Lessor so elects, Lessee shall reimburse Lessor, upon demand, for the cost thereof.

(c) **Failure to Perform.** If Lessee fails to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after 10 days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, and Lessee shall promptly reimburse Lessor for the cost thereof.

(d) **Replacement.** Subject to Lessee's indemnification of Lessor as set forth in Paragraph 8.7 below, and without relieving Lessee of liability resulting from Lessee's failure to exercise and perform good maintenance practices, if an item described in Paragraph 7.1(b) cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such item, then such item shall be replaced by Lessor, and the cost thereof shall be prorated between the Parties and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease, on the date on which Base Rent is due, an amount equal to the product of multiplying the cost of such replacement by a fraction, the numerator of which is one, and the denominator of which is 144 (ie. 1/144th of the cost per month). Lessee shall pay interest on the unamortized balance at a rate that is commercially reasonable in the judgment of Lessor's accountants. Lessee may, however, prepay its obligation at any time.

7.2 **Lessor's Obligations.** Subject to the Provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 4.2 (Common Area Operating Expenses), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler system, Common Area fire alarm and/or smoke detection systems, fire hydrants, parking lots, walkways, parkways, driveways, landscaping, fences, signs and utility systems serving the Common Areas and all parts thereof, as well as providing the services for which there is a Common Area Operating Expense pursuant to Paragraph 4.2. Lessor shall not be obligated to paint the exterior or interior surfaces of exterior walls nor shall Lessor be obligated to maintain, repair or replace windows, doors or plate glass of the Premises. Lessee expressly waives the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease

7.3 **Utility Installations; Trade Fixtures; Alterations.**

(a) **Definitions.** The term **"Utility Installations"** refers to all floor and window coverings, air lines, power panels, electrical distribution, security and fire protection systems, communication systems, lighting fixtures, HVAC equipment, plumbing, and fencing in or on the Premises. The term **"Trade Fixtures"** shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term **"Alterations"** shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. **"Lessee Owned Alterations and/or Utility Installations"** are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a).

(b) **Consent.** Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, and the cumulative cost thereof during this Lease as extended does not exceed a sum equal to 3 month's Base Rent in the aggregate or a sum equal to one month's Base Rent in any one year. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor.

(c) **Indemnification.** Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or material men's lien against the Premises or any interest therein, Lessee shall give Lessor not less than 10 days notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to 150% of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys' fees and costs.

7.4 **Ownership; Removal; Surrender; and Restoration.**

(a) **Ownership.** Subject to Lessor's right to require removal or elect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

(b) **Removal.** By delivery to Lessee of written notice from Lessor not earlier than 90 and not later than 30 days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent.

(c) **Surrender; Restoration.** Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris, and in good operating order. condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing, if this Lease is for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures. Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall also completely remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Project) even if such removal would require Lessee to perform or pay for work that exceeds statutory requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below. (See Exhibit C, Item 7.)

8. Insurance Indemnity.

8.1 **Payment of Premium Increases.**

(a) As used herein, the term **"Insurance Cost Increase"** is defined as any increase in the actual cost of the insurance applicable to the Building and/or the Project and required to be carried by Lessor, pursuant to Paragraphs 8.2(b), 8.3(a) and 8.3(b) (**"Required Insurance"**), over and above the Base Premium, as hereinafter defined, calculated on an annual basis. Insurance Cost Increase shall include, but not be limited to, requirements of the holder of a mortgage or deed of trust covering the Premises, Building and/or Project, increased valuation of the Premises, Building and/or Project, and/or a general premium rate increase. The term Insurance Cost Increase shall not, however, include any premium increases resulting from the nature of the occupancy of any other tenant of the Building. If the parties insert a dollar amount in Paragraph 1.9, such amount shall be considered the **"Base Premium."** The Base Premium shall be the annual premium applicable to the 12 month period immediately preceding the Start Date. If, however, the Project was not insured for the entirety of such 12 month period, then the Base Premium shall be the lowest annual premium reasonably obtainable for the Required Insurance as of the Start Date, assuming the most nominal use possible of the Building. In no event, however, shall Lessee be responsible for any portion of the premium cost attributable to liability insurance coverage in excess of $2,000,000 procured under Paragraph 8.2(b).

(b) Lessee shall pay any Insurance Cost Increase to Lessor pursuant to Paragraph 4.2. Premiums for policy periods commencing prior to. or extending beyond, the term of this Lease shall be prorated to coincide with the corresponding Start Date or Expiration Date.

8.2 **Liability Insurance.**

(a) **Carried by Lessee.** Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $1,000,000 per occurrence with an annual aggregate of not less than $2,000,000, an "Additional Insured-Managers or Lessor's of Premises Endorsement" and contain the "Amendment of the Pollution Exclusion Endorsement" for damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "Insured Contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance carried by Lessee shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only. (See Exhibit C, Item 8.)

(b) **Carried by Lessor.** Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 **Property Insurance – Building, Improvements and Rental Value.**

(a) **Building and Improvements.** Lessor shall obtain and keep in force a policy or policies of insurance in the name of Lessor, with loss Payable to Lessor, any ground-lessor, and to any Lender insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full replacement cost of the Premises, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available insurable value thereof. Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee under Paragraph 8.4. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed $1,000 per occurrence.

(b) **Rental Value.** Lessor shall also obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one year with an extended period of indemnity for an additional 180 days ("Rental Value Insurance"). Said insurance shall contain an agreed valuation provision, in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next 12 month perio d.

(c) **Adjacent Premises.** Lessee shall pay for any increase in the premiums for the property insurance of the Building and for the Common Areas or other buildings in the Project if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(d) **Lessee's Improvements.** Since Lessor is the Insuring Party, Lessor shall not be required to insure Lessee Owned Alterations and Utility Installations unless the item in question has become the property of Lessor under the terms of this Lease.

8.4 **Lessee's Property; Business Interruption Insurance.**

(a) **Property Damage.** Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures, and Lessee Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed $1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of Personal Property, Trade Fixtures and Lessee Owned Alterations and Utility Installations. Lessee shall provide Lessor with written evidence that such insurance in force.

(b) **Business Interruption.** Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all Perils commonly insured against by prudent Lessee's in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

(c) **No Representation of Adequate Coverage.** Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.

8.5 **Insurance Policies.** Insurance required herein shall be by companies duty licensed or admitted to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B+, V, as set forth in the most current issue of "Best's Insurance Guide," or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required Insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates evidencing the existence and amounts of the required Insurance. No such policy shall be cancelable or subject to modification except after 30 days prior written notice to Lessor. Lessee shall, at least 30 days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same.

8.6 **Waiver of Subrogation.** Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of Insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation, that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 **Indemnity.** Except for Lessor's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified.

8.8 **Exemption of Lessor from Liability.** Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the Building, or from other sources or places. Lessor shall not be liable for any damages arising from any act or neglect of any other tenant of Lessor nor from the failure of Lessor to enforce the provisions of any other lease in the Project. Notwithstanding Lessor's negligence or breach of this Lease, Lessor shall under no circumstances be liable for injury to Lessee's business or for any loss of income or profit there from.

9. **Damage or Destruction.**

9.1 Definitions.

(a) **"Premises Partial Damage"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which can reasonably be repaired in 3 months or less from the date of the damage or destruction, and the cost thereof does not exceed a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(b) **"Premises Total Destruction"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility installations and Trade Fixtures, which cannot reasonably be repaired in 3 months or less from the date of the damage or destruction and/or the cost thereof exceeds a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) **"Insured Loss"** shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

(d) **"Replacement Cost"** shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) **"Hazardous Substance Condition"** shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises.

9.2 **Partial Damage – Insured Loss.** If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force end effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is $5,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said 10 day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 **Partial Damage – Uninsured Loss.** If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective 60 days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 **Total Destruction.** Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate 60 days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6

9.5 **Damage Near End of Term.** If at any time during the last 6 months of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective 60 days following the date of occurrence of such damage by giving a written termination notice to Lessee within 30 days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is 10 days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force

and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished.

9.6 **Abatement of Rent; Lessee's Remedies.**

(a) **Abatement.** In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from the Rental Value Insurance. All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) **Remedies.** If Lessor shall be obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within 90 days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than 60 days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within 30 days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such 30 days, this Lease shall continue in full force and effect. "Commence" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 **Termination; Advance Payments.** Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

9.8 **Waive Statutes.** Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith.

10. Real Property Taxes.

10.1 **Definitions.**

(a) **"Real Property Taxes."** As used herein, the term **"Real Property Taxes"** shall include a form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Project, Lessor's right to other income there from, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Project address and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Project is located. The term "Real Property Taxes" shall also include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Project or any portion thereof or a change in the improvements thereon.

(b) **"Base Real Property Taxes."** As used herein, the term **"Base Real Property Taxes"** shall be the amount of Real Property Taxes, which are assessed against the Premises, Building, Project or Common Areas in the calendar year during which the Lease is executed. In calculating Real Property Taxes for any calendar year, the Real Property Taxes for any real estate tax year shall be included in the calculation of Real Property Taxes for such calendar year based upon the number of days which such calendar year and tax year have in common.

10.2 **Payment of Taxes.** Lessor shall pay the Real Property Taxes applicable to the Project, and except as otherwise provided in Paragraph 10.3, any increases in such amounts over the Base Real Property Taxes shall be included in the calculation of Common Area Operating Expenses in accordance with the provisions of Paragraph 4.2.

10.3 **Additional Improvements.** Common Area Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Project by other Lessee's or by Lessor for the exclusive enjoyment of such other lessees. Notwithstanding Paragraph 10.2 hereof, Lessee shall, however, pay to Lessor at the time Common Area Operating Expenses are payable under Paragraph 4.2, the entirety of any increase in Real Property Taxes if assessed solely by reason of Alterations, Trade Fixtures or Utility Installations placed upon the Premises by Lessee or at Lessee's request.

10.4 **Joint Assessment.** If the Building is not separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.5 **Personal Property Taxes.** Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within 10 days after receipt of a written statement getting forth the taxes applicable to Lessee's property.

11. Utilities. Lessee shall pay for all water, gas, heat, light, power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. Notwithstanding the provisions of Paragraph 4.2, if at any time in Lessor's sole judgment, Lessor determines that Lessee is using a disproportionate amount of water, electricity or other commonly metered utilities, or that Lessee is generating such a large volume of trash as to require an increase in the size of the dumpster and/or an increase in the number of times per month that the dumpster is emptied, then Lessor may increase Lessee's Base Rent by an amount equal to such increased costs.

12. Assignment and Subletting. (see Exhibit C #9)

12.1 **Lessor's Consent Required.**

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, **"assign or assignment"**) or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent.

(b) A change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of 25% or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than 25% of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. **"Net Worth of Lessee"** shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.

(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a noncurable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, (i) the Purchase Price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to 110% of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

12.2 **Terms and Conditions Applicable to Assignment and Subletting.**

(a) Regardless of Lessor's consent, any assignment or subletting shall not: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) after the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefore to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of $1,000 or 10% of the current monthly Base Rent applicable to the portion of the Premises which is the subject of the proposed assignment or sublease, whichever is greater, as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested.

(f) Any assignee of, or sublessee under, this lease shall, by reason of accepting such assignment or entering into such sublease, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

12.3 **Additional Terms and Conditions Applicable to Subletting.** The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. **Default; Breach; Remedies.**

13.1 **Default; Breach.** A **"Default"** is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A **"Breach"** is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or Property, where such failure continues for a period of 3 business days following written notice to Lessee.

(c) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 41 (easements), or (viii) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Lessee.

(d) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 2.9 hereof, other than those described in subparagraphs 13.1(a), (b) or (c), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

(e) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a **"debtor"** as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(f) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.

(g) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 **Remedies.** If Lessee fails to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. The costs

and expenses of any such performance by Lessor shall be due and payable by Lessee upon receipt of invoice therefor. If any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor, at its option, may require all future payments to be made by Lessee to be by cashier's check. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result there from, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover damages under Paragraph 12. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 **Inducement Recapture.** Any agreement for free or abated rent or other charges, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as **"Inducement Provisions,"** shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and condition, of this Lease. Upon Breach of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance.

13.4 **Late Charges.** Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within 5 days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a one-time late charge equal to 10% of each such overdue amount or $100, whichever is greater. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment, acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for 3 consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 **Interest.** Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due as to scheduled payments (such as Base Rent) or within 30 days following the date on which it was due for non-scheduled payment, shall bear interest from the date when due, as to scheduled payments, or the 31st day after it was due as to non-scheduled payments. The interest (**"Interest"**) charged shall be equal to the prime rate reported in the Wall Street Journal as published closest prior to the date when due plus 4%, but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 **Breach by Lessor.**

(a) **Notice of Breach.** Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than 30 days after receipt by Lessor, and any Lender whose name and address shall have been furnished Lessee in writing for such Purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than 30 days are reasonably required for its Performance, then Lessor shall not be in breach of Performance is commenced within such 30 day period and thereafter diligently pursued to completion.

(b) **Performance by Lessee on Behalf of Lessor.** In the event that neither Lessor nor Lender cures said breach within 30 days after receipt of said notice, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from Rent an amount equal to the greater of one Base Rent of the Security Deposit, and to pay an excess of such expense under protest, reserving Lessee's right to reimbursement from Lessor. Lessee shall document the cost of said cure and supply said documentation to Lessor.

14. **Condemnation.** If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively **"Condemnation"**) this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs first. If more than 10% of the floor area of the Unit, or more then 25% of Lessee's Reserved Parking Spaces, is taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within 10 days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within 10 days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided however, that Lessee shall be entitled to any compensation for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefore. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation. See Exhibit C Item #10

15. **Brokerage Fees.** (see Exhibit C #10)

15.1 **Additional Commission.** In addition to the payments owed pursuant to Paragraph 1.10 above, and unless Lessor and the Brokers Otherwise agree in writing, Lessor agrees that: (a) if Lessee exercises any Option, (b) if Lessee acquires from Lessor any rights to the Premises or other premises owned by Lessor and located within the Project, (c) if Lessee remains in Possession of the Premises, with the consent of Lessor, after the expiration of this Lease or (d) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then, Lessor shall pay Brokers a fee in accordance with the schedule of the Brokers in effect at the time of the execution of this Lease.

15.2 **Assumption of Obligations.** Any buyer or transferee of Lessor's interest in this Lease shall be deemed to have assumed Lessor's obligation hereunder. Brokers shall be third party beneficiaries of the provisions of Paragraphs 1.10, 15, 22 and 31. If Lessor fails to pay to Brokers any amounts due as and for brokerage fees pertaining to this Lease when due, then such amounts shall accrue Interest. In addition, if Lessor fails to pay any amounts to Lessee's Broker when due, Lessee's Broker may send written notice to Lessor and Lessee of such failure and if Lessor fails to pay such amounts within 10 days after said notice, Lessee shall pay said monies to its Broker and offset such amounts against Rent. In addition, Lessee's Broker shall be deemed to be a third party beneficiary of any commission agreement entered into by and/or between Lessor and Lessor's Broker for the limited purpose of collecting any brokerage fee owed.

15.3 **Representations and Indemnities of Broker Relationships.** Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any) in connection with this Lease, and that no one other than said named Brokers is entitled to any commission or finder's fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

16. **Estoppel Certificates.**

(a) Each Party (as **"Responding Party"**) shall within 10 days after written notice from the other Party (the **"Requesting Party"**) execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current **"Estoppel Certificate"** form published by the American Industrial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

(b) It the Responding Party shall fail to execute or deliver the Estoppel Certificate within such 10 day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance. Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate.

(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past 3 years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. **Definition of Lessor.** The term **"Lessor"** as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Except as provided in Paragraph 15, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined. Notwithstanding the above, and subject to the provisions of Paragraph 20 below, the original Lessor under this Lease, and all subsequent holders of the Lessor's interest in this Lease shall remain liable and responsible with regard to the potential duties and liabilities of Lessor pertaining to Hazardous Substances as outlined in Paragraph 6.2 above.

18. **Severability.** The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. **Days.** Unless otherwise specifically indicated to the contrary, the word **"days"** as used in this Lease shall mean and refer to calendar days.

20. **Limitation on Liability.** Subject to the provisions of Paragraph 17 above, the obligations of Lessor under this Lease shall not constitute personal obligations of Lessor, the individual partners of Lessor or its or their individual partners, directors, officers or shareholders, and Lessee shall look to the Premises, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with respect to this Lease, and shall not seek recourse against the individual partners of Lessor, or its or their individual partners, directors, officers or shareholders, or any of their personal assets for such satisfaction.

21. **Time of Essence.** Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

22. **No Prior or Other Agreements; Broker Disclaimer.** This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the use, nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees), of any Broker with respect to negotiation, execution, delivery or performance by either Lessor or Lessee under this Lease or any amendment or modification hereto shall be limited to an amount up to the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

23. **Notices.**

23.1 **Notice Requirements.** All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may, by written notice to the other, specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing.

23.2 **Date of Notice.** Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery dale is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 48 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices transmitted by facsimile transmission or similar means shall be deemed delivered upon telephone confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

24. **Waivers.** No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of monies or damages due Lessor,

notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

25. **Disclosures Regarding The Nature of a Real Estate Agency Relationship.**

(a) When entering into a discussion with a real estate agent regarding a real estate transaction, a Lessor or Lessee should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Lessor and Lessee acknowledge being advised by the Brokers in this transaction, as follows:

(i) Lessor's Agent. A Lessor's agent under a listing agreement with the Lessor acts as the agent for the Lessor only. A Lessor's agent or subagent has the following affirmative obligations: To the Lessor: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessor. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(ii) Lessee's Agent. An agent can agree to act as agent for the Lessee only. In these situations, the agent is not the Lessor's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Lessor. An agent acting only for a Lessee has the following affirmative obligations. To the Lessee: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessee. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that not known to, or within the diligent attention and observation of the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(iii) Agent Representing Both Lessor and Lessee. A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Lessor and the Lessee in a transaction, but only with the knowledge and consent of both the Lessor and the Lessee. In a dual agency situation, the agent has the following affirmative obligations to both the Lessor and the Lessee: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Lessor or the Lessee. b. Other duties to the Lessor and the Lessee as stated above in subparagraphs (i) or (ii). In representing both Lessor and Lessee, the agent may not without the express permission of the respective Party, disclose to the other Party that the Lessor will accept rent in an amount less than that indicated in the listing or that the Lessee is willing to pay a higher rent than that offered. The above duties of the agent in a real estate transaction do not relieve a Lessor or Lessee from the responsibility to protect their own interests. Lessor and Lessee should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

(b) Brokers have no responsibility with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees), of any Broker with respect to any breach of duty, error or omission relating to this Lease shall not exceed the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

(c) Buyer and Seller agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

26. **No Right To Holdover.** Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 150% of the Base Rent applicable immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

27. **Cumulative Remedies.** No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. **Covenants and Conditions; Construction of Agreement.** All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

29. **Binding Effect; Choice of Law.** This Lease shall be binding upon the parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. **Subordination; Attornment; Non-Disturbance.**

30.1 **Subordination.** This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, **"Security Device"**), now or hereafter placed upon the Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as **"Lender"**) shall have no liability or obligation to perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to Lessee, whereupon this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 **Attornment.** Subject to the non-disturbance provisions of Paragraph 30.3, Lessee agrees to attorn to a Lender or any other party who acquires ownership of the Premises by reason of a foreclosure of a Security Device, and that in the event of such foreclosure, such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (b) be subject to any offsets or defenses which Lessee might have against any prior lessor, (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor.

30.3 **Non-Disturbance.** With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a **"Non-Disturbance Agreement"**) from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within 60 days after the execution of this Lease, Lessor shall use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to provide the Non-Disturbance Agreement within said 60 days, then Lessee may, at Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 **Self-Executing.** The agreements contained in this Paragraph 30 shall be affective without the execution or any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

31. **Attorneys' Fees.** If any Party or Broker brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, **"Prevailing Party"** shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgement, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and

consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach ($200 is a reasonable minimum per occurrence for such services and consultation). (see Exhibit C #15)

32. **Lessor's Access; Showing Premises; Repairs.** Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times for the purpose of showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary. All such activities shall be without abatement of rent or liability to Lessee. Lessor may at any time place on the Premises any Ordinary **"For Sale"** signs and Lessor may during the last 6 months of the term hereof place on the Premises any ordinary **"For Lease"** signs. Lessee may at any time place on the Premises any ordinary **"For Sublease"** sign.

33. **Auctions.** Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessor's prior written consent. Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

34. **Signs.** Except for ordinary "For Sublease" signs which may be placed only on the Premises, Lessee shall not place any sign upon the Project without Lessor's prior written consent. All signs must comply with all Applicable Requirements. (see Exhibit G)

35. **Termination; Merger.** Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subtenancies. Lessor's failure within 10 days following any such event to elect to the contrary by written notice to the holder of any such lesser interest shall constitute Lessor's election to have such event constitute the termination of such interest.

36. **Consents.** Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an Invoice and supporting documentation therefor. Lessor's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within 10 business days following such request.

37. **Guarantor.**

37.1 **Execution.** The Guarantors, if any, shall each execute a guaranty in the form most recently published by the American Industrial Real Estate Association, and each such Guarantor shall have the same obligations as Lessee under this Lease.

37.2 **Default.** It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantors behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect.

38. **Quiet Possession.** Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. **Options.** If Lessee is granted an option, as defined below, then the following provisions shall apply. (see Exhibit L, if any)

39.1 **Definition. "Option"** shall mean: (a) the right to extend the term of or renew this Lease or to extend or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Promises or other property of Lessor; (c) the right to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 **Options Personal To Original Lessee.** Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting.

39.3 **Multiple Options.** In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised

39.4 **Effect of Default on Options.**

(a) Lessee shall have no right to exercise an Option; (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), (ii) Lessor gives to Lessee 3 or more notices of separate Default during any 12 month period, whether or not the Defaults are cured, or (iii) if Lessee commits a Breach of this Lease.

40. **Security Measures.** Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

41. **Reservations.** Lessor reserves the right, (i) to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, (ii) to cause the recordation of parcel maps and restrictions, and (iii) to create and/or install new utility raceways, so long as such easements, rights dedications, maps, restrictions, and utility raceways do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate such rights.

42. **Performance Under Protest.** If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make Payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay.

43. **Authority.** If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duty authorized to execute and deliver this Lease an its behalf. Each party shall, within 30 days after request, deliver to the other party satisfactory evidence of such authority.

44. **Conflict**. Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions. (see Exhibit C #13)

45. **Offer**. Preparation of this Lease by either party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

46. **Amendments.** This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

47. **Multiple Parties.** If more than one person or entity is named herein as either Lessor or Lessee, such multiple Parties shall have joint and several responsibility to comply with the terms of this Lease.
48. **Waiver of Jury Trial.** The Parties hereby waive their respective rights to trial by jury in any action or proceeding involving the Property or arising out of this Agreement.
49. **Mediation and Arbitration of Disputes.** An Addendum requiring the Mediation and/or the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease is not attached to this Lease.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:
1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL, AND TAX CONSEQUENCES OF THIS LEASE.
2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

WARNING: IF THE PREMISES ARE LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES ARE LOCATED.
The parties hereto have executed this lease at the place and on the dates specified above their respective signatures.

Executed at: _____
on: _____

By LESSOR:
M.C. Strauss Company

By: _____
Name Printed: MARC WEISS
Title: Exec. Vice Pres

By: _____
Name Printed: _____
Title: _____
Address: 990 Highland Drive #200
Solana Beach, CA 92075

Telephone: (858) 792-7500
Facsimile: (858) 792-7834
Federal ID No. _____

Executed at: _____
on: _____

By LESSEE:
Gregory Lynn Larson

By: _____
Name Printed: Greg Larsen
Title: owner

By: _____
Name Printed: _____
Title: _____
Address: _____

Telephone: ( )
Facsimile: ( )
Federal ID No. _____

These forms are often modified to meet changing requirements of law and needs of the industry. Always write or call to make sure you are utilizing the most current form: American Industrial Real Estate Association, 700 South Flower Street, Suite 600, Los Angeles, CA 90017. (213) 687-8777.

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TENANTS SHALL FURNISH:

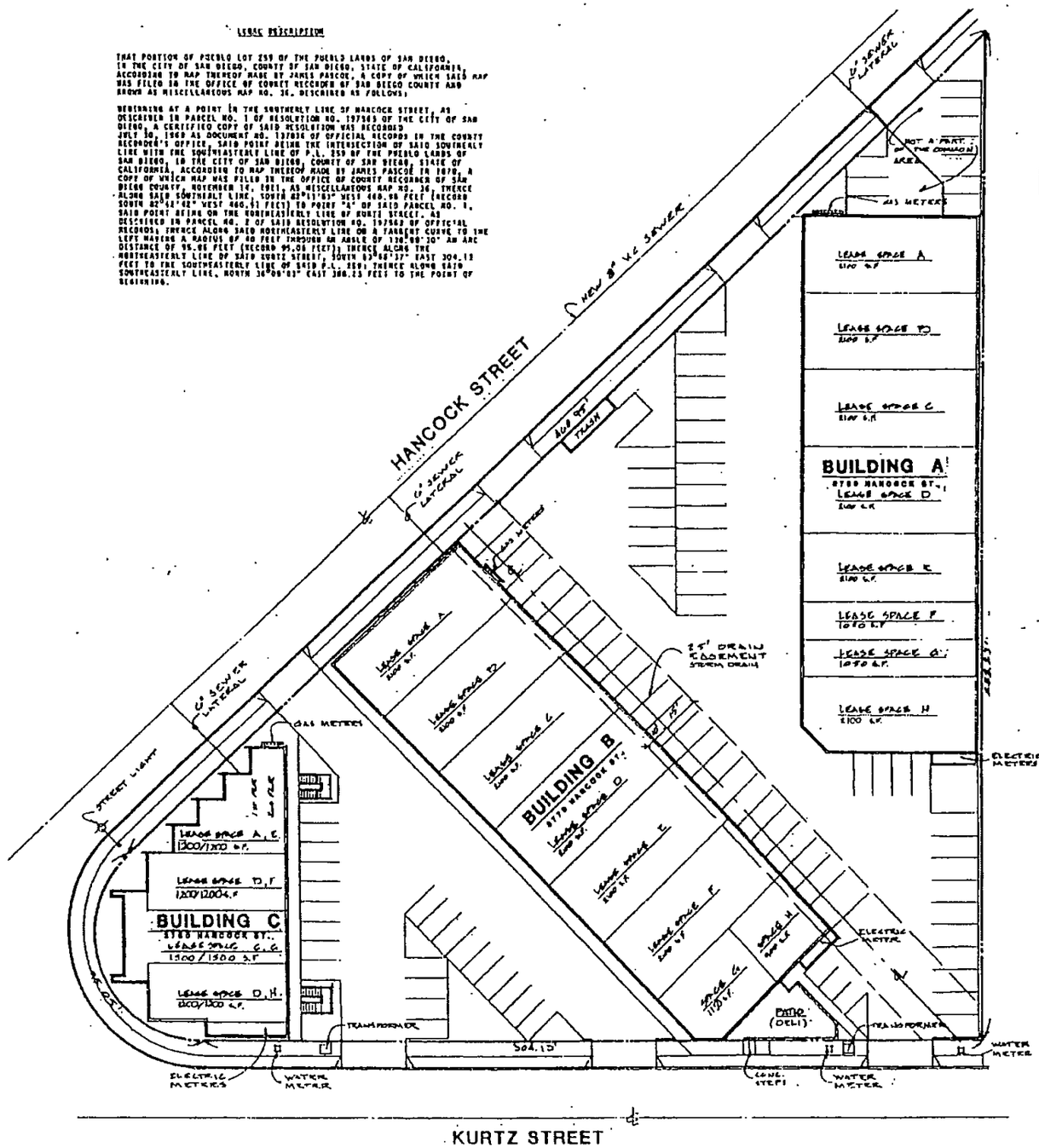
1. Its personal and corporate (if applicable) financial statements.
2. Completed Landlord furnished credit information forms.
3. Letter of reference from Tenant's bank.
4. If a corporation, its duly Authorized Corporate Resolution notifying the Lease. (SEE Exhibit C Item #11)

EXHIBIT A

LEGAL DESCRIPTION

THAT PORTION OF PUEBLO LOT 259 OF THE PUEBLO LANDS OF SAN DIEGO, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF MADE BY JAMES PASCOE, A COPY OF WHICH SAID MAP WAS FILED IN THE OFFICE OF COUNTY RECORDER OF SAN DIEGO COUNTY AND KNOWN AS MISCELLANEOUS MAP NO. 36, DESCRIBED AS FOLLOWS;

BEGINNING AT A POINT IN THE SOUTHERLY LINE OF HANCOCK STREET, AS DESCRIBED IN PARCEL NO. 1 OF RESOLUTION NO. 197563 OF THE CITY OF SAN DIEGO, A CERTIFIED COPY OF SAID RESOLUTION WAS RECORDED JULY 30, 1960 AS DOCUMENT NO. 137036 OF OFFICIAL RECORDS IN THE COUNTY RECORDER'S OFFICE, SAID POINT BEING THE INTERSECTION OF SAID SOUTHERLY LINE WITH THE SOUTHEASTERLY LINE OF P.L. 259 OF THE PUEBLO LANDS OF SAN DIEGO, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF MADE BY JAMES PASCOE IN 1870, A COPY OF WHICH MAP WAS FILED IN THE OFFICE OF COUNTY RECORDER OF SAN DIEGO COUNTY, NOVEMBER 16, 1921, AS MISCELLANEOUS MAP NO. 36, THENCE ALONG SAID SOUTHERLY LINE, SOUTH 62°41'57" WEST 448.98 FEET (RECORD SOUTH 62°41'42" WEST 449.41 FEET) TO POINT "A" OF SAID PARCEL NO. 1, SAID POINT BEING ON THE NORTHEASTERLY LINE OF KURTZ STREET, AS DESCRIBED IN PARCEL NO. 2 OF SAID RESOLUTION NO. 197563 OF OFFICIAL RECORDS; THENCE ALONG SAID NORTHEASTERLY LINE ON A TANGENT CURVE TO THE LEFT HAVING A RADIUS OF 40 FEET THROUGH AN ANGLE OF 126°58'30" AN ARC DISTANCE OF 95.05 FEET (RECORD 95.05 FEET); THENCE ALONG THE NORTHEASTERLY LINE OF SAID KURTZ STREET, SOUTH 63°58'27" EAST 304.13 FEET TO THE SOUTHEASTERLY LINE OF SAID P.L. 259; THENCE ALONG SAID SOUTHEASTERLY LINE, NORTH 36°08'03" EAST 388.23 FEET TO THE POINT OF BEGINNING.



TABULATION

	LEASE SPACE	SQUARE FEET	SPACE ALLOCATION OF COMMON AREA
BLDG A	COMMERCIAL / OFFICE		
	A	1100 S.F.	5.31
	B	1100 S.F.	5.31
	C	1100 S.F.	5.31
	D	1100 S.F.	5.31
	E	1100 S.F.	5.31
	F	1050 S.F.	2.65
	G	1050 S.F.	2.65
	H	2100 S.F.	5.31
BLDG B	A	1100 S.F.	5.31
	B	1100 S.F.	5.31
	C	1100 S.F.	5.31
	D	1100 S.F.	5.31
	E	1100 S.F.	5.31
	F	1100 S.F.	5.31
	G	1150 S.F.	5.30
	H	800 S.F.	2.26
OFFICE BLDG. C			
	A - 1ST FLR.	1300 S.F.	3.09
	B - 1ST FLR.	1200 S.F.	3.09
	C - 1ST FLR.	1800 S.F.	3.79
	D - 1ST FLR.	1200 S.F.	3.09
	E - 2ND FLR.	1200 S.F.	3.09
	F - 2ND FLR.	1200 S.F.	3.09
	G - 2ND FLR.	1800 S.F.	3.79
	H - 2ND FLR.	1200 S.F.	3.09
TOTAL		38,550 S.F.	100.00%

OWNER
DEVELOPER
LEASING AGENT
M. C. STRAUSS CO.
591 CAMINO DE LA REINA
SUITE 1001
SAN DIEGO CA. 92108
PHONE (714) 299-8222

PROJECT ADDRESS:
BLDG 'A' SUITES A-H 8780 HANCOCK ST., SAN DIEGO, CA. 92110
BLDG 'B' SUITES A-H 8770 HANCOCK ST., SAN DIEGO, CA. 92110
BLDG 'C' SUITES A-H 8760 HANCOCK ST., SAN DIEGO, CA. 92110

SITE & BUILDING SUMMARY

GROSS LOT AREA — 70,249 S.F.
LOT COVERAGE
BUILDINGS — 34,295 S.F. (48.8%)

BUILDING AREAS (GROSS LEASABLE AREA - M.L.A.)
BLDG 'A' — 14,700 S.F.
BLDG 'B' — 10,650 S.F.
BLDG 'C' — 14,200 S.F.
TOTAL — 39,550 S.F.

PARKING REQUIRED
1 SPACE PER 300 S.F. OF BUILDING AREA = 132 SPACES

PARKING PROVIDED
60 STANDARD SPACES @ 8.5' x 18'
35 COMPACT SPACES (2) @ 7.5' x 15'
4 HANDICAPPED SPACES (2) @ 12' x 18'
99 TOTAL SPACES

PROJECT DATA

CODES — 1979 UNIFORM BUILDING CODE
1979 UNIFORM PLUMBING CODE
1979 UNIFORM MECHANICAL CODE
1979 UNIFORM FIRE CODE
1978 NATIONAL ELECTRIC CODE
SAN DIEGO CITY AMENDMENTS
OCCUPANCY — GROUP B DIVISION 2
ZONE — MISSION PLATTED DISTRICT-AREA 'B'
FIRE ZONE — THREE
BUILDING HEIGHT — 1 & 2 STORY
CONSTRUCTION TYPE — TYPE V-N

N

SITE PLAN

SPORTS ARENA BUSINESS PARK

DRAWN BY
DATE
CHECKED BY
ARCHITECT
POT & JOHNSON & CTR

REVISIONS

NO.	DATE	DESCRIPTION

SHEET TITLE
LEASE PLAT

SHEET NUMBER
EXHIBIT A

EXHIBIT A-1 TO LEASE (SUBLEASE)
MINIMUM STANDARD SUBLEASE CONDITIONS

(1) ASSIGNMENT AND SUBLEASING: Sublessee, shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and the City of San Diego, hereinafter, "City." An assignment by operation of law shall automatically terminate this lease.

(2) HOLD HARMLESS: Sublessee shall assume the defense of, indemnify and save harmless Lessee and City from all claims, expenses and liability of every nature, directly or indirectly arising from, or alleged to have arisen from the operations conducted on the leased premises or from any act or omission of Sublessee, its agents and invitees.

(3) INSURANCE: Sublessee shall be insured by an insurance carrier acceptable to the Lessee and City against loss from public liability arising from the use or condition of or operation conducted on the leased premises. Minimum coverage shall be as set forth in Paragraph 16-B hereof. A copy of the policy of insurance shall be filed with the City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or canceled without 30 days prior written notice to the. City by the insurance company,

(4) LEGAL PROCEEDINGS: Should it become necessary to Lessee or City to commence legal Proceedings to collect rent, to recover possessions or enforce any other provision of this lease, Sublessee agrees that the prevailing party shall be entitled to all legal costs in connection therewith, including a reasonable sum as attorney's fees

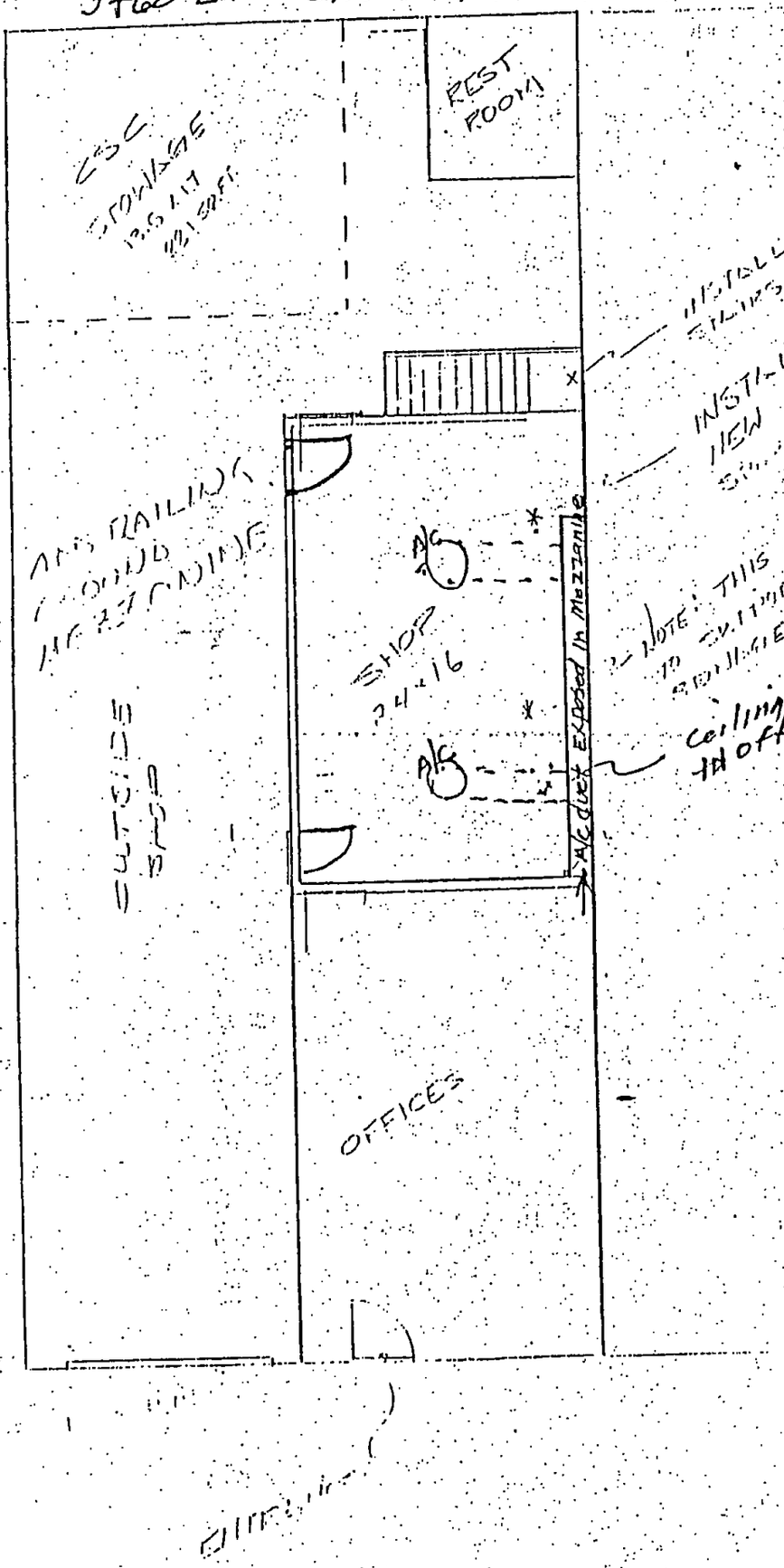
(5) SUBORDINATION: This agreement is in effect a sublease of a portion of the premises covered by that certain Lease Agreement dated September 13, 1977, as amended between the sublessor herein and the City of San Diego- This sublease is subject and subordinated to the covenants and conditions of said Lease Agreement notwithstanding any provision hereto contrary to or in conflict with said agreement.

(6) The property is subject to a City of San Diego ground lease mentioned hereinabove and lies with in the recently formed North Bay Redevelopment Area, The property will be redeveloped sometime in the future- Accordingly, Landlord and or city at its sole option may terminate this lease at anytime after Dec 1, 2003 with 6 months notice in writing, and without invalidating or superceding any of the rights contained here in this Addendum of the lease or the city land lease agreements there under

LESSEE'S INITIALS _____

LESSOR'S INITIALS _____

3760 E 2100 SF plus 4w mez. upstairs (included)



Initials
Initials

EXHIBIT B-1

Addendum to Commercial/Industrial Multi-Tenant Lease

1. Early Possession: With early move-in of Lessee, Lessee may not interfere with any tenant improvements needed to be done by Lessor. Additionally, M.C. Strauss Company is not responsible for loss, theft, or damage of any of Lessee's property should Lessee desire to move-in prior to commencement of Lease Term.

2. Term Adjustment: If the Commencement Date is other than the first day of a calendar month, the Term shall be deemed to have commenced on the first day of the next succeeding month.

3. Modified Common Area Operating Expenses: Lessor shall pay Tenant's portion of common area maintenance, taxes,and insurance.
   a. "Operating Costs" means all costs reasonably incurred by Lessor in accordance with generally accepted accounting principles, and fairly allocable to the applicable Calendar Year which relate to, or are fairly allocable to, the ownership and operation of the Common Areas. Lessor shall pay tenant's portion of common area maintenance, axes and insurance
   b. Periodic painting of the building exterior and common areas shall be included as a common area operating expense. If Lessor undertakes a program of preventive maintenance for the HVAC systems for all of the Tenants per Paragraph 7.1(b), the cost thereby shall be included as a common area expense.
   c, The common area definition shall also include lighting facilities, sewer, water, gas, electric, phone and other utility lines, storm drains, roads and approaches servicing the Center generally; and any other items that Lessor deems necessary and appropriate.
   d. Replacement costs, defined as that which cannot be repaired other than at a cost which is in excess of fifty percent (50%) of the cost of replacing such item, then such item shall be replaced and the cost prorated over sixty (60) months and Tenant shall pay one sixtieth (1/60) of the cost each month of the Lease term and extension thereto.

4. Utilities: Lessee shall pay before delinquency all charges for water, sewer, gas heat, electricity, power, telephone service and all and any other services or utilities used in, upon or about the Demised Premises by Lessee or any of its subtenants, licensees or concessionaries, provided, however, if any such services or utilities shall be billed to Lessor and not separately metered to the Demised Premises the mount thereof shall be prorated and Lessee shall pay to Lessor upon demand as additional rental hereunder an amount equal to that proportion of the total charges therefore which the number of square feet of Gross Floor Area in the Demised Premises bears to the total number of square feet of gross floor area of stores then rented as of the date of the utility bill served in the area and/or buildings covered by such combined charges. With respect to gas and electric service, which is not separately metered, Lessor may, at Lessor's option, in lieu of prorating on the fore-going basis, determine the amount of use of such services by Lessee on the basis of Lessee's estimated usage as determined by the utility company servicing the Demised Premises, or, if such company ceases providing such service, by a qualified electrical contractor selected by Lessor. Water is furnished to the part of the Common Area via as is central meter. Accordingly, Lessee will pay Lessor a flat charge of $50.00 per suite a month for its share of the water for its premises. Water charges may be reevaluated and increased by Lessor based on the use of the premises especially due to the number of patrons of and Lessee's business use. Lessor may require a high water user such as a restaurant or beauty parlor to install a separate meter or if the cost is prohibitive, to install an inline meter at Lessee's expense to be able to determine Lessee's fair share for any excess use.

5. Continuous Operations: Lessee shall keep the Demised Premises open for business during all hours customarily maintained by business similar to Lessee's business in the trading area in which the Demised Premises are located. At all such times Lessee shall have upon the Demised Premises a sufficient number of employees and a sufficient stock of merchandise to adequately serve the patrons thereof or render the services offered. A business holiday of more than 30 days of consecutive closing in any one year shall be considered a default.

6. Locks: Should Lessee change the locks on their suite, Lessee must furnish Lessor with a copy of the new key which is for the protection of the Lessee and per the Lease.

7. Vacating Premises: The definition "ordinary wear and tear" shall NOT include such items as carpet cleaning, cleaning, patching and painting necessary to restore Premises to a releasable condition. Additionally, Tenant will be charged for repainting rear access doors, repairing store front doors, rekeying locks to the master system and removing alarm systems or personal property and/or debris, etc, upon Lease termination,

8. Insurance: Lessor's appropriate liability insurance coverage is $3,000,000. Therefore, Paragraph 8.1 and/or Paragraph 8.2 is amended to increase the ceiling to $3,000,000 and Lessee shall reimburse Lessor for its portion accordingly.

9. Assignment and Subletting:
(This is in addition to lease language and prevails in the event of conflict.)

a. Consent to Assignment or Subletting shall not be unreasonably withheld: Subject to a compatible and noncompetitive business use with respect to the other businesses in the Center and sufficient financial statement and credit record of assignee and reasonable experience in conducting the intended business, Lessor's consent to assign or sublet this Lease shall not be unreasonably withheld provided however, that Lease shall not be in default and/or if Lessee shall have, previously breached or otherwise failed to perform under this Lease since its inception, and Lessee did not cure that breach, Lessor, at its sole discretion, may declare this Sub-paragraph null and void. Any increase in rents shall become the property of the Lessor. Any such assignment or subleasing even with the approval of the Lessor, shall not relieve the Lessee from liability for payment of the rental herein provided or from the obligation to keep and be bound by the terms, conditions and covenants of this Lease.

b. Assignment or Transfer to a Corporation: Notwithstanding anything to the contrary set forth herein, Lessee may assign this Lease, without the consent of Lessor, to a corporation or other entity not less than fifty percent (50%) of the voting stock or controlling interest of which is owned by Lessee; provided that Lessee shall at all times remain liable for performance hereunder; and provided, further, that any transfer by Lessee of the controlling stock or interest in such corporation or other entity shall be a prohibited assignment hereunder.

c. Consent to be in writing: Lessee shall not assign, mortgage, pledge, hypothecate or encumber this lease or the leasehold interest created hereby or any interest herein or sublet the Demised Premises or any portion thereof, or license the use of all or any portion of the Demised Premises, without the written consent of Lessor first had and obtained. Without in any way limiting any other rights available to the Lessor at the time of any proposed assignment or subletting, Lessor expressly reserves the right to adjust the Guaranteed Minimum Monthly Rental to an amount derived by multiplying said guaranteed minimum monthly rental times a number equal to the percentage by which the Bureau of Labor Statistics, United States Department of Labor for Los Angeles-Riverside-Orange County under the heading of "All Items" for "All Urban Consumers" for the month in which the date of such assignment or subletting occurs has increased over the same Cost of Living Index figure for the month in which the Commencement Date under this Lease occurs (i.e., if the percentage of such increase is thirty percent (30%), then the guaranteed minimum monthly rental will be multiplied

times 130). Tenant agrees to pay Lessor an administrative fee of $500 and to reimburse Lessor for Lessor's reasonable attorney fees incurred in conjunction with the processing and documentation of any such requested transfer, assignment, subletting, licensing or concession agreement

10. Broker's Fee:
    a. All Broker's fees as referred to in the Lease and Lease addendums shall be by separate agreement pursuant to a schedule to be agreed upon by Owner and Broker.
    b. However, it is understood and agreed that no commissions shall be paid on option exercises, or renewals, or expansions that unless at the invitation of the Owner first had obtained in writing.

11. Lessee's Financial Information: Lessee will furnish a credit report and financial statement at its expense, subject to Lessor's approval or reimburse Lessor $25 if Lessor obtains a credit report. Lessee also agrees to deliver to Lessor a resume of its business experience, a copy of its income tax returns for the prior year, a letter of reference from Lessee's bank, and a completed Lessor's "Credit Information" form. The Lease is contingent upon Lessor's review and approval to its sole satisfaction of Lessee's qualifications to lease.

12. Dispute or Delay: In the event of any dispute between the parties concerning the time of actual completion of Lessor's Work or Lessee's Work or any claimed excuse for delay in performance or non-performance thereof or whether such work has been adequately performed in a good and workmanlike manner and is satisfactory for the use intended, such dispute shall be referred to Lessor's architect whose determination with regard thereto shall be final and conclusive upon the parties.

13. Deletion: Wherever in this Lease a Section or Subsection is preceded by the word "Deleted" or "*Deleted," such Section or Subsection is deleted from this Lease in its entirety and is of no force or effect.

14. Parking: Lessee shall have the right to N/A parking spaces on level N/A at no cost to Lessee for the term of the Lease and any Option Periods. The surface parking is designated for customers and retail tenants only, All employees, visitors, guests of Lessee are not Permitted to use surface parking, but shall park on lower levels A & B of the parking structure

15. Attorney's Fees: The Lessor is entitled to attorney's fees or costs for the enforcement of the lease regardless of whether an action is filed, said fees and costs to be considered additional rent.

A. Lessee is responsible for sending rent payments on the first of the month to:

James Crone & Associates
101 N. Broadway
Escondido, CA 92025

B. For any questions or building management problems, call:

Rachelle Labayog or Jennifer Williamson
James Crone & Associates
(760) 480-8888

C. Required Personal Data:
Lessee's Home Address: 5054 NIAGARA SD 92107
Home Phone: ~~222-1311~~ Home Fax: _____
In case of emergency: TRACY WALZ
Address: 1837 BURBANK LG. 92154
Phone: ~~713-3069~~ 2690 Fax: _____
Next of Kin (Name): NANCY LARSON
Address: 419 POPPY CORONA DEL MAR 92625
Phone: _____ Fax: _____

D. Other 949-673-3285

LESSEE'S INITIALS: _____

LESSOR'S INITIALS: _____

_____ _____

EXHIBIT D

TENANT IMPROVEMENTS AND ACCEPTANCE OF PREMISES

Scope of Lessor's Work

Lessor shall provide Lessee, at the sole cost and expense of Lessor, the following "standard" improvements as follows:

1. Lessor has completed construction of the Demised Premises and Lessee acknowledges that the Demised Premises are being leased in "as is" condition and that Lessee has inspected some and the Demised Promises are in satisfactory condition.

Scope of Lessee's Work

All improvements desired by Lessee, shall be considered "Non-standard" and shall be at the sole cost and expense of Lessee including, but not limited to :

1. Permits, Plans, and supervision for any Tenant improvements.

2. Lessor grants permission to Lessee to install necessary and/or required improvements or modifications, subject to Lessor's prior written approval, to accommodate Lessee's intended business use, at Lessee's sole cost and expense, and in accordance with any and all governmental requirements including the obtaining of any required permits for the Demised Premises and said business.

Perform any and all additional work required to complete the Premises to a condition customary and ready for the normal operation of Lessee's business. Lessee shall be responsible to pay for any additional water, and/or sewer impact fees if imposed due to the nature of Lessee's business or use of Premises.

Within thirty (30) days following the execution of the Lease, Lessee, at Lessee's sole cost and expense, shall deliver to Lessor a fully dimensioned 1/4-inch scale set of plans. Said plans shall show all storefronts, interior partitions, fixtures, lighting, electrical outlets, plumbing (including fixtures), floor coverings, ceiling and other improvements that Lessee wishes to construct and install upon Premises. Said plans shall be subject to Lessor's approval prior to start of any work by Lessee or his contractors, which shall not be unreasonably withheld, which shall thereafter be called "Lessee Plans Approved for Construction." Should Lessee fail to deliver to Lessor plans for "Lessee's Work" within thirty (30) days following execution of the Lease, Lessor may, at his option and with written notification to that effect to Lessee, terminate this Lease.

No changes, modifications or alterations to Lessee Plans Approved for Construction may be made without the written consent of Lessor. Any additional costs, including any increased fees which Lessor may be required to Pay for architectural, engineering and/or other similar services arising by reason of any subsequent change to Lessee Plans Approved for Construction made at the request of Lessee, shall be at the sole cost and expense of Lessee and shall be paid by Lessee to Lessor before the performance of the work requested by Lessee.

All of Lessee's work and improvements shall be performed by Lessee, at Lessee's sole cost and expense except as outlined above and pursuant to the plans and specifications approved by Lessor. It is understood that the approval of Lessor shall in no manner relieve Lessee of Lessee's obligation to obtain, at Lessee's sole cost and expense, all necessary and appropriate permits from all applicable governmental or public agencies for the construction of Lessee's improvements, installation of Lessee's personal property and the operation of Lessee's business at Premises.

Upon delivery of Premises to the Lessee, Lessee shall immediately and diligently proceed to install Lessee's Work as described in Lessee's Plans Approved for Construction at Lessee's sole cost and expense without interfering with other work being done, if any, in the building or shopping center.

All work done by Lessee shall be done by a licensed contractor and in compliance with all rules and regulations required by local building authorities, Lessor or his agents and in accordance with all uniform building codes as dictated by state, federal and local requirements.

Upon final completion of Lessee's Work, Lessee shall furnish Lessor with all certificates, approvals and permits "signed off" by local governmental building inspector, that were required to complete Lessee's Work. Lessor shall not be responsible for any loss or damage to Lessee's improvements/property that is installed or left on Premises.

Lessee's entry upon Premises prior to commencement of the Term of this Lease shall be subject to all provisions of this Lease other than payment of rent, At all times after such entry, Lessee shall maintain an insurance policy that complies with the provisions of this Lease. The inability of Lessee to complete Lessee's Work in a timely manner and to a condition acceptable for conducting business, through no fault of Lessor, shall not delay the Term Commencement or payment of rent.

Lessee hereby indemnifies and holds Lessor free and harmless from and against any and all claims, demands and liabilities, including, but not limited to attorney costs, expenses and court costs, arising from or relating to Lessee's Work and improvements. It is the intent of the parties that this indemnification shall survive the expiration or sooner termination of this Lease.

LESSEE'S INITIALS: _____

LESSOR'S INITIALS: _____

EXHIBIT E

ESTIMATED OPERATING EXPENSES (GROSS LEASE)

DOES NOT APPLY

The operating expenses are estimated at $_____ per square foot annually or _____
($_____ psf x _____ sq. ft. /12 = $_____) per month for the Demised Premises until adjusted per the Lease.

LESSEE'S INITIALS:

_____

LESSOR'S INITIALS:

_____

EXHIBIT F

RENT ADJUSTMENT(S)

ADDENDUM TO
STANDARD LEASE

Dated_____

By and Between (Lessor) M.C. Strauss Company

(Lessee)_____

Property Address: Hancock Street, Suite #

San Diego, CA 92110

Paragraph _____

A. **RENT ADJUSTMENTS:**

The monthly rent for each month of the adjustment period(s) specified below shall be Increased using the method(s) indicated below:

(Check Method(s) to be Used and Fill in Appropriately)

☐ I. **Cost of Living Adjustment(s) (COL)**

(a) On (Fill in COL Adjustment Dale(s):_____

the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted by the change, if any, from the Base Month specified below, In the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for (select one): ☐ CP1 W (Urban Wage Earners and Clerical Workers) or ☐ CPI U (All Urban Consumers), for (Fill in Urban Area):

_____ ,All Items (1982–1984 = 100), herein referred to as "C.P.I."

(b) The monthly rent payable in accordance with paragraph AI(a) of this Addendum shall be calculated as follows: the Base Rent set forth in paragraph 1.5 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the C.P.I. of the calendar month 2 (two) months prior to the month(s) specified In paragraph AI(a) above during which the adjustment is to take effect, and the denominator of which shall be the C.P.I. of the calendar month which Is two (2) months prior to (select one): ☐ the first month of the term of this Lease as set forth in paragraph 1.3 ("Base Month") or ☐ (Fill in Other "Base Month"):_____. The sum so calculated shall constitute the new monthly rent hereundor, but in no event, shall any such new monthly rent be less than the rent payable for the month immediately preceding the date for rent adjustment, plus _____rounded up to the next dollar figure.

(c) In the event the compilation and/or publication of the C.P.I. shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the C.P.I. shall be used to make such calculation. In the event that Lessor and Lessee cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid equally by Lessor and Lessee.

☐ II. **Market Rental Value Adjustment(s) (MRV)**

(a) On (Fill in MRV Adjustment Dale(s): _____

the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted to the "Market Rental Value" of the property as follows:

1) Four months prior to the Market Rental Value (MRV) Adjustment Date(s) described above, Lessor and Lessee shall meet to establish an agreed upon new MRV for the specified term. If agreement cannot be reached, then:

i) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the parties, or

ii) Both Lessor and Lessee shall each immediately select and pay the appraiser or broker of their choice to establish a MRV within the next 30 days. If, for any reason, either one of the appraisals is not completed within the next 30 days, as stipulated, then the appraisal that is completed at that time shall automatically become the new MRV. If both appraisals are completed and the two appraisers/brokers cannot agree on a reasonable average MRV then they shall Immediately select a third mutually acceptable appraiser/broker to establish a third MRV within the next 30 days. The average of the two appraisals closest in value shall then become the new MRV. The costs of the third appraisal will be split equally between the parties.

2) In any event, the now MRV shall not be less than the rent payable for the month Immediately preceding the date for rent adjustment.

(b) Upon the establishment of each New Market Rental Value as described In paragraph AII:

1) the monthly rental sum so calculated for each term as specified in paragraph AII(a) will become the new "Base Rent" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph AII(a) above and

2) the first month at each Market Rental Value term as specified in paragraph AII(a) shall become the new "Base Month" for the purpose of calculating any further Cost of Living Adjustments as specified In paragraph AI(b).

☞ III. **Fixed Rental Adjustment(s) (FRA)**

The monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be increased to the following amounts on the dates set forth below.

On (Fill in FRA Adjustment Date(s)):	The New Base Rental shall be:
_____	_____
_____	_____

Months one through twelve _____	$1,953.00 _____
Months thirteen through twenty-four_____	$2,000.00 _____
_____	$ _____
_____	$ _____

B. **NOTICE:** Unless specified otherwise herein, notice at any escalations other than Fixed Rental Adjustment(s) shall be made as specified in paragraph 23 of the attached Lease.

*C. ~~**BROKER'S FEE:**~~ ***Deleted**

~~The Real Estate Brokers specified in paragraph 1.10 of the attached Lease shall be paid a Brokerage Fee for each adjustement specified above in accordance with paragraph 15 of the attached Lease.~~

EXHIBIT G

CENTER SIGN CRITERIA

The purpose of this sign criteria has been established for the intent of assuring an outstanding shopping center and mutual benefit of all Lessee's. Conformance will be strictly enforced. Any Installed non-conforming or unapproved signs will be brought into conformance at the expense of the Lessee.

A. Lessee shall be entitled to signage above the Premises. Signage shall be subject to City of San Diego and Lessors prior written approval. All costs associated with the design, construction, installation, as well as removal, shall be borne by Lessee. Lessee shall be required to remove all Lessee signage at the conclusion of Lessee's occupancy of the Premises. Ground level Lessee's shall be entitled to signage on the Center's pole sign at its expense and subject to availability.

B. General Requirements:

1. Lessee shall submit to the Lessor the exact sign specifications, copy and colors desired for Lessor's approval from a license and experienced sign company.

2. All approvals or disapprovals of sign submittals based on esthetics and design shall remain sole right of the Lessor and local governing authorities.

3. Selected sign company will be responsible for obtaining all permits and sign Installation.

4. No exposed lamp, raceways, crossovers, conduit, conductors, transformers or similar devices shall be permitted.

5. All maintenance of signage shall be the responsibility of the Lessee.

6. All signs shall be individually illuminated.

7. No audible, flashing or animated signs will be permitted.

8. No projections above or below the sign will be permitted.

9. Electrical service to all signs will be connected to Lessee's meter.

10. Lessee's signs shall be designed and installed in a manner compatible with and complimentary to adjacent and facing storefronts and the overall design concept of the center.

11. All penetrations of the building structure required for sign installation shall be sealed in a watertight condition and shall be patched to match adjacent finish. At termination of lease when sign is removed, Lessee or its sign company shall patch and paint and restore to "as was" condition.

12. No advertising placards, banners, pennants, names, insignias or other descriptive material shall be affixed or maintained upon the glass pane supports of the show windows and doors or upon the exterior was of building without the prior written approval of Lessor.

13. Logos require prior approval of lessor unless nationally recognized logos of a franchise.

14. Letter height restrictions:

a. One line of copy with the letter and logo height not to exceed 24 inches or to be less than 10 inches. Allowable, sign fascia coverage not to exceed seventy-five percent (75) of store frontage.

b. Two lines of copy will be allowed with the overall height of the two lines of letters not to exceed 30 inches with a maximum height of the letters not to exceed 18 inches or to be less than 16 inches.

15. Designs submitted for the City/County approval must follow ft following guidelines:

a. Drawings of elevations and sign with all measurements to scale.
b. Plot plan and legal description (plans to scale).
c. Sections drawings of sign and fascia showing construction and electrical details.
d. Color of plastic faces and logos.
e. Color of neon, size and intensity.
f. Letter style selection

16. Lessee is granted permission by Lessor to install a temporary sign banner at its expense above the premises while signs are being fabricated.

17. Lessee shall indemnify and hold harmless Lessor against any loss, cost, damages or liability caused to persons, property or otherwise caused by Lessee's sign Installations,

LESSEE'S INITIALS: LESSOR'S INITIALS:

EXHIBIT H

SPECIAL USE OF PREMISES CLAUSE

A. Uses Of Premises:

Lessee shall occupy and use the premises solely for the operation of a Automotive machine shop primarily engaged in cyclinder head service_____,and no other use.

B. Tenant agrees as a condition of occupancy to the following additional requirements such as but not limited to:
   (1) All automotive work shall be self-contained within the premises, (Exclude body work and painting)
   (2) Maintain control over noice of cars and machinery so as not to disturb co-tenants.
   (3) Control and dispose of waste at Tenant's own expense, and in his containers and prevention of said Waste from building and or soling the Premises.

LESSEE'S INITIALS:

LESSOR'S INITIALS:

EXHIBIT I

CREDIT INFORMATION

To be completed by applicant Attach financial statements.

PRESENT LANDLORD
Name _____
Address _____
City/State/Zip _____
Contact Name _____
Phone No. _____

TRADE REFERENCES Give name, address, and phone number.

1. _____
_____
_____
_____
Contact Name _____

2. _____
_____
_____
_____
Contact Name _____

3. _____
_____
_____
_____
Contact Name _____

4. _____
_____
_____
_____
Contact Name _____

BANK REFERENCES

1. _____
_____
_____
( ) _____
Account No. _____
* Corporation; Corp Address, phone, fax

2. _____
_____
_____
( ) _____
Account No. _____
Corp. ID# _____

_____

_____ Last Name (print full name) _____ First Name _____ Middle Name

_____ Date of Birth _____ Social Security # _____ Drivers Lic. #/State

Current Address _____
_____
Home Phone# ( ) _____
Previous Address _____
_____
Next Previous Address _____
_____

In case of emergency contact:
Name _____
Address _____
Phone Number ( ) _____

Next of kin not living with you:
Name _____
Address _____
Phone Number ( ) _____

I hereby give the above references, TRW, and Dun & Bradstreet permission to provide financial and credit information financial or written (via fax or mail) to the owner of the property which I am now negotiating to lease and/or purchase. The undersigned hereby waives any privacy of credit information rights or regulations. Authorizing parties understand that should a lease be entered into that the authorizing party will pay a $25 application credit check fee.

Signature of Applicant _____ Title _____
Print Name _____ Date _____

*Even though a Corporate lease, a name, SS#., etc. of the principal officer is still required.

EXHIBIT J

GUARANTY OF LEASE (LEASE SIGNED AS AN INDIVIDUAL, THIS ADDENDUM NOT APPLICABLE)

THIS GUARANTY OF LEASE ("Guaranty"), effective as of _____, 200_____, is executed by _____ ("Guarantor"), with reference to the following facts:

RECITALS

A. M.C. Strauss Company ("Lessor"), and _____ ("Lessee") have agreed to enter into that certain Lease ("Lease"), dated the same date as this Guaranty, covering Premises described therein, located in the City of San Diego, County of San Diego, State of California.

B. Lessor requires, as a condition to its execution of the Lease, that Guarantor guarantee the full performance of the obligations of Lessee thereunder.

C. Guarantor is willing to execute this Guaranty for the benefit of Lessor and as a material inducement to Lessor to enter into the Lease.

GUARANTY

NOW, THEREFORE, in order to induce Lessor to enter into the Lease, Guarantor agrees as follows:

1. **Guarantor's Obligations.** Guarantor hereby unconditional guarantees the full and timely performance of each and every obligation to be kept and performed by the Lessee pursuant to the terms of the Lease ("Lease Obligations") in accordance with the terms of and at the time and place specified therein, including, but not limited to, the payment of all rents and other charges accruing pursuant thereto.

2. **Term.** This Guaranty shall continue for the term of the Lease and any extension or renewal thereof. If the Lease terminates and Lessor has any rights which Lessor may enforce against Lessee after termination, Lessor may also enforce such rights against Guarantor.

3. **Primary Liability.** The Lease Obligations guaranteed by Guarantor under this Guaranty shall be primary and independent of the obligations of Lessee under the Lease. Lessor may bring a separate action or actions against Guarantor hereon and such actions may be brought either in conjunction with actions against Lessee or against Lessee directly, regardless of whether Lessor has commenced any action or obtained any judgment against Lessee. If Lessee defaults under the Lease, Lessor may proceed directly against Guarantor, without having commenced any action or obtained any judgment against Lessee, and without applying any property of Lessee (or any other person), if any; held by Lessor as security for the performance of the Lease Obligations. The liability of Guarantor hereunder shall not be released, diminished, or extinguished by Lessor's failure or delay in enforcing any of its rights.

4. **Continuation; No Release.** This Guaranty shall continue in favor of Lessor notwithstanding any modification, alteration, extension or renewal of the Lease entered into by the parties thereto, or their successors or assigns, and notwithstanding any assignment of the Lease, with or without the consent of Lessor. No such modification, alteration, extension, renewal or assignment shall affect this Guaranty or in any way release, diminish, or extinguish the liability of Guarantor hereunder.

5. **Assignment.** Lessor may, with notice to Guarantor, assign this Guaranty in whole, or in part in connection with any transfer of any interest in the Lease or the Premises, and no such assignment or transfer shall release, diminish, or extinguish or otherwise affect the liability of Guarantor hereunder. In such event the benefits of this Guaranty shall inure to the benefit of Lessor's successors and assigns.

6. **Security.** Guarantor authorizes Lessor, without further notice or demand and without affecting the liability of Guarantor hereunder, from time to time, to: (a) take and hold security (including the Security Deposit and any security filing consented to by Lessee) (the "Security") (if any) for performance of the Lease Obligations and exchange, enforce, waive or release any such Security; (b) apply such Security in whole or in part and direct the order or manner of sale thereof as Lessor, in Lessor's discretion, may determine; and (c) proceed against Lessee or proceed against and exhaust such Security held from Lessee; the provisions of this paragraph shall constitute a waiver of Guarantor's right to claim exoneration from the Lease Obligations for the foregoing actions.

7. **Events of Insolvency.**

7.1. **Defined.** The term "Event of Insolvency" shall mean any of the following:

(a) Lessee becomes insolvent or is adjudicated a bankrupt;

(b) Lessee files a petition for reorganization, arrangement or similar relief under any present or future provisions of the Federal Bankruptcy Code, or any other state or federal statute for tile relief of debtors or any similar law:

(c) A court approves a petition filed against Lessee by its creditors for reorganization, arrangement or similar relief under any present or future provision of tile Federal Bankruptcy Code, or any other state or federal statute for the relief of debtors or any other similar law;

(d) Lessee seeks a judicial readjustment of the rights of its creditors under any present or future federal or state law; or

(e) A receiver of all or part of Lessee's property and assets is appointed by any state or federal court.

7.2 **Effect.** This Guaranty shall in full force and effect, notwithstanding the occurrence of any Event of Insolvency affecting Lessee, or any successor or assignee of Lessee, or in the event of any disaffirmance, or abandonment by a trustee of Lessee, or in the event that the Lease is terminated, rejected or modified in the course of any proceeding relating to an Event of Insolvency. To the extent necessary to effectuate the purpose of this Guaranty, Guarantor hereby assigns to Lessor any rights Guarantor may have to file a claim and proof of claim in any bankruptcy or similar proceeding of Lessee any awards or payments thereon to which Guarantor would otherwise be entitled, to the extent of any unsatisfied Lease Obligations.

8. **Waiver of Defenses.** Guarantor waives any defense Guarantor may acquire by reason of Lessor's election of any remedy against Guarantor or Lessee, or both. In addition, Guarantor waives any defense arising by reason of any disability or other defense of Lessee, including, without limitation, any defense based upon: (a) invalidity of the Lease (b) any lack of authority of the officers, directors, partners or agents acting or purporting to act on behalf of Lessee or any principal of Lessee; or (c) by reason of the cessation from any cause whatsoever of the liability of Lessee other than full performance and discharge of the Lease Obligations.

9. **Waiver of Rights.** Guarantor waives the right to require Lessor: (a) to proceed against Lessee or any successor of Lessee; and (b) to pursue any other remedy in Lessor's power. Guarantor expressly waives the provisions of the California and/or Arizona Civil Code, which grants a surety certain rights to require a creditor to pursue alternative remedies before proceeding against a surety.

10. **Subrogation.** Until the Lease Obligations shall have been performed in full, Guarantor shall have no right of subrogation and waive any right to enforce any remedy which Lessor now has or may hereafter have against Lessee. Guarantor waives any right to participate in any security now or hereafter held by Lessor.

11. **Successive Demands.** Guarantor's liability shall extend to each and every payment to be made by Lessee and any additional Lease Obligation to be performed or observed by Lessee. Successive demands may be made upon, and successive actions for the enforcement of such demands may be brought against Guarantor upon successive defaults by Lessee and the enforcement of this Guaranty against Guarantor with respect to any Lease Obligation shall not operate to exhaust this Guaranty or operate as a waiver of the right to proceed under this Guaranty with respect to any future default or defaults.

12. General Provisions.

_____ _____

12.1 **Attorney's Fees.** Guarantor agrees to pay all costs and other expenses, including reasonable attorneys' fees and court costs, paid or incurred by Lessor in enforcing or attempting to enforce this Guaranty or the obligations guaranteed hereby, Guarantor is obligated as to attorney's fees and costs pursuant to Paragraphs 31 and 37.1 of the Lease, as to the obligations under the Lease and the Guaranty, and the provision in the Addendum as to attorneys fees made applicable here to the Lease and the Guaranty.

12.2 **Governing Law.** This Guaranty shall be enforceable by Lessor in accordance with the laws of the State of California and shall be construed in accordance therewith.

12.3 **Interest.** Interest shall accrue on all accounts which are not paid by Guarantor when due under the Lease, from the date due until due date paid by Guarantor, at the interest rate specified in the Lease, but not to exceed the maximum legal rate of interest.

12.4 **Joint and Several.** If Guarantor is more than one person, each person's obligations hereunder are joint and several and are independent of Lessee's obligations. Lessor may bring a separate action against any Guarantor whether the action is brought against any other Guarantor, or whether any other Guarantor is joined in the action.

12.5 **Modification.** This Guaranty may not be amended, modified, released, or terminated except by a written instrument executed by Guarantor and Lessor,

12.6 **Severability.** If any of Guarantor's obligations hereunder shall be held to be unenforceable, the remainder of this Guaranty and its application to all obligations other than those with respect to which is held unenforceable shall not be affected thereby and shall remain in full and effect.

12.7 **Successors.** The terms and provisions of this Guaranty shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto.

IN WITNESS WHEREOF, the undersigned has executed this guaranty of lease as of tile date first written above.

GUARANTOR:
By: _____

Res. Address: _____
Phone: _____
Soccer#: _____
DL#: _____ DOB _____

By: _____

Res. Address: _____
Phone: _____
Soc Sec#: _____
DL#: _____ DOB _____

EXHIBIT J-1

SPOUSAL CONSENT

To the Lease dated October 15, 2003, by and between M.C. Strauss Company, as Lessor, and Gregory Lynn Larson, as Lessee, for the premises known as 3760 Hancock Street, Suite E. San Diego, CA 92110.

The undersigned, being the spouse of the Guarantor to this Lease, hereby (a) consent to the Lease, (b) agree that all now owned and hereafter acquired community and quasi-community property of the undersigned and Guarantor shall be liable for the satisfaction of obligations imposed by the Lease, and (c) agree solely for purposes of subjecting any community or quasi-community property received pursuant to liability for satisfaction of the obligations imposed by the Lease, the undersigned have "incurred" the obligations of the Lease.

Spouse

N A

*See Below

*EXHIBIT K

MEMORANDUM
CERTIFICATE (DOES NOT APPLY)

This memorandum is made as of _____with reference to that certain Lease Agreement (hereinafter referred to as the "Lease") dated _____ by and between M.C. Strauss Company as "Lessor" therein, and _____as "Lessee."

The undersigned, as Lessee under said Lease, hereby confirms the following:

1. The Lessee accepted possession of the Demised Premises (as described in said Lease) on _____and acknowledges that the premises are as represented by Lessor and in good order, condition and repair; and that the improvements, if any, required to be constructed for and/or furnished to Lessee by Lessor under said Lease have been so constructed and/or furnished and are satisfactorily completed in all respects.

2. That all conditions of said Lease to be performed by Lessor prerequisite to the full effectiveness of said Lease have been satisfied and that Lessor has fulfilled all of its duties of an inducement nature.

3. That in accordance with the provisions of Paragraph 4 of said Lease the Commencement Date (as the phrase "Commencement Date" is defined in said Lease) of the term is _____and that, unless sooner terminated, the original term thereof expires on _____.

4. That said Lease (as amended, if amended) is in full force and effect and that the same represents the entire agreement between Lessor and Lessee concerning said Lease.

5. That there are no existing defenses which Lessee has against the enforcement of said Lease by Lessor, and no offsets or credits against rentals except as may be expressly provided in said Lease.

6. That the minimum rental obligation of said Lease is presently in effect and that all rentals, charges and other obligations on the part of Lessee undersaid Lease commenced to accrue on _____ .

7. That the undersigned Lessee has no notice of any prior assignment, hypothecation or pledge of said Lease or of the rents thereunder.

LESSEE:

BY: _____

ITS:_____

LESSOR: M.C. STRAUSS COMPANY

BY: _____

ITS:_____

This "Memorandum" is hereby approved in form and shall be completed (if necessary) pursuant with Paragraph 4.A of The Lease and incorporated as part of The Lease.

LESSEE'S INITIALS:

_____

LESSOR'S INITIALS:

_____

*Not Applicable if Term Date is fixed per the Lease.

EXHIBIT L

OPTION(S) TO EXTEND (DOES NOT APPLY)

ADDENDUM TO
STANDARD LEASE

Dated_____

By and Between (Lessor) M.C. Strauss Company

(Lessee)_____

Property Address: Hancock Street, Suite , San Diego, CA 92110

Paragraph _____

A. **OPTION(S) TO EXTEND:**

Lessor hereby grants to Lessee the option to extend the term of this Lease for _____ additional _____ month period(s) commencing when the prior term expires upon each and all of the following terms and conditions:

(i) Lessee gives to Lessor, and Lessor actually receives on a date which is prior to the date that the option period would commence (if exercised) by at least _____ and not more than _____ months, a written notice of the exercise of the option(s) to extend this Lease for said additional term(s), time being of essence. If said notification of the exercise of said option(s) is (are) not so given and received, the option(s) shall automatically expire; said option(s) may (if more than one) only be exercised consecutively;

(ii) The provisions of paragraph 39, including the provision relating to default of Lessee set forth in paragraph 39.4 of this Lease are conditions of this Option;

(iii) All of the terms and conditions of this Lease except where specifically modified by this option shall apply;

(iv) The monthly rent for each month of the option period shall be calculated as follows, using the method(s) indicated below:

(Check Method(s) to be Used and Fill In Appropriately)

❑ I. **Cost of Living Adjustment(s) (COL)**

(a) On (Fill in COL Adjustment Date(s):_____
_____the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted by the change, If any, from the Base Month specified below, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for (select one): ❑ CPI W (Urban Wage Earners and Clerical Workers) or q CPI U (All Urban Consumers), for (Fill in Urban Area): _____
_____ All Items (1982–1984 = 100), herein referred to as "C.P.I."

(b) The monthly rent payable in accordance with paragraph AI(a) of this Addendum shall be calculated as follows: the Base Rent set forth in paragraph 1.5 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the C.P.I. of the calendar month 2 (two) months prior to the month(s) specified in paragraph AI(a) above during which the adjustment is to take effect, and the denominator of which shall be the C.P.I. of the calendar month which is two (2) months prior to (select one): ❑ the first month of the term of this Lease as set forth in paragraph 1.3 ("Base Month") or ❑ (Fill In Other "Base Month"): _____. The sum so calculated shall constitute the new monthly rent hereunder, but in no event, shall any such new monthly rent be less than the rent payable for the month Immediately preceding the date for rent adjustment plus 5% increase and 5% for each option year rounded up to the next dollar figure.

(c) In the event the compilation and/or publication of the C.P.I. shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the C.P.I. shall be used to make such calculation. In the event that Lessor and Lessee cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid equally by Lessor and Lessee.

❑ II. **Market Rental Value Adjustment(s) (MRV)**

(a) On (Fill in MRV Adjustment Date(s): _____
_____ the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted to the "Market Rental Value" of the property as follows:

1) Four months prior to the Market Rental Value (MRV) Adjustment Dale(s) described above, Lessor and Lessee shall meet to establish an agreed upon new MRV for the specified term. If agreement cannot be reached, then:

i) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the parties, or

ii) Both Lessor and Lessee shall each immediately select and pay the appraiser or broker of their choice to establish a MRV within the next 30 days. If, for any reason, either one of the appraisals is not completed within the next 30 days, as stipulated, then the appraisal that is completed at that time shall automatically become the new MRV. If both appraisals are completed and the two appraisers/brokers cannot agree on a reasonable average MRV then they shall Immediately select a third mutually acceptable appraiser/broker to establish a third MRV within the next 30 days. The average of the two appraisals closest in value shall then become the new MRV. The costs of the third appraisal will be split equally between the parties.

2) In any event, the now MRV shall not be less than the rent payable for the month Immediately preceding the date for rent adjustment.

(b) Upon the establishment of each New Market Rental Value as described In paragraph AII:

_____ _____
_____ _____

1) the monthly rental sum so calculated for each term as specified in paragraph AII(a) will become the new "Base Rent" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph AII(a) above and

2) the first month at each Market Rental Value term as specified in paragraph AII(a) shall become the new "Base Month" for the purpose of calculating any further Cost of Living Adjustments as specified In paragraph AI(b).

❑ **III. Fixed Rental Adjustment(s) (FRA)**

The monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be increased to the following amounts on the dates set forth below.

On (Fill in FRA Adjustment Date(s)):	The New Base Rental shall be:
_____	$ _____
_____	$ _____
_____	$ _____
_____	$ _____

B. **NOTICE:** Unless specified otherwise herein, notice at any escalations other than Fixed Rental Adjustment(s) shall be made as specified in paragraph 23 of the attached Lease.

*C. ~~**BROKER'S FEE:**~~ ***Deleted**

~~The Real Estate Brokers specified in paragraph 1.10 of the attached Lease shall be paid a Brokerage Fee for each adjustement specified above in accordance with paragraph 15 of the attached Lease.~~

D. **OPTION RIGHTS CONDITION:** Lessee's Option Rights are contingent upon Lessee not having previously breached or otherwise failed to perform under the Lease since its inception. Otherwise Landlord at its sole discretion may declare any option to extend null and void.

_____
_____

_____

EXHIBIT M

SPECIAL ADDENDA

This Addendum to Lease ("Addendum") is made a part of the Lease dated October 15, 2003 by and between M.C. Strauss Company ("Lessor") and Gregory Lynn Larson ("Lessee") for the Demised Premises commonly known as 3760 Hancock Street, Suite E, San Diego, CA 92110. Should there be any conflicts between the terms and conditions of this Addendum and the Lease, this Addendum shall prevail.

1. TERMINATION OF FORMER LEASE:

The present Lease agreement on the Demised Premises by and, between, M.C. Strauss Company, Lessor, and Gregory Lynn Larson dated Decmber 1, 1997 (hereinafter called "Previous Lease") shall be terminated and superseded by this lease agreement upon the Commencement Date hereof. However, it is understood and agreed that Lessee shall hold Lessor harmless from any Liability or claim under Previous Lease with respect to said Lease, (the Security Deposit $1,000.00 is acknowledged and hereby transferred to new Lease) and Lessee shall assume the responsibility for payment to Lessor (through escrow or otherwise, if any) of all past due rents, taxes, common area charges, and any other lawful charges due Lessor under Previous Lease and prior to the effective date of this Lease Agreement.

2. OTHER (IF ANY):

NEW LESSEE:

By: _____

Its: _____

LESSOR:

By: _____

Its: Exec. Vice Pres.

FORMER LESSEE:

By: _____

Its: _____

3760
F & G

AMENDMENT TO LEASE #1

THIS AMENDMENT, made and entered into September 2, 2014, by and between Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company, as Lessor, and Ramiro Cortes, a married man, as Lessee, does hereby supplement, modify, and amend that certain Lease Agreement made and entered into on July 2, 2013, by and between the above named parties for the premises located at 3760 Hancock Street, Suite F/G, San Diego, CA 92110.

The parties hereto agree as follows:

1. LEASE TERM. The Lease Term shall extend for one (1) year commencing September 1, 2014 and expiring August 31, 2015 ("Extended Term").

2. MONTHLY BASE RENT. The Monthly Base Rents for the Extended Term shall be as follows:

   9/1/14 – 8/31/15: $1.25psf x 2,100sf = $2,625.00 per month

   Monthly Water/Sewer Fee shall remain the same at $75.00 per month

3. SECURITY DEPOSIT. This Extended Term is contingent upon payment of the balance owed for the Security Deposit in the amount of $990.00. Lessee shall pay upon execution of this Amendment.

4. PARKING. Exhibit C, Paragraph 14 of the Lease is hereby deleted in its entirety and Paragraph 1.2(b) shall be modified and changed to read as follows:

   "**Parking:** zero (0) unreserved vehicle parking spaces (**"Unreserved Parking Spaces"**); and two (2) reserved vehicle parking spaces, space #s 36 and 37 (**"Reserved Parking Spaces"**). (See also Paragraph 2.6)"

5. CONFIDENTIALITY. Lessee shall keep the content and all copies of this Amendment and related documents now or hereafter entered into, and all proposals, materials, information and matters relating thereto, strictly confidential, and shall not disclose, disseminate or distribute any of the same, or permit the same to occur, except to the extent reasonably required for proper business purposes by Lessee's attorneys, insurers, auditors and lenders, and, in such event, Lessee shall obligate any such parties to whom disclosure is permitted to honor the confidentiality provisions hereto, except as may be required by Law or court proceedings.

6. COUNTERPARTS. This Amendment may be executed in one or more counterparts, each of which counterparts shall constitute an original and all of which counterparts together shall constitute one and the same Amendment. The delivery by Lessor or Lessee of a facsimile signature of this Amendment shall have the same legally binding effect as the delivery of an original signature.

7. ENFORCEABILITY. Lessor acknowledges and represents to Lessee that this Amendment is the binding obligation of Lessor enforceable in accordance with its terms and that Lessor has obtained the consent of its lender or any other third party from whom the Lessor is required to obtain consent for the execution and performance of this Amendment. Lessee acknowledges and represents to Lessor that this Amendment is the binding obligation of Lessee enforceable in accordance with its terms and that Lessee has obtained the consent of its lender, if any, or any

other third party from whom the Lessee is required to obtain consent for the execution and performance of this Amendment.

8. CONFLICT OF PROVISIONS; RATIFICATION. In the event of a conflict between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall govern. Except as specifically referenced or addressed herein, all other terms, covenants, and provisions of the Lease are hereby ratified and confirmed and shall remain unchanged and in full force and effect throughout the Extended Term.

9. ENTIRE AGREEMENT; BINDING. This Amendment represents the entire agreement between Lessor and Lessee regarding the subject matter contained in this Amendment and there are no other terms, obligations, covenants, representations, statements or conditions oral or otherwise of any kind whatsoever between the parties regarding the subject matter contained in this Amendment except as set forth in this Amendment. No amendment or modification to this Amendment shall be effective unless it is in writing and executed by both Lessor and Lessee. All references to the term "Lease" in this Amendment and the Lease shall mean the Lease as amended by this Amendment.

10. CAPTIONS. The captions and section numbers appearing in this Amendment are for convenience only and are not a part of this Amendment and do not in any way limit, amplify, define, construe or describe the scope or intent of the terms or provisions of this Amendment.

11. CAPITALIZED TERMS. All capitalized terms in this Amendment, unless specifically defined herein, shall have the same meaning as in the Lease

12. AUTHORITY TO EXECUTE. Lessor and Lessee represent and warrant to each other that the person executing this Amendment on behalf of such applicable party has the full right, power and authority to execute this Amendment and perform its obligations under this Amendment.

13. SEVERABILITY. If any provision of this Amendment is determined by a court having jurisdiction to be illegal, invalid or unenforceable under any present or future law, the remainder of this Amendment will not be affected thereby. It is the intention of the parties that if any provision is so held to be illegal, invalid or unenforceable, there will be added in lieu thereof a provision as similar in terms to such provision as is possible that is legal, valid and enforceable.

IN WITNESS WHEREOF, the parties have signed this Amendment effective on the date set forth above.

LESSEE:

RAMIRO CORTES, A MARRIED MAN

By: Ramiro Cortes
Ramiro Cortes

LESSOR:

STRAUSS FAMILY TRUST UDT 6/5/92
DBA: MC STRAUSS COMPANY

By: _____

Its: TTEE

By and Between

Strauss Family Trust UDT 6/5/92
dba. M.C. Strauss Company

As Lessor

and

Ramiro Cortes, a married man

As Lessee

at Sports Arena Business Park
3760 Hancock Street, Suite F/G
San Diego, CA 92110

Dated for Reference Purposes
As of

July 2, 2013

Standard Commercial Multi-Tenant Lease

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Standard Commercial Multi-Tenant Lease

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STANDARD INDUSTRIAL/ COMMERCIAL
MULTI-TENANT LEASE—GROSS
AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

1. **Basic Provisions ("Basic Provisions").**

1.1 **Parties:** This Lease (**"Lease"**), dated for reference purposes only July 2, 2013, is made by and between M.C. Strauss Company UDT 6/5/92 dba: M.C. Strauss Company (**"Lessor"**) and Ramiro Cortes, a married man (**"Lessee"**), (**collectively the "Parties"**, or individually a **"Party"**).

1.2(a) **Premises:** That certain portion of the Project (as defined below), including all Improvements therein or to be provided by Lessor under the terms of this Lease, commonly known by the street address of 3760 Hancock Street, Suite F/G, located in the City of San Diego, County of San Diego, State of California, with zip code 92110, as outlined on Exhibit A & A-1 attached hereto (**"Premises"**) and generally described as (describe briefly the nature of the Premises): Sport Arena Business Park. The demised premises consists of approx. 2,100 square feet. The property is further described on Exhibit A & A.1
In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Areas (as defined in Paragraph 2.7 below) as hereinafter specified, but shall not have any rights to the roof, exterior walls or utility raceways of the building containing the Premises (**"Building"**) or to any other buildings in the Project. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the **"Project."** (See also Paragraph 2.)

1.2(b) **Parking:** See Exhibit C item 14 unreserved vehicle parking spaces (**"Unreserved Parking Spaces"**); and (Not Applicable) reserved vehicle parking spaces (**"Reserved Parking Spaces"**). (See also Paragraph 2.6)

1.3 **Term:** One (1) year and six (6) days (**"Original Term"**) commencing August 26, 2013 (**"Commencement Date"**) and ending August 31, 2014 (**"Expiration Date"**). (See also Paragraph 3.) (see Exhibit K)

1.4 **Early Possession:** (Not applicable) (**"Early Possession Date"**). (See also Paragraphs 3.2 and 3.3.)

1.5 **Base Rent:** $1.15 psf x 2,100 sf = $2,415.00 per month (**"Base Rent"**), payable on the first of every month. **Lessee shall be granted one month of free base rent for the month of September 2013. Lessee shall be responsible to pay the monthly water/sewer during the abatement period.** (See also Paragraph 4.)

() If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted. See Exhibit F.

1.6 **Lessee's Share of Common Area Operating Expenses:** (Not Applicable) percent (___%) (**"Lessee's Share"**).

1.7 **Base Rent and Other Monies paid Upon Execution:**

(a) Base Rent: $ 483.00 for the period August 26 through August 31, 2013.

(b) Common Area Operating Expenses: $ *does not apply for the period *does not apply.

(c) Security Deposit: $600.00(transferred over from Lease dated February 27, 2012) and $1,815.00 due upon execution (**"Security Deposit"**). (See also Paragraph 5.)

(d) Other: $75.00 per month for water/sewer fees (See Exhibit C, Item #4).

(e) Total Due Upon Execution of this Lease: $ 2,373.00 .

1.8 **Agreed Use:** Auto body work and auto storage and for no other purpose or use . See Exhibit H. (See also Paragraph 6.)

1.9 **Insuring Party:** Lessor is the **"Insuring Party".** (See also Paragraph 8.)

1.10 **Real Estate Brokers:** (See also Paragraph 5).

(a) **Representation:** The following real estate brokers (the **"Brokers"**) and brokerage relationships exist in this transition (check applicable boxes):

() (Not Applicable) represents Lessor exclusively (**"Lessor's Broker"**);
() (Not Applicable) represents Lessee exclusively (**"Lessee's Broker"**); or
() (Not Applicable) represents both Lessor and Lessee (**"Dual Agency"**).

(b) **Payment to Brokers:** Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Brokers the brokerage fee agreed to in a separate written agreement (or if there is no such agreement, the sum of (Not Applicable) or (N/A) % of the total Base Rent for the brokerage services rendered by the Brokers).

1.11 **Guarantor.** The obligations of the Lessee under this Lease are to be guaranteed by Lessee by signing Lease is acting as a Guarantor) See Exhibits J and J.1 (**"Guarantor"**). (See also Paragraph 37.)

1.12 **Addenda and Exhibits:** Attached hereto is an Addendum or Addenda consisting of Paragraphs ___ through ___ and Exhibits A through N, all of which constitute a part of this lease.

2. Premises.

2.1 **Letting.** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of size set forth in this Lease, or that may have been used in calculating Rent, is an approximation which the Parties agree is reasonable and any payments based thereon are not subject to revision whether or not the actual size is more or less.

2.2 **Condition.** Lessor shall deliver that portion of the Premises contained within the Building (**"Unit"**) to Lessee broom clean and free of debris on the Commencement Date or the Early Possession Date, whichever first occurs (**"Start Date"**), and, so long as the required service contracts described in Paragraph 7.1(b) below are obtained by Lessee and in effect within thirty days following the Start Date, warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems (**"HVAC"**), loading doors, if any, and all other such elements in the Unit, other than those constructed by Lessee, shall be in good operating condition on said date and that the structural elements of the roof, bearing walls and foundation of the Unit shall be free of material defects. If a non-compliance with such warranty exists as of the Start Date, or if one of such systems or elements should malfunction or fail within the appropriate warranty period, Lessor shall, as Lessor's sole obligation with respect to such matter, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, malfunction or failure, rectify same at Lessor's expense. The warranty periods shall be as follows: (i) 6 months as to the HVAC systems, and (ii) 30 days as to the remaining systems and other elements of the Unit. If Lessee does not give Lessor the required notice within the appropriate warranty period, correction of any such non-compliance, malfunction or failure shall be the obligation of Lessee at Lessee's sole cost and expense (except for the repairs to the fire sprinkler systems, roof, foundations, and/or bearing walls—see Paragraph 7).

2.3 **Compliance.** Lessor warrants that the Improvements on the Premises and the Common Areas comply with the building codes that were in effect at the time that each such Improvement, or portion thereof and also with all applicable laws, covenants or restrictions of record, regulations, and ordinances in effect on the Start Date (**"Applicable Requirements"**). The Premises has not undergone an inspection by a Certified Access Specialist (CASp). Said warranty does not apply to the use of which Lessee will put the Premises or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a).) made or to be made by Lessee. **NOTE: Lessee is responsible for determining whether or not the zoning is appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed.** If the Premises do not comply with said warranty; Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within 6 months following the Start Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense. If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Unit, Premises and/or Building, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Unit, Premises and/or Building **("Capital Expenditure"),** Lessor and Lessee shall allocate the cost of such work as follows:

(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof, provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease and the cost thereof exceeds 6 months'

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Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within 10 days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and the amount equal to 6 months' Base Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least 90 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor and Lessee shall allocate the obligation to pay for the portion of such costs reasonably attributable to the Premises pursuant to the formula set out in Paragraph 7.1(d); provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with Interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor.

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to non-voluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall be fully responsible for the cost thereof, and Lessee shall not have any right to terminate this Lease.

2.4 **Acknowledgements.** Lessee acknowledges that: (a) it has been advised by Lessor and/or Brokers to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler Systems, security, environmental aspects, and compliance with Applicable Requirements and the Americans with Disabilities Act), and their suitability for Lessee's intended use, (b) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefore as the same relate to its occupancy of the Premises, and (c) neither Lessor, Lessor's Agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (ii) it is Lessor's sole responsibility to investigate the financial capability and/or suitability of all proposed tenants. (See Exhibit D)

2.5 **Lessee as Prior Owner/Occupant.** The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the Start Date Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.

2.6 **Vehicle Parking.** Lessee shall be entitled to use the number of Unreserved Parking Spaces and Reserved Parking Spaces specified in Paragraph 1.2(b) on those portions of the Common Areas designated from time to time by Lessor for parking. Lessee shall not use more parking spaces than said number. Said parking spaces shall be used for parking by vehicles no larger than full-size passenger automobiles or pick-up trucks, herein called **"Permitted Size Vehicles."** Lessor may regulate the loading and unloading of vehicles by adopting Rules and Regulations as provided in Paragraph 2.9. No vehicles other than Permitted Size Vehicles may be parked in the Common Area without the prior written permission of Lessor.

(a) Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, contractors or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.

(b) Lessee shall not service or store any vehicles in the Common Areas.

(c) If Lessee permits or allows any of the prohibited activities described in this Paragraph 2.6, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.7 **Common Areas—Definition.** The term **"Common Areas"** is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Project and interior utility raceways and installations within the Unit that are provided and designated by the Lessor from time to time for the general non-exclusive use of Lessor, Lessee and other tenants of the Project and their respective employees, suppliers, shippers, customers, contractors and invitees, including parking areas, loading and unloading areas, trash areas, roadways, walkways, driveways and landscaped areas.

2.8 **Common Areas—Lessee's Rights.** Lessor grants to Lessee, for the benefit of Lessee and its employees, suppliers, shippers, contractors, customers and invitees, during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Lessor under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Project. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Lessor or Lessor's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.9 **Common Areas—Rules and Regulations.** Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to establish, modify, amend and enforce reasonable rules and regulations (**"Rules and Regulations"**) for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Project and their invitees. Lessee agrees to abide by and conform to all such Rules and Regulations, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessor shall not be responsible to Lessee for the non-compliance with said Rules and Regulations by other tenants of the Project.

2.10 **Common Areas—Changes.** Lessor shall have the right, in Lessor's sole discretion, from time to time:

(a) To make changes to the Common Areas, including, without limitation, changes in the location, size, shape and number of driveways, entrances, parking spaces, Parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways;

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;

(c) To designate other land outside the boundaries of the Project to be a part of the Common Areas;

(d) To add additional buildings and improvements to the Common Areas;

(e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Project, or any portion thereof; and

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Project as Lessor may, in the exercise of sound business judgment, deem to be appropriate.

3. **Term.**

3.1 **Term.** The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3. (see Exhibit C #2)

3.2 **Early Possession.** If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early possession. All other terms of this Lease (including but not limited to the obligations to pay Lessee's Share of Common Area Operating Expenses, Real Property taxes and insurance premiums and to maintain the Premises) shall, however, be In effect during such period. Any such early possession shall not affect the Expiration Date. (See Exhibit C # 1)

3.3 **Delay In Possession.** Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession as agreed, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until it receives possession of the Premises. If possession is not delivered within 60 days after

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the Commencement Date, Lessee may, at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10 day period, Lessee's right to cancel shall terminate. Except as otherwise provided, if possession is not tendered to Lessee by the Start Date and Lessee does not terminate this Lease, as aforesaid, any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession of the Premises is not delivered within 4 months after the Commencement Date, this Lease shall terminate, unless other agreements are reached between Lessor and Lessee, in writing. (See Exhibit C #12)

3.4 **Lessee Compliance.** Lessor shall not be required to tender possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of Insurance (Paragraph 8.5). Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.

4. **Rent.**

4.1 **Rent Defined.** All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit) are deemed to be rent (**"Rent"**).

4.2 **Common Area Operating Expenses.** INTENTIONALLY DELETED

(a) **"Common Area operating Expenses"** are defined, for purposes of this Lease, as all costs incurred by Lessor relating to the ownership and operation of the Project, including, but not limited to, the following:

(i) The operation, repair and maintenance, in neat, clean, good order and condition, but not the replacement (see subparagraph (e)), of the following:

(aa) The Common Areas and Common Area improvements, including parking areas, loading and unloading areas, trash areas, roadways, parkways, walkways, driveways. landscaped areas, bumpers, irrigation systems, Common Area lighting facilities, fences and gates, elevators, roots, and roof drainage systems.

(bb) Exterior signs and any tenant directories.

(cc) Any fire sprinkler systems.

(ii) The cost of water, gas, electricity and telephone to service the Common Areas and any utilities not separately metered.

(iii) Trash disposal, pest control services, property management, security services, and the costs of any environmental inspections.

(iv) Reserves set aside for maintenance and repair of Common Areas.

(v) Any increase above the Base Real Property Taxes (as defined in Paragraph 10).

(vi) Any "Insurance Cost Increase" (as defined in Paragraph 8).

(vii) Any deductible portion of an insured loss concerning the Building or the Common Areas.

(viii) The cost of any Capital Expenditure to the Building or the Project not covered under the provisions of Paragraph 2.3 provided; however, that Lessor shall allocate the cost of any such Capital Expenditure over a 12 year period and Lessee shall not be required to pay more than Lessee's Share of 1/144th of the cost of such Capital Expenditure in any given month.

(ix) Any other services to be provided by Lessor that are stated elsewhere in this Lease to be a Common Area Operating Expense.

(b) Any Common Area Operating Expenses and Real Property Taxes that are specifically attributable to the Unit, the Building or to any other building in the Project or to the operation, repair and maintenance thereof, shall be allocated entirely to such Unit, Building, or other building. However, any Common Area Operating Expenses and Real Property Taxes, that are not specifically attributable to the Building or to any other building or to the operation, repair and maintenance thereof, shall be equitably allocated by Lessor to all buildings in the Project. (See Exhibit C, Items 3 & 4.)

(c) The inclusion of the improvements, facilities and services set forth in Subparagraph 4.2(a) shall not be deemed to impose an obligation upon Lessor to either have said improvements or facilities or to provide those services unless the Project already has the same, Lessor already provides the services, or Lessor has agreed elsewhere in this Lease to provide the same or some of them.

(d) INTENTIONALLY DELETED

(e) When a capital component such as the roof, foundations, exterior walls or a Common Area capital improvement, such as the parking lot paving, elevators, fences, etc. requires replacement, rather than repair or maintenance, Lessor shall, at Lessor's expense, be responsible for such replacement. Such expenses and/or costs are not Common Area Operating Expenses.

4.3 **Payment.** Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States, without offset or deduction (except as specifically permitted in this Lease), on or before the day on which it is due. Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a Waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating. In the event that any check, draft, or other instrument of payment given by Lessee to Lessor is dishonored for any reason, Lessee agrees to pay to Lessor the sum of $25.

5. **Security Deposit.** Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease. Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of the Security Deposit, Lessee shall within 10 days after written request therefore deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sub lessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, In Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within 14 days after the expiration or termination of this Lease, if Lessor elects to apply the Security Deposit only to unpaid Rent, and otherwise within 30 days after the Premises have been vacated pursuant to Paragraph 7.4(c) below, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease.

6. Use.

6.1 **Use.** Lessee shall use and occupy the Premises only for the Agreed Use and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties. (See Exhibit C, Item 5.)

6.2 **Hazardous Substances,**

(a) **Reportable Uses Require Consent.** The term **"Hazardous Substance"** as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either; (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, by-products or fractions thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee's expense) with all Applicable Requirements. **"Reportable Use"** shall mean (i) the installation or use of any above or

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below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefore. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability; including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit.

(b) **Duty to Inform Lessor.** If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(c) **Lessee Remediation.** Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) **Lessee Indemnification.** Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, or any Third party (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from areas outside of the Project). Lessee's obligations shall Include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

(e) **Lessor Indemnification.** Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which existed as a result of Hazardous Substances on the Premises prior to the Start Date or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

(f) **Investigations and Remediations.** Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to the Start Date, unless such remediation measure is required as a result of Lessee's use (including "Alterations," as defined in Paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessor's investigative and remedial responsibilities.

(g) **Lessor Termination Option.** If a Hazardous Substance Condition (see Paragraph 9.1(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and affect, or (ii) if the estimated cost to remediate such condition exceeds 12 times the then monthly Base Rent or $100,000, whichever is greater, give written notice to Lessee, within 30 days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within 10 days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to 12 times the then monthly Base Rent or $100.000, whichever is greater. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation, as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

6.3 **Lessee's Compliance with Applicable Requirements.** Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the Premises, without regard to whether said requirements are now in effect or become effective after the Start Date. Lessee shall, within 10 days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements.

6.4 **Inspection Compliance.** Lessor and Lessor's **"Lender"** (as defined in Paragraph 30) and consultants shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a contamination is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination.

7. **Maintenance; Repairs, Utility Installations; Trade Fixtures and Alterations.**

7.1 **Lessee's Obligations.**

(a) **In General.** Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance), 6.3 (Lessee's Compliance with Applicable Requirements), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole expense, keep the Premises, Utility Installations (intended for Lessee's exclusive use, no matter where located), and Alterations in good order, condition and repair (whether or not the portion of the Premises requiring repairs, or the means or repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, but not limited to, all equipment or facilities, such as plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fixtures, interior walls, interior surfaces of exterior walls, ceilings, floors, windows, doors, plate glass, and skylights but excluding any items which are the responsibility of Lessor pursuant to Paragraph 7.2. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Paragraph 7.1(b) below. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair. (See Exhibit C, Item 6.)

(b) **Service Contracts.** Lessee shall, at Lessee's sole expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in the maintenance of the following equipment and improvements, if any, if and when installed on the Premises: (I) HVAC equipment, (ii) boiler and pressure vessels, (iii) clarifiers, and (iv) any other equipment, if reasonably required by Lessor. However, Lessor reserves the right, upon notice to Lessee, to procure and maintain any or all of such service contracts, and if Lessor so elects, Lessee shall reimburse Lessor, upon demand, for the cost thereof.

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(c) **Failure to Perform.** If Lessee fails to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after 10 days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, and Lessee shall promptly reimburse Lessor for the cost thereof.

(d) **Replacement.** Subject to Lessee's indemnification of Lessor as set forth in Paragraph 8.7 below, and without relieving Lessee of liability resulting from Lessee's failure to exercise and perform good maintenance practices, if an item described in Paragraph 7.1(b) cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such item, then such item shall be replaced by Lessor, and the cost thereof shall be prorated between the Parties and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease, on the date on which Base Rent is due, an amount equal to the product of multiplying the cost of such replacement by a fraction, the numerator of which is one, and the denominator of which is 144 (ie. 1/144th of the cost per month). Lessee shall pay interest on the unamortized balance at a rate that is commercially reasonable in the judgment of Lessor's accountants. Lessee may, however, prepay its obligation at any time.

7.2 **Lessor's Obligations.** Subject to the Provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 4.2 (Common Area Operating Expenses), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler system, Common Area fire alarm and/or smoke detection systems, fire hydrants, parking lots, walkways, parkways, driveways, landscaping, fences, signs and utility systems serving the Common Areas and all parts thereof, as well as providing the services for which there is a Common Area Operating Expense pursuant to Paragraph 4.2. Lessor shall not be obligated to paint the exterior or interior surfaces of exterior walls nor shall Lessor be obligated to maintain, repair or replace windows, doors or plate glass of the Premises. Lessee expressly waives the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease

7.3 **Utility Installations; Trade Fixtures; Alterations.**

(a) **Definitions.** The term **"Utility Installations"** refers to all floor and window coverings, air lines, power panels, electrical distribution, security and fire protection systems, communication systems, lighting fixtures, HVAC equipment, plumbing, and fencing in or on the Premises. The term **"Trade Fixtures"** shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term **"Alterations"** shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. **"Lessee Owned Alterations and/or Utility Installations"** are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a).

(b) **Consent.** Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, and the cumulative cost thereof during this Lease as extended does not exceed a sum equal to 3 month's Base Rent in the aggregate or a sum equal to one month's Base Rent in any one year. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor.

(c) **Indemnification.** Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or material men's lien against the Premises or any interest therein. Lessee shall give Lessor not less than 10 days notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to 150% of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys' fees and costs.

7.4 **Ownership; Removal; Surrender; and Restoration.**

(a) **Ownership.** Subject to Lessor's right to require removal or elect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

(b) **Removal.** By delivery to Lessee of written notice from Lessor not earlier than 90 and not later than 30 days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent.

(c) **Surrender; Restoration.** Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing, if this Lease is for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures. Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall also completely remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Project) even if such removal would require Lessee to perform or pay for work that exceeds statutory requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below. (See Exhibit C, Item 7.)

8. Insurance Indemnity.

8.1 **Payment of Premium Increases.**

(a) As used herein, the term **"Insurance Cost Increase"** is defined as any increase in the actual cost of the insurance applicable to the Building and/or the Project and required to be carried by Lessor, pursuant to Paragraphs 8.2(b), 8.3(a) and 8.3(b) (**"Required Insurance"**), over and above the Base Premium, as hereinafter defined, calculated on an annual basis. Insurance Cost Increase shall include, but not be limited to, requirements of the holder of a mortgage or deed of trust covering the Premises, Building and/or Project, increased valuation of the Premises, Building and/or Project, and/or a general premium rate increase. The term Insurance Cost Increase shall not, however, include any premium increases resulting from the nature of the occupancy of any other tenant of the Building. If the parties insert a dollar amount in Paragraph 1.9, such amount shall be considered the **"Base Premium."** The Base Premium shall be the annual premium applicable to the 12 month period immediately preceding the Start Date. If, however, the Project was not insured for the entirety of such 12 month period, then the Base Premium shall be the lowest annual premium reasonably obtainable for the Required Insurance as of the Start Date, assuming the most nominal use possible of the Building. In no event, however, shall Lessee be responsible for any portion of the premium cost attributable to liability insurance coverage in excess of $2,000,000 procured under Paragraph 8.2(b).

(b) INTENTIONALLY DELETED

8.2 **Liability Insurance.**

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(a) **Carried by Lessee.** Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $1,000,000 per occurrence with an annual aggregate of not less than $2,000,000, an "Additional Insured-Managers or Lessor's of Premises Endorsement" and contain the "Amendment of the Pollution Exclusion Endorsement" for damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "Insured Contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance carried by Lessee shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only. (See Exhibit C, Item 8.)

(b) **Carried by Lessor.** Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 **Property Insurance – Building, Improvements and Rental Value.**

(a) **Building and Improvements.** Lessor shall obtain and keep in force a policy or policies of insurance in the name of Lessor, with loss Payable to Lessor, any ground-lessor, and to any Lender insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full replacement cost of the Premises, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available insurable value thereof. Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee under Paragraph 8.4. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed $1,000 per occurrence.

(b) **Rental Value.** Lessor shall also obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one year with an extended period of indemnity for an additional 180 days ("Rental Value Insurance"). Said insurance shall contain an agreed valuation provision, in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next 12 month perio d.

(c) **Adjacent Premises.** Lessee shall pay for any increase in the premiums for the property insurance of the Building and for the Common Areas or other buildings in the Project if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(d) **Lessee's Improvements.** Since Lessor is the Insuring Party, Lessor shall not be required to insure Lessee Owned Alterations and Utility Installations unless the item in question has become the property of Lessor under the terms of this Lease.

8.4 **Lessee's Property; Business Interruption Insurance.**

(a) **Property Damage.** Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures, and Lessee Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed $1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of Personal Property, Trade Fixtures and Lessee Owned Alterations and Utility Installations. Lessee shall provide Lessor with written evidence that such insurance in force.

(b) **Business Interruption.** Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all Perils commonly insured against by prudent Lessee's in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

(c) **No Representation of Adequate Coverage.** Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.

8.5 **Insurance Policies.** Insurance required herein shall be by companies duty licensed or admitted to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B+, V, as set forth in the most current issue of "Best's Insurance Guide," or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required Insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates evidencing the existence and amounts of the required Insurance. No such policy shall be cancelable or subject to modification except after 30 days prior written notice to Lessor. Lessee shall, at least 30 days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same.

8.6 **Waiver of Subrogation.** Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of Insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation, that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 **Indemnity.** Except for Lessor's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified.

8.8 **Exemption of Lessor from Liability.** Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the Building, or from other sources or places. Lessor shall not be liable for any damages arising from any act or neglect of any other tenant of Lessor nor from the failure of Lessor to enforce the provisions of any other lease in the Project. Notwithstanding Lessor's negligence or breach of this Lease, Lessor shall under no circumstances be liable for injury to Lessee's business or for any loss of income or profit there from.

9. **Damage or Destruction.**

9.1 Definitions.

(a) **"Premises Partial Damage"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which can reasonably be repaired in 3 months or less from the date of the damage or destruction, and the cost thereof does not exceed a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(b) **"Premises Total Destruction"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility installations and Trade Fixtures, which cannot reasonably be repaired in 3 months or less from the date of the damage or destruction and/or the cost thereof exceeds a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) **"Insured Loss"** shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

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(d) **"Replacement Cost"** shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) **"Hazardous Substance Condition"** shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises.

9.2 **Partial Damage – Insured Loss.** If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force end effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is $5,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said 10 day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 **Partial Damage – Uninsured Loss.** If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective 60 days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 **Total Destruction.** Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate 60 days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6

9.5 **Damage Near End of Term.** If at any time during the last 6 months of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective 60 days following the date of occurrence of such damage by giving a written termination notice to Lessee within 30 days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is 10 days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished.

9.6 **Abatement of Rent; Lessee's Remedies.**

(a) **Abatement.** In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from the Rental Value Insurance. All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) **Remedies.** If Lessor shall be obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within 90 days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than 60 days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within 30 days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such 30 days, this Lease shall continue in full force and effect. "Commence" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 **Termination; Advance Payments.** Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

9.8 **Waive Statutes.** Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith.

10. Real Property Taxes.

10.1 **Definitions.**

(a) **"Real Property Taxes."** As used herein, the term **"Real Property Taxes"** shall include a form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Project, Lessor's right to other income there from, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Project address and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Project is located. The term "Real Property Taxes" shall also include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Project or any portion thereof or a change in the improvements thereon.

(b) **"Base Real Property Taxes."** As used herein, the term **"Base Real Property Taxes"** shall be the amount of Real Property Taxes, which are assessed against the Premises, Building, Project or Common Areas in the calendar year during which the Lease is executed. In calculating Real Property Taxes for any calendar year, the Real Property Taxes for any real estate tax year shall be included in the calculation of Real Property Taxes for such calendar year based upon the number of days which such calendar year and tax year have in common.

10.2 **Payment of Taxes.** Lessor shall pay the Real Property Taxes applicable to the Project, and except as otherwise provided in Paragraph 10.3, any increases in such amounts over the Base Real Property Taxes shall be included in the calculation of Common Area Operating Expenses in accordance with the provisions of Paragraph 4.2.

10.3 **Additional Improvements.** Common Area Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Project by other Lessee's or by Lessor for the exclusive enjoyment of such other lessees. Notwithstanding Paragraph 10.2 hereof, Lessee shall, however, pay to Lessor at the time

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Common Area Operating Expenses are payable under Paragraph 4.2, the entirety of any increase in Real Property Taxes if assessed solely by reason of Alterations, Trade Fixtures or Utility Installations placed upon the Premises by Lessee or at Lessee's request.

10.4 **Joint Assessment.** If the Building is not separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.5 **Personal Property Taxes.** Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within 10 days after receipt of a written statement getting forth the taxes applicable to Lessee's property.

11. **Utilities.** Lessee shall pay for all water, gas, heat, light, power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. Notwithstanding the provisions of Paragraph 4.2, if at any time in Lessor's sole judgment, Lessor determines that Lessee is using a disproportionate amount of water, electricity or other commonly metered utilities, or that Lessee is generating such a large volume of trash as to require an increase in the size of the dumpster and/or an increase in the number of times per month that the dumpster is emptied, then Lessor may increase Lessee's Base Rent by an amount equal to such increased costs.

12. **Assignment and Subletting.** (see Exhibit C #9)

12.1 **Lessor's Consent Required.**

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, **"assign or assignment"**) or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent.

(b) A change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of 25% or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than 25% of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. **"Net Worth of Lessee"** shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.

(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a noncurable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, (i) the Purchase Price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to 110% of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

12.2 **Terms and Conditions Applicable to Assignment and Subletting.**

(a) Regardless of Lessor's consent, any assignment or subletting shall not: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) after the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefore to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of $1,000 or 10% of the current monthly Base Rent applicable to the portion of the Premises which is the subject of the proposed assignment or sublease, whichever is greater, as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested.

(f) Any assignee of, or sublessee under, this lease shall, by reason of accepting such assignment or entering into such sublease, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

12.3 **Additional Terms and Conditions Applicable to Subletting.** The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. **Default; Breach; Remedies.**

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13.1 **Default; Breach.** A **"Default"** is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A **"Breach"** is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or Property, where such failure continues for a period of 3 business days following written notice to Lessee.

(c) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 41 (easements), or (viii) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Lessee.

(d) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 2.9 hereof, other than those described in subparagraphs 13.1(a), (b) or (c), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

(e) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a **"debtor"** as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(f) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.

(g) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 **Remedies.** If Lessee fails to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. The costs and expenses of any such performance by Lessor shall be due and payable by Lessee upon receipt of invoice therefor. If any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor, at its option, may require all future payments to be made by Lessee to be by cashier's check. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result there from, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover damages under Paragraph 12. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 **Inducement Recapture.** Any agreement for free or abated rent or other charges, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as **"Inducement Provisions,"** shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and condition, of this Lease. Upon Breach of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance. (See Exhibit C #16)

13.4 **Late Charges.** Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within 5 days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a one-time late charge equal to 10% of each such overdue amount or $100, whichever is greater. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment, acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late

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charge is payable hereunder, whether or not collected, for 3 consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 **Interest.** Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due as to scheduled payments (such as Base Rent) or within 30 days following the date on which it was due for non-scheduled payment, shall bear interest from the date when due, as to scheduled payments, or the 31st day after it was due as to non-scheduled payments. The interest ("**Interest**") charged shall be equal to the prime rate reported in the Wall Street Journal as published closest prior to the date when due plus 4%, but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 **Breach by Lessor.**

(a) **Notice of Breach.** Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than 30 days after receipt by Lessor, and any Lender whose name and address shall have been furnished Lessee in writing for such Purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than 30 days are reasonably required for its Performance, then Lessor shall not be in breach of Performance is commenced within such 30 day period and thereafter diligently pursued to completion.

(b) **Performance by Lessee on Behalf of Lessor.** In the event that neither Lessor nor Lender cures said breach within 30 days after receipt of said notice, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from Rent an amount equal to the greater of one Base Rent of the Security Deposit, and to pay an excess of such expense under protest, reserving Lessee's right to reimbursement from Lessor. Lessee shall document the cost of said cure and supply said documentation to Lessor.

14. **Condemnation.** If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively "**Condemnation**") this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs first. If more than 10% of the floor area of the Unit, or more then 25% of Lessee's Reserved Parking Spaces, is taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within 10 days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within 10 days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided however, that Lessee shall be entitled to any compensation for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefore. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation.

15. **Brokerage Fees.** (see Exhibit C #10)

15.1 **Additional Commission.** In addition to the payments owed pursuant to Paragraph 1.10 above, and unless Lessor and the Brokers Otherwise agree in writing, Lessor agrees that: (a) if Lessee exercises any Option, (b) if Lessee acquires from Lessor any rights to the Premises or other premises owned by Lessor and located within the Project, (c) if Lessee remains in Possession of the Premises, with the consent of Lessor, after the expiration of this Lease or (d) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then, Lessor shall pay Brokers a fee in accordance with the schedule of the Brokers in effect at the time of the execution of this Lease.

15.2 **Assumption of Obligations.** Any buyer or transferee of Lessor's interest in this Lease shall be deemed to have assumed Lessor's obligation hereunder. Brokers shall be third party beneficiaries of the provisions of Paragraphs 1.10, 15, 22 and 31. If Lessor fails to pay to Brokers any amounts due as and for brokerage fees pertaining to this Lease when due, then such amounts shall accrue Interest. In addition, if Lessor fails to pay any amounts to Lessee's Broker when due, Lessee's Broker may send written notice to Lessor and Lessee of such failure and if Lessor fails to pay such amounts within 10 days after said notice, Lessee shall pay said monies to its Broker and offset such amounts against Rent. In addition, Lessee's Broker shall be deemed to be a third party beneficiary of any commission agreement entered into by and/or between Lessor and Lessor's Broker for the limited purpose of collecting any brokerage fee owed.

15.3 **Representations and Indemnities of Broker Relationships.** Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any) in connection with this Lease, and that no one other than said named Brokers is entitled to any commission or finder's fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

16. **Estoppel Certificates.**

(a) Each Party (as "**Responding Party**") shall within 10 days after written notice from the other Party (the "**Requesting Party**") execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current "**Estoppel Certificate**" form published by the American Industrial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

(b) It the Responding Party shall fail to execute or deliver the Estoppel Certificate within such 10 day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance. Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate.

(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past 3 years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. **Definition of Lessor.** The term "**Lessor**" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Except as provided in Paragraph 15, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined. Notwithstanding the above, and subject to the provisions of Paragraph 20 below, the original Lessor under this Lease, and all subsequent holders of the Lessor's interest in this Lease shall remain liable and responsible with regard to the potential duties and liabilities of Lessor pertaining to Hazardous Substances as outlined in Paragraph 6.2 above.

18. **Severability.** The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. **Days.** Unless otherwise specifically indicated to the contrary, the word "**days**" as used in this Lease shall mean and refer to calendar days.

20. **Limitation on Liability.** Subject to the provisions of Paragraph 17 above, the obligations of Lessor under this Lease shall not constitute personal obligations of Lessor, the individual partners of Lessor or its or their individual partners, directors, officers or shareholders, and Lessee shall look to the Premises, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with

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respect to this Lease, and shall not seek recourse against the individual partners of Lessor, or its or their individual partners, directors, officers or shareholders, or any of their personal assets for such satisfaction.

21. **Time of Essence.** Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

22. **No Prior or Other Agreements; Broker Disclaimer.** This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the use, nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees), of any Broker with respect to negotiation, execution, delivery or performance by either Lessor or Lessee under this Lease or any amendment or modification hereto shall be limited to an amount up to the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

23. **Notices.**

23.1 **Notice Requirements.** All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may, by written notice to the other, specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing.

23.2 **Date of Notice.** Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery dale is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 48 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices transmitted by facsimile transmission or similar means shall be deemed delivered upon telephone confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

24. **Waivers.** No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of monies or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

25. **Disclosures Regarding The Nature of a Real Estate Agency Relationship.**

(a) When entering into a discussion with a real estate agent regarding a real estate transaction, a Lessor or Lessee should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Lessor and Lessee acknowledge being advised by the Brokers in this transaction, as follows:

(i) Lessor's Agent. A Lessor's agent under a listing agreement with the Lessor acts as the agent for the Lessor only. A Lessor's agent or subagent has the following affirmative obligations: To the Lessor: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessor. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(ii) Lessee's Agent. An agent can agree to act as agent for the Lessee only. In these situations, the agent is not the Lessor's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Lessor. An agent acting only for a Lessee has the following affirmative obligations. To the Lessee: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessee. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that not known to, or within the diligent attention and observation of the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(iii) Agent Representing Both Lessor and Lessee. A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Lessor and the Lessee in a transaction, but only with the knowledge and consent of both the Lessor and the Lessee. In a dual agency situation, the agent has the following affirmative obligations to both the Lessor and the Lessee: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Lessor or the Lessee. b. Other duties to the Lessor and the Lessee as stated above in subparagraphs (i) or (ii). In representing both Lessor and Lessee, the agent may not without the express permission of the respective Party, disclose to the other Party that the Lessor will accept rent in an amount less than that indicated in the listing or that the Lessee is willing to pay a higher rent than that offered. The above duties of the agent in a real estate transaction do not relieve a Lessor or Lessee from the responsibility to protect their own interests. Lessor and Lessee should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

(b) Brokers have no responsibility with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees), of any Broker with respect to any breach of duty, error or omission relating to this Lease shall not exceed the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

(c) Buyer and Seller agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

26. **No Right To Holdover.** Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 150% of the Base Rent applicable immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

27. **Cumulative Remedies.** No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. **Covenants and Conditions; Construction of Agreement.** All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

29. **Binding Effect; Choice of Law.** This Lease shall be binding upon the parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. **Subordination; Attornment; Non-Disturbance.**

30.1 **Subordination.** This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, **"Security Device"**), now or hereafter placed upon the

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Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as **"Lender"**) shall have no liability or obligation to perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to Lessee, whereupon this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 **Attornment.** Subject to the non-disturbance provisions of Paragraph 30.3, Lessee agrees to attorn to a Lender or any other party who acquires ownership of the Premises by reason of a foreclosure of a Security Device, and that in the event of such foreclosure, such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (b) be subject to any offsets or defenses which Lessee might have against any prior lessor, (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor.

30.3 **Non-Disturbance.** With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a **"Non-Disturbance Agreement"**) from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within 60 days after the execution of this Lease, Lessor shall use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to provide the Non-Disturbance Agreement within said 60 days, then Lessee may, at Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 **Self-Executing.** The agreements contained in this Paragraph 30 shall be effective without the execution or any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

31. **Attorneys' Fees.** If any Party or Broker brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, **"Prevailing Party"** shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgement, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach ($200 is a reasonable minimum per occurrence for such services and consultation). (see Exhibit C #15)

32. **Lessor's Access; Showing Premises; Repairs.** Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times for the purpose of showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary. All such activities shall be without abatement of rent or liability to Lessee. Lessor may at any time place on the Premises any Ordinary **"For Sale"** signs and Lessor may during the last 6 months of the term hereof place on the Premises any ordinary **"For Lease"** signs. Lessee may at any time place on the Premises any ordinary **"For Sublease"** sign.

33. **Auctions.** Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessor's prior written consent. Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

34. **Signs.** Except for ordinary "For Sublease" signs which may be placed only on the Premises, Lessee shall not place any sign upon the Project without Lessor's prior written consent. All signs must comply with all Applicable Requirements. (see Exhibit G)

35. **Termination; Merger.** Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subtenancies. Lessor's failure within 10 days following any such event to elect to the contrary by written notice to the holder of any such lesser interest shall constitute Lessor's election to have such event constitute the termination of such interest.

36. **Consents.** Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an Invoice and supporting documentation therefor. Lessor's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within 10 business days following such request.

37. **Guarantor.**

37.1 **Execution.** The Guarantors, if any, shall each execute a guaranty in the form most recently published by the American Industrial Real Estate Association, and each such Guarantor shall have the same obligations as Lessee under this Lease.

37.2 **Default.** It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantors behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect.

38. **Quiet Possession.** Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. **Options.** If Lessee is granted an option, as defined below, then the following provisions shall apply. (see Exhibit L, if any)

39.1 **Definition. "Option"** shall mean: (a) the right to extend the term of or renew this Lease or to extend or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Promises or other property of Lessor; (c) the right to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 **Options Personal To Original Lessee.** Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting.

39.3 **Multiple Options.** In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised

39.4 **Effect of Default on Options.**

(a) Lessee shall have no right to exercise an Option; (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

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(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), (ii) Lessor gives to Lessee 3 or more notices of separate Default during any 12 month period, whether or not the Defaults are cured, or (iii) if Lessee commits a Breach of this Lease.

40. **Security Measures.** Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

41. **Reservations.** Lessor reserves the right, (i) to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, (ii) to cause the recordation of parcel maps and restrictions, and (iii) to create and/or install new utility raceways, so long as such easements, rights dedications, maps, restrictions, and utility raceways do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate such rights.

42. **Performance Under Protest.** If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make Payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay.

43. **Authority.** If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duty authorized to execute and deliver this Lease an its behalf. Each party shall, within 30 days after request, deliver to the other party satisfactory evidence of such authority.

44. **Conflict.** Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions. (see Exhibit C #13)

45. **Offer.** Preparation of this Lease by either party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

46. **Amendments.** This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

47. **Multiple Parties.** If more than one person or entity is named herein as either Lessor or Lessee, such multiple Parties shall have joint and several responsibility to comply with the terms of this Lease.

48. **Waiver of Jury Trial.** The Parties hereby waive their respective rights to trial by jury in any action or proceeding involving the Property or arising out of this Agreement.

49. **Mediation and Arbitration of Disputes.** An Addendum requiring the Mediation and/or the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease is not attached to this Lease.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL, AND TAX CONSEQUENCES OF THIS LEASE.
2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

WARNING: IF THE PREMISES ARE LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES ARE LOCATED.

The parties hereto have executed this lease at the place and on the dates specified above their respective signatures.

Executed at: Solana Beach CA
on: July 24, 2013

By LESSOR:
Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company

By: M.C. Strauss Trustee
Name Printed: M.C. Strauss
Title:
Address: 990 Highland Drive #200
Solana Beach, CA 92075

Telephone: (858) 792-7500
Facsimile: (858) 792-7834
Federal ID No.

Executed at:
on:

By LESSEE:
Ramiro Cortes, a married man

By: Ramiro Cortés
Name Printed:
Title:
Address:

Telephone: ( )
Facsimile: ( )
Federal ID No.

These forms are often modified to meet changing requirements of law and needs of the industry. Always write or call to make sure you are utilizing the most current form: American Industrial Real Estate Association, 700 South Flower Street, Suite 600, Los Angeles, CA 90017. (213) 687-8777.

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TENANTS SHALL FURNISH:

1. Its personal and corporate (if applicable) financial statements.
2. Completed Landlord furnished credit information forms.
3. Letter of reference from Tenant's bank.
4. If a corporation, its duly Authorized Corporate Resolution notifying the Lease. (SEE Exhibit C Item #11)

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EXHIBIT A

LEGAL DESCRIPTION & SITE PLAN

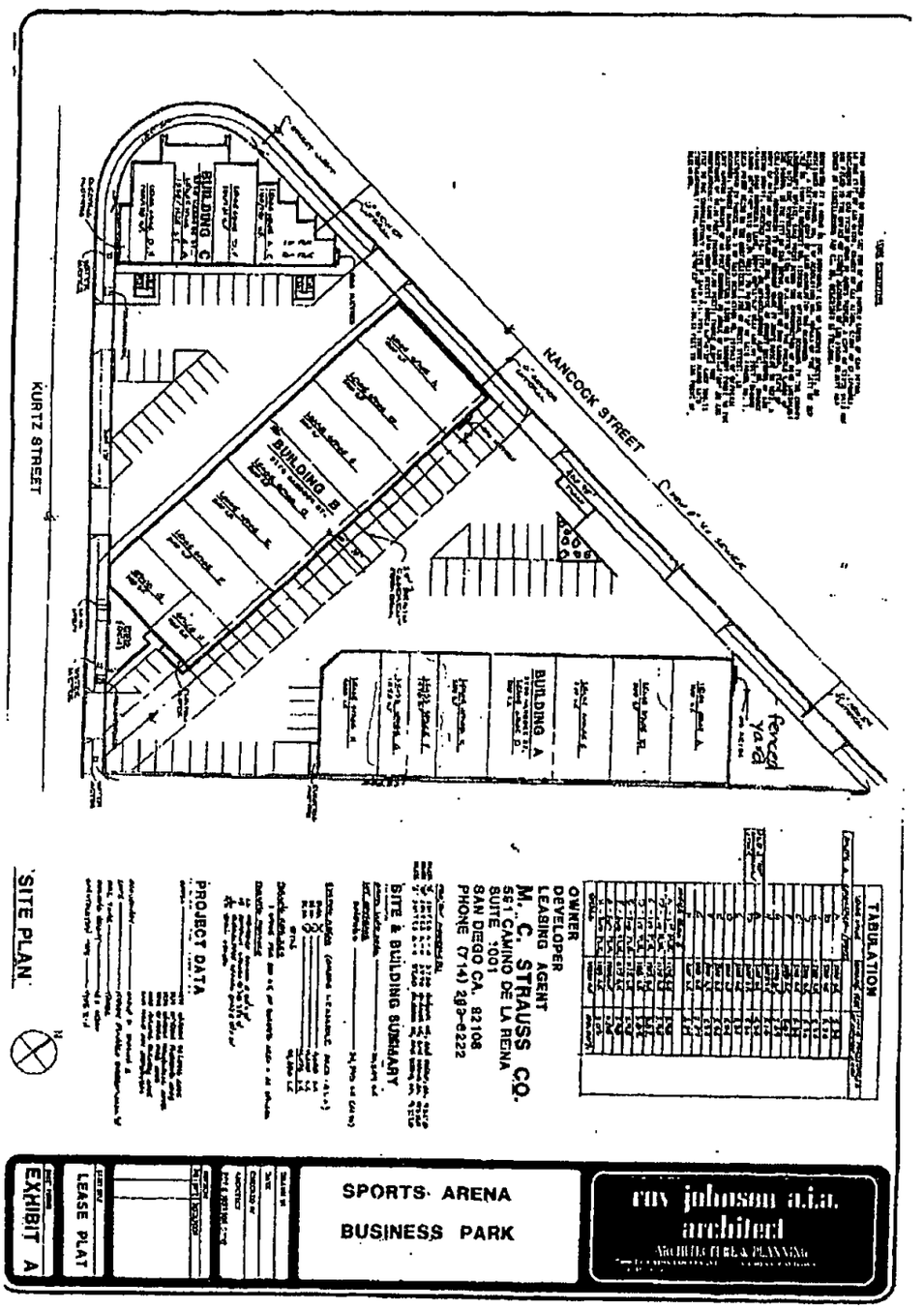


EXHIBIT A

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EXHIBIT A-1 TO LEASE (SUBLEASE)

MINIMUM STANDARD SUBLEASE CONDITIONS

(1) ASSIGNMENT AND SUBLEASING: Sublessee, shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and the City of San Diego, hereinafter, "City." An assignment by operation of law shall automatically terminate this lease.

(2) HOLD HARMLESS: Sublessee shall assume the defense of, indemnify and save harmless Lessee and City from all claims, expenses and liability of every nature, directly or indirectly arising from, or alleged to have arisen from the operations conducted on the leased premises or from any act or omission of Sublessee, its agents and invitees.

(3) INSURANCE: Sublessee shall be insured by an insurance carrier acceptable to the Lessee and City against loss from public liability arising from the use or condition of or operation conducted on the leased premises. Minimum coverage shall be as set forth in Paragraph 16-B hereof. A copy of the policy of insurance shall be filed with the City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or canceled without 30 days prior written notice to the. City by the insurance company,

(4) LEGAL PROCEEDINGS: Should it become necessary to Lessee or City to commence legal Proceedings to collect rent, to recover possessions or enforce any other provision of this lease, Sublessee agrees that the prevailing party shall be entitled to all legal costs in connection therewith, including a reasonable sum as attorney's fees

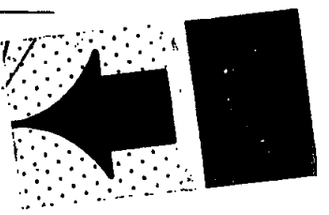
(5) SUBORDINATION: This agreement is in effect a sublease of a portion of the premises covered by that certain Lease Agreement dated September 13, 1977, as amended between the sublessor herein and the City of San Diego- This sublease is subject and subordinated to the covenants and conditions of said Lease Agreement notwithstanding any provision hereto contrary to or in conflict with said agreement.

(6) The property is subject to a City of San Diego ground lease mentioned hereinabove and lies with in the recently formed North Bay Redevelopment Area, The property will be redeveloped sometime in the future- Accordingly, Landlord and or city at its sole option may terminate this lease at anytime after Dec 1, 2003 with 6 months notice in writing, and without invalidating or superceding any of the rights contained here in this Addendum of the lease or the city land lease agreements there under

LESSOR'S INITIALS

LESSEE'S INITIALS

R. C

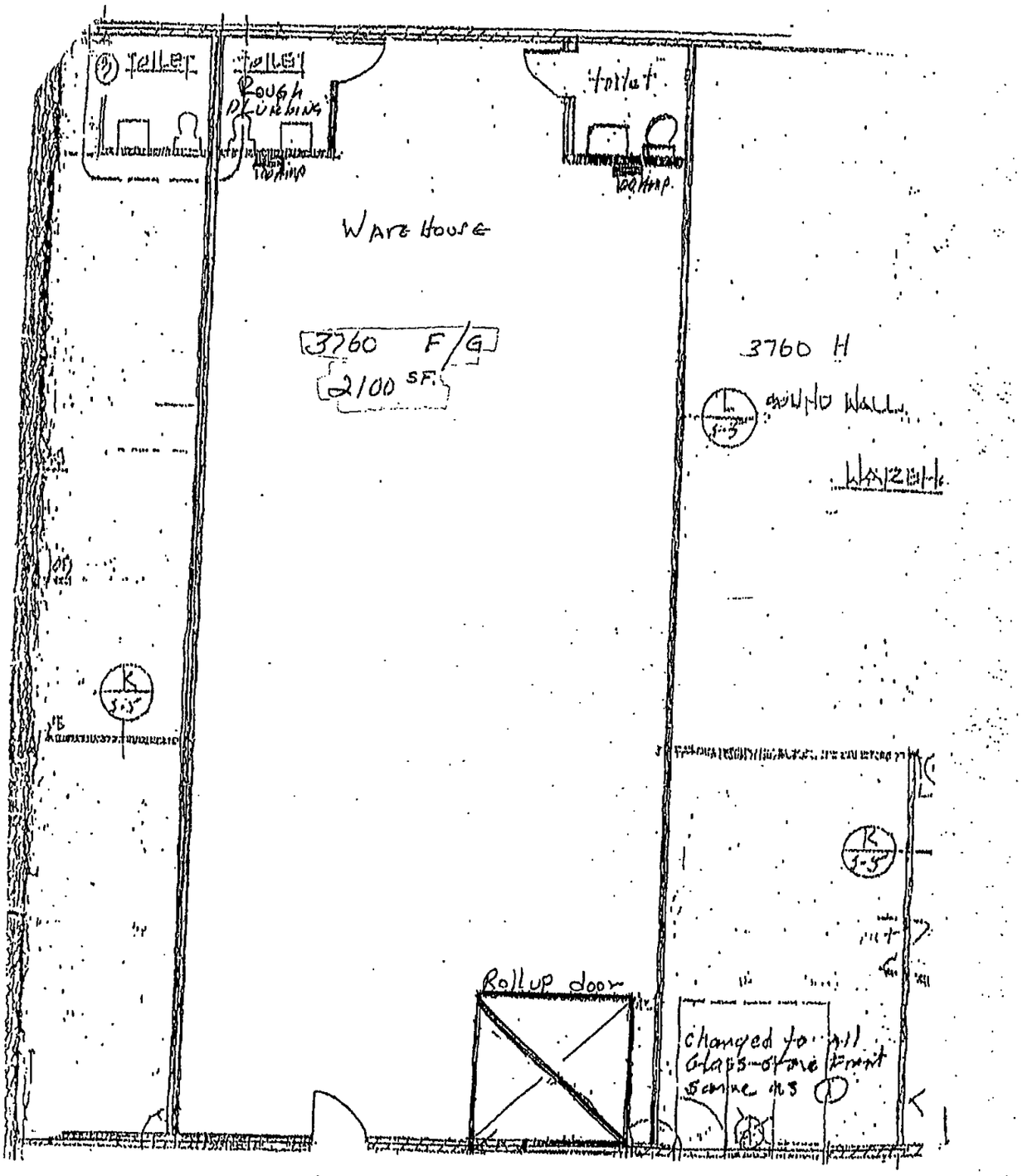


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EXHIBIT B

DEMISED PREMISES PLAN (IF AVAILABLE)

SPORTS ARENA BUSINESS PARK



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Addendum to Commercial/Industrial Multi-Tenant Lease

1. Early Possession: With early move-in of Lessee, Lessee may not interfere with any tenant improvements needed to be done by Lessor. Additionally, M.C. Strauss Company is not responsible for loss, theft, or damage of any of Lessee's property should Lessee desire to move-in prior to commencement of Lease Term.

2. Term Adjustment: If the Commencement Date is other than the first day of a calendar month, the Term shall be deemed to have commenced on the first day of the next succeeding month.

3. Modified Common Area Operating Expenses: Lessor shall pay Tenant's portion of common area maintenance, taxes,and insurance.
   a. "Operating Costs" means all costs reasonably incurred by Lessor in accordance with generally accepted accounting principles, and fairly allocable to the applicable Calendar Year which relate to, or are fairly allocable to, the ownership and operation of the Common Areas. Lessor shall pay tenant's portion of common area maintenance, taxes and insurance.
   b. Periodic painting of the building exterior and common areas shall be included as a common area operating expense. If Lessor undertakes a program of preventive maintenance for the HVAC systems for all of the Tenants per Paragraph 7.1(b), the cost thereby shall be included as a common area expense.
   c, The common area definition shall also include lighting facilities, sewer, water, gas, electric, phone and other utility lines, storm drains, roads and approaches servicing the Center generally; and any other items that Lessor deems necessary and appropriate.
   d. Replacement costs, defined as that which cannot be repaired other than at a cost which is in excess of fifty percent (50%) of the cost of replacing such item, then such item shall be replaced and the cost prorated over sixty (60) months and Tenant shall pay one sixtieth (1/60) of the cost each month of the Lease term and extension thereto.

4. Utilities: Lessee shall pay before delinquency all charges for water, sewer, gas heat, electricity, power, telephone service and all and any other services or utilities used in, upon or about the Demised Premises by Lessee or any of its subtenants, licensees or concessionaries, provided, however, if any such services or utilities shall be billed to Lessor and not separately metered to the Demised Premises the mount thereof shall be prorated and Lessee shall pay to Lessor upon demand as additional rental hereunder an amount equal to that proportion of the total charges therefore which the number of square feet of Gross Floor Area in the Demised Premises bears to the total number of square feet of gross floor area of stores then rented as of the date of the utility bill served in the area and/or buildings covered by such combined charges. With respect to gas and electric service, which is not separately metered, Lessor may, at Lessor's option, in lieu of prorating on the fore-going basis, determine the amount of use of such services by Lessee on the basis of Lessee's estimated usage as determined by the utility company servicing the Demised Premises, or, if such company ceases providing such service, by a qualified electrical contractor selected by Lessor. Water is furnished to the part of the Common Area via as is central meter. Accordingly, Lessee will pay Lessor a flat charge of ___(per Section 1.7 (d))___ a month for its share of the water for its premises. Water charges may be reevaluated and increased by Lessor based on the use of the premises especially due to the number of patrons of and Lessee's business use. Lessor may require a high water user such as a restaurant or beauty parlor to install a separate meter or if the cost is prohibitive, to install an inline meter at Lessee's expense to be able to determine Lessee's fair share for any excess use.

5. Continuous Operations: Lessee shall keep the Demised Premises open for business during all hours customarily maintained by business similar to Lessee's business in the trading area in which the Demised Premises are located. At all such times Lessee shall have upon the Demised Premises a sufficient number of employees and a sufficient stock of merchandise to adequately serve the patrons thereof or render the services offered. A business holiday of more than 30 days of consecutive closing in any one year shall be considered a default.

6. Locks: Should Lessee change the locks on their suite, Lessee must furnish Lessor with a copy of the new key which is for the protection of the Lessee and per the Lease.

7. Vacating Premises: The definition "ordinary wear and tear" shall NOT include such items as carpet cleaning, cleaning, patching and painting necessary to restore Premises to a releasable condition. Additionally, Tenant will be charged for repainting rear access doors, repairing store front doors, rekeying locks to the master system and removing alarm systems or personal property and/or debris, etc, upon Lease termination,

8. Insurance: Lessor's appropriate liability insurance coverage is $3,000,000. Therefore, Paragraph 8.1 and/or Paragraph 8.2 is amended to increase the ceiling to $3,000,000 and Lessee shall reimburse Lessor for its portion accordingly.

9. Assignment and Subletting:
(This is in addition to lease language and prevails in the event of conflict.)

a. Consent to Assignment or Subletting shall not be unreasonably withheld: Subject to a compatible and noncompetitive business use with respect to the other businesses in the Center and sufficient financial statement and credit record of assignee and reasonable experience in conducting the intended business, Lessor's consent to assign or sublet this Lease shall not be unreasonably withheld provided however, that Lease shall not be in default and/or if Lessee shall have, previously breached or otherwise failed to perform under this Lease since its inception, and Lessee did not cure that breach, Lessor, at its sole discretion, may declare this Sub-paragraph null and void. Any increase in rents shall become the property of the Lessor. Any such assignment or subleasing even with the approval of the Lessor, shall not relieve the Lessee from liability for payment of the rental herein provided or from the obligation to keep and be bound by the terms, conditions and covenants of this Lease.

b. Assignment or Transfer to a Corporation: Notwithstanding anything to the contrary set forth herein, Lessee may assign this Lease, without the consent of Lessor, to a corporation or other entity not less than fifty percent (50%) of the voting stock or controlling interest of which is owned by Lessee; provided that Lessee shall at all times remain liable for performance hereunder; and provided, further, that any transfer by Lessee of the controlling stock or interest in such corporation or other entity shall be a prohibited assignment hereunder.

c. Consent to be in writing: Lessee shall not assign, mortgage, pledge, hypothecate or encumber this lease or the leasehold interest created hereby or any interest herein or sublet the Demised Premises or any portion thereof, or license the use of all or any portion of the Demised Premises, without the written consent of Lessor first had and obtained. Without in any way limiting any other rights available to the Lessor at the time of any proposed assignment or subletting, Lessor expressly reserves the right to adjust the Guaranteed Minimum Monthly Rental to an amount derived by multiplying said guaranteed minimum monthly rental times a number equal to the percentage by which the Bureau of Labor Statistics, United States Department of Labor for Los Angeles-Riverside-Orange County under the heading of "All Items" for "All Urban Consumers" for the month in which the date of such assignment or subletting occurs has increased over the same Cost of Living Index figure for the month in which the Commencement Date under this Lease occurs (i.e., if the percentage of such increase is thirty percent (30%), then the guaranteed minimum monthly rental will be multiplied times 130%). Tenant agrees to pay Lessor an administrative fee of $500 and to reimburse Lessor for Lessor's reasonable attorney fees

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incurred in conjunction with the processing and documentation of any such requested transfer, assignment, subletting, licensing or concession agreement

10. Broker's Fee:
    a. All Broker's fees as referred to in the Lease and Lease addendums shall be by separate agreement pursuant to a schedule to be agreed upon by Owner and Broker.
    b. However, it is understood and agreed that no commissions shall be paid on option exercises, or renewals, or expansions that unless at the invitation of the Owner first had obtained in writing.

11. Lessee's Financial Information: Lessee will furnish a credit report and financial statement at its expense, subject to Lessor's approval or reimburse Lessor $35 if Lessor obtains a credit report. Lessee also agrees to deliver to Lessor a resume of its business experience, a copy of its income tax returns for the prior year, a letter of reference from Lessee's bank, and a completed Lessor's "Credit Information" form. The Lease is contingent upon Lessor's review and approval to its sole satisfaction of Lessee's qualifications to lease. Said credit application must include but not be limited to listing specifics of next of kin, closest living relative not living with you, closest non-relative and who to notify in case of emergency.

12. Dispute or Delay: In the event of any dispute between the parties concerning the time of actual completion of Lessor's Work or Lessee's Work or any claimed excuse for delay in performance or non-performance thereof or whether such work has been adequately performed in a good and workmanlike manner and is satisfactory for the use intended, such dispute shall be referred to Lessor's architect whose determination with regard thereto shall be final and conclusive upon the parties.

13. Deletion: Wherever in this Lease a Section or Subsection is preceded by the word "Deleted" or "*Deleted," such Section or Subsection is deleted from this Lease in its entirety and is of no force or effect.

14. Parking: Lessee shall have the right to N/A parking spaces on level N/A at no cost to Lessee for the term of the Lease and any Option Periods. The surface parking is designated for customers and retail tenants only, All employees, visitors, guests of Lessee are not Permitted to use surface parking, but shall park on lower levels A & B of the parking structure, if any.

15. Attorney's Fees: The Lessor is entitled to attorney's fees or costs for the enforcement of the lease regardless of whether an action is filed, said fees and costs to be considered additional rent.

16. Lease Incentives: If Tenant is in default under this Lease at any time during the Term and without limiting the foregoing, if Landlord has given Tenant any lease incentives or other inducements or consideration in connection with this Lease ("Incentives"), including without limitation, any abatement of rent, the unamortized portion of any Tenant Improvement Allowance and/or leasing commissions then the incentives will terminate and Landlord may recover from Tenant the value of all such Incentives received by Tenant in addition to all other damages recoverable by Landlord pursuant to the provisions of this Lease.

17. Confidentiality: Lessee shall keep the content and all copies of this Lease and related documents now or hereafter entered into, and all proposals, materials, information and matters relating thereto, strictly confidential, and shall not disclose, disseminate or distribute any of the same, or permit the same to occur, except to the extent reasonably required for proper business purposes by Lessee's attorneys, insurers, auditors and lenders, and, in such event, Lessee shall obligate any such parties to whom disclosure is permitted to honor the confidentiality provisions hereto, except as may be required by Law or court proceedings.

18. Substitute Premises: Lessor shall have the right from time to time during the term of this lease to relocate the Premises within the Project on the following terms and conditions: (i) the square footage of the substitute premise ("Substitute Premises") are equal to the square footage of the Premises (subject to a variation of up to fifteen percent (15%) in the square footage of the Substitute Premises, provided that the amount of rent payable under this lease is not thereby increased); (ii) Lessor shall pay the cost of providing Lessee Improvements (defined below) in the Substitute Premises substantially comparable to the Tenant Improvements in the Premises; (iii) Lessor shall pay the expenses directly related to and reasonably incurred by Lessee in connection with such relocation to the Substitute Premises; and (iv) Lessor shall not be liable for (a) any loss of business or good will, or (b) any damage to Lessee's Property or other personal property relocated, unless caused by Lessor or it's employees gross negligence or willful misconduct. Lessor shall deliver to Lessee written notices of Lessor's election to relocate the Premises specifying the new location at least thirty (30) days prior to the date the relocation is to be effective. If the relocation of the Premises is unacceptable to Lessee, then Lessee may terminate this lease during a period of thirty (30) days after receipt of Lessor's notice to relocate, by delivering written notice to Lessor within the thirty (30) day period. Such notice of termination shall be effective upon receipt thereof by Lessor. If Lessee elects to terminate this Lease pursuant to this Section, then the parties shall be discharged from all obligations hereunder, other than those that have accrued prior to the actual date of Lessee's termination of this Lease or which specifically survive the termination of this Lease and Lessee shall be granted a reasonable period of tenancy in order to relocate to suitable premises.

[REMAINDER INTENTIONALLY LEFT BLANK]

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A. Lessee is responsible for sending rent payments on the first of the month to:

MC Strauss Company
990 Highland Drive, Suite 200
Solana Beach, CA 92075

B. For any questions or building management problems, call:

MC Strauss Company
990 Highland Drive, Suite 200
Solana Beach, CA 92075
Phone: 858-792-7500; Fax: 858-792-7834

C. Required Personal Data:
Lessee's Home Address:_____
Home Phone:_____ Home Fax: _____

In case of emergency:_____
Address:_____
Phone:_____ Fax: _____

Next of Kin (Name):_____
Address:_____
Phone:_____ Fax: _____

D. Other: Lessor reserves the right to change the management company and the address to which rent payments shall be made by delivering notice to Lessee in accordance with this Lease.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: R. C

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EXHIBIT D

TENANT IMPROVEMENTS AND ACCEPTANCE OF PREMISES

Scope of Lessor's Work

Lessor shall provide Lessee, at the sole cost and expense of Lessor, the following "standard" improvements as follows:

1. Lessee acknowledges that the Demised Premises are being leased in "as is" good working condition and that Lessee has inspected same and the Demised Premises are in satisfactory condition with the following exceptions:

NONE

Scope of Lessee's Work

All improvements desired by Lessee, shall be considered "Non-standard" and shall be at the sole cost and expense of Lessee including, but not limited to :

1. Permits, Plans, and supervision for any Tenant improvements.

2. Lessor grants permission to Lessee to install necessary and/or required improvements or modifications, subject to Lessor's prior written approval, to accommodate Lessee's intended business use, at Lessee's sole cost and expense, and in accordance with any and all governmental requirements including the obtaining of any required permits for the Demised Premises and said business.

Perform any and all additional work required to complete the Premises to a condition customary and ready for the normal operation of Lessee's business. Lessee shall be responsible to pay for any additional water, and/or sewer impact fees if imposed due to the nature of Lessee's business or use of Premises.

Within thirty (30) days following the execution of the Lease, Lessee, at Lessee's sole cost and expense, shall deliver to Lessor a fully dimensioned 1/4-inch scale set of plans. Said plans shall show all storefronts, interior partitions, fixtures, lighting, electrical outlets, plumbing (including fixtures), floor coverings, ceiling and other improvements that Lessee wishes to construct and install upon Premises. Said plans shall be subject to Lessor's approval prior to start of any work by Lessee or his contractors, which shall not be unreasonably withheld, which shall thereafter be called "Lessee Plans Approved for Construction." Should Lessee fail to deliver to Lessor plans for "Lessee's Work" within thirty (30) days following execution of the Lease, Lessor may, at his option and with written notification to that effect to Lessee, terminate this Lease.

No changes, modifications or alterations to Lessee Plans Approved for Construction may be made without the written consent of Lessor. Any additional costs, including any increased fees which Lessor may be required to Pay for architectural, engineering and/or other similar services arising by reason of any subsequent change to Lessee Plans Approved for Construction made at the request of Lessee, shall be at the sole cost and expense of Lessee and shall be paid by Lessee to Lessor before the performance of the work requested by Lessee.

All of Lessee's work and improvements shall be performed by Lessee, at Lessee's sole cost and expense except as outlined above and pursuant to the plans and specifications approved by Lessor. It is understood that the approval of Lessor shall in no manner relieve Lessee of Lessee's obligation to obtain, at Lessee's sole cost and expense, all necessary and appropriate permits from all applicable governmental or public agencies for the construction of Lessee's Improvements, installation of Lessee's personal property and the operation of Lessee's business at Premises.

Upon delivery of Premises to the Lessee, Lessee shall immediately and diligently proceed to install Lessee's Work as described in Lessee's Plans Approved for Construction at Lessee's sole cost and expense without interfering with other work being done, if any, in the building or shopping center.

All work done by Lessee shall be done by a licensed contractor and in compliance with all rules and regulations required by local building authorities, Lessor or his agents and in accordance with all uniform building codes as dictated by state, federal and local requirements.

Upon final completion of Lessee's Work, Lessee shall furnish Lessor with all certificates, approvals and permits "signed off" by local governmental building inspector, that were required to complete Lessee's Work. Lessor shall not be responsible for any loss or damage to Lessee's improvements/property that is installed or left on Premises.

Lessee's entry upon Premises prior to commencement of the Term of this Lease shall be subject to all provisions of this Lease other than payment of rent, At all times after such entry, Lessee shall maintain an insurance policy that complies with the provisions of this Lease. The inability of Lessee to complete Lessee's Work in a timely manner and to a condition acceptable for conducting business, through no fault of Lessor, shall not delay the Term Commencement or payment of rent.

Lessee hereby indemnifies and holds Lessor free and harmless from and against any and all claims, demands and liabilities, including, but not limited to attorney costs, expenses and court costs, arising from or relating to Lessee's Work and improvements. It is the intent of the parties that this indemnification shall survive the expiration or sooner termination of this Lease.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: R. C

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*DOES NOT APPLY
EXCEPT FOR SEWER/WATER CHARGE

*EXHIBIT E

ESTIMATED OPERATING EXPENSES (GROSS LEASE)

~~The operating expenses are estimated at $_____ per square foot annually or _____ ($_____psf x _____ sq. ft. /12 = $_____) per month for the Demised Premises until adjusted per the Lease.~~

~~LESSOR'S INITIALS:~~ ~~LESSEE'S INITIALS:~~

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*DELETED *EXHIBIT F

RENT ADJUSTMENT(S)

ADDENDUM TO
STANDARD LEASE

Dated _____

By and Between (Lessor) M.C. Strauss Company

(Lessee) _____

Property Address: _____ Hancock Street, Suite # _____

San Diego, CA 92110

Paragraph ____

A. **RENT ADJUSTMENTS:**

The monthly rent for each month of the adjustment period(s) specified below shall be increased using the method(s) indicated below:

(Check Method(s) to be Used and Fill in Appropriately)

0 I. **Cost of Living Adjustment(s) (COL)**

(a) On (Fill in COL Adjustment Date(s): _____
_____
_____
the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted by the change, if any, from the Base Month specified below, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for (select one): 0 CPI W (Urban Wage Earners and Clerical Workers) or 0 CPI U (All Urban Consumers), for (Fill in Urban Area):
_____, All Items (1982-1984 = 100), herein referred to as "C.P.I."

(b) The monthly rent payable in accordance with paragraph AI(a) of this Addendum shall be calculated as follows: the Base Rent set forth in paragraph 1.5 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the C.P.I. of the calendar month 2 (two) months prior to the month(s) specified in paragraph AI(a) above during which the adjustment is to take effect, and the denominator of which shall be the C.P.I. of the calendar month which is two (2) months prior to (select one): 0 the first month of the term of this Lease as set forth in paragraph 1.3 ("Base Month") or 0 (Fill in Other "Base Month"): _____. The sum so calculated shall constitute the new monthly rent hereunder, but in no event, shall any such new monthly rent be less than the rent payable for the month immediately preceding the date for rent adjustment, plus _____ rounded up to the next dollar figure.

(c) In the event the compilation and/or publication of the C.P.I. shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the C.P.I. shall be used to make such calculation. In the event that Lessor and Lessee cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid equally by Lessor and Lessee.

0 II. **Market Rental Value Adjustment(s) (MRV)**

(a) On (Fill in MRV Adjustment Date(s): _____
_____
_____
the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted to the "Market Rental Value" of the property as follows:

1) Four months prior to the Market Rental Value (MRV) Adjustment Date(s) described above, Lessor and Lessee shall meet to establish an agreed upon new MRV for the specified term. If agreement cannot be reached, then:
i) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the parties, or
ii) Both Lessor and Lessee shall each immediately select and pay the appraiser or broker of their choice to establish a MRV within the next 30 days. If, for any reason, either one of the appraisals is not completed within the next 30 days, as stipulated, then the appraisal that is completed at that time shall automatically become the new MRV. If both appraisals are completed and the two appraisers/brokers cannot agree on a reasonable average MRV then they shall immediately select a third mutually acceptable appraiser/broker to establish a third MRV within the next 30 days. The average of the two appraisals closest in value shall then become the new MRV. The costs of the third appraisal will be split equally between the parties.

2) In any event, the new MRV shall not be less than the rent payable for the month immediately preceding the date for rent adjustment.

(b) Upon the establishment of each New Market Rental Value as described in paragraph AII:

1) the monthly rental sum so calculated for each term as specified in paragraph AII(a) will become the new "Base Rent" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph AII(a) above and
2) the first month at each Market Rental Value term as specified in paragraph AII(a) shall become the new "Base Month" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph AI(b).

0 III. **Fixed Rental Adjustment(s) (FRA)**

The monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be increased to the following amounts on the dates set forth below.

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On (Fill in FRA Adjustment Date(s)): The New Base Rental shall be:

_____ $_____
_____ $_____
_____ $_____
_____ $_____

B. **NOTICE:** Unless specified otherwise herein, notice at any escalations other than Fixed Rental Adjustment(s) shall be made as specified in paragraph 23 of the attached Lease.

*C. **BROKER'S FEE: *Deleted**

The Real Estate Brokers specified in paragraph 1.10 of the attached Lease shall be paid a Brokerage Fee for each adjustement specified above in accordance with paragraph 15 of the attached Lease.

LESSOR'S INITIAL:_____ LESSEE'S INITIAL: _____

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EXHIBIT G

CENTER SIGN CRITERIA

The purpose of this sign criteria has been established for the intent of assuring an outstanding shopping center and mutual benefit of all Lessee's. Conformance will be strictly enforced. Any Installed non-conforming or unapproved signs will be brought into conformance at the expense of the Lessee.

A. Lessee shall be entitled to signage above the Premises. Signage shall be subject to City of San Diego and Lessors prior written approval. All costs associated with the design, construction, installation, as well as removal, shall be borne by Lessee. Lessee shall be required to remove all Lessee signage at the conclusion of Lessee's occupancy of the Premises. Ground level Lessee's shall be entitled to signage on the Center's pole sign at its expense and subject to availability.

B. General Requirements:

1. Lessee shall submit to the Lessor the exact sign specifications, copy and colors desired for Lessor's approval from a license and experienced sign company.

2. All approvals or disapprovals of sign submittals based on esthetics and design shall remain sole right of the Lessor and local governing authorities.

3. Selected sign company will be responsible for obtaining all permits and sign Installation.

4. No exposed lamp, raceways, crossovers, conduit, conductors, transformers or similar devices shall be permitted.

5. All maintenance of signage shall be the responsibility of the Lessee.

6. All signs shall be individually illuminated.

7. No audible, flashing or animated signs will be permitted.

8. No projections above or below the sign will be permitted.

9. Electrical service to all signs will be connected to Lessee's meter.

10. Lessee's signs shall be designed and installed in a manner compatible with and complimentary to adjacent and facing storefronts and the overall design concept of the center.

11. All penetrations of the building structure required for sign installation shall be sealed in a watertight condition and shall be patched to match adjacent finish. At termination of lease when sign is removed, Lessee or its sign company shall patch and paint and restore to "as was" condition.

12. No advertising placards, banners, pennants, names, insignias or other descriptive material shall be affixed or maintained upon the glass pane supports of the show windows and doors or upon the exterior was of building without the prior written approval of Lessor.

13. Logos require prior approval of lessor unless nationally recognized logos of a franchise.

14. Letter height restrictions:

a. One line of copy with the letter and logo height not to exceed 24 inches or to be less than 10 inches. Allowable, sign fascia coverage not to exceed seventy-five percent (75) of store frontage.

b. Two lines of copy will be allowed with the overall height of the two lines of letters not to exceed 30 inches with a maximum height of the letters not to exceed 18 inches or to be less than 16 inches.

15. Designs submitted for the City/County approval must follow ft following guidelines:

a. Drawings of elevations and sign with all measurements to scale.
b. Plot plan and legal description (plans to scale).
c. Sections drawings of sign and fascia showing construction and electrical details.
d. Color of plastic faces and logos.
e. Color of neon, size and intensity.
f. Letter style selection

16. Lessee is granted permission by Lessor to install a temporary sign banner at its expense above the premises while signs are being fabricated.

17. Lessee shall indemnify and hold harmless Lessor against any loss, cost, damages or liability caused to persons, property or otherwise caused by Lessee's sign Installations.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: R. C

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EXHIBIT 6-1

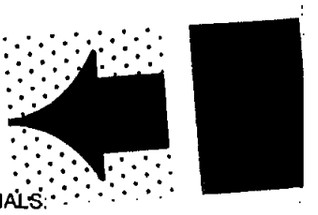
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EXHIBIT H

SPECIAL USE OF PREMISES CLAUSE

A. Uses Of Premises:

Lessee shall occupy and use the premises solely for the operation of auto body work and auto storage and for no other purpose or use.



LESSOR'S INITIALS:

LESSEE'S INITIALS:

R. C

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EXHIBIT I
APPLICATION FOR LEASE AND CREDIT INFORMATION

The undersigned furnishes the following as a true and accurate statement of the financial condition of the undersigned. It is understood that the Landlord, in entering into a lease or other agreement, are doing so in reliance upon this financial statement and in consideration of such the undersigned agree that if any of the representations of the undersigned prove to be untrue, such shall be considered as a default under such lease or agreement.

NAME: _____ AGE: _____ SPOUSES NAME: _____

ADDRESS: _____ HOW LONG: _____

CITY, STATE, ZIP _____

Previous Address - if less than five years: _____

SOCIAL SECURITY NO: _____ SPOUSE'S SOCIAL SECURITY NO: _____

PHONE: _____ OWN OR RENT: _____ NO. OF DEPENDENTS: _____

PRESENT EMPLOYER: _____ HOW LONG: _____

ADDRESS: _____

PHONE: _____ POSITION: _____

SPOUSE'S EMPLOYER: _____ PHONE: _____

IN CASE OF EMERGENCY CONTACT: NAME: _____

ADDRESS: _____ PHONE: _____

_____ RELATIONSHIP: _____

NEXT OF KIN NOT LIVING WITH YOU: NAME: _____

ADDRESS: _____ PHONE: _____

_____ RELATIONSHIP: _____

CLOSEST NON RELATIVE CONTACT: NAME: _____

ADDRESS: _____ PHONE: _____

_____ RELATIONSHIP: _____

BALANCE SHEET

Cash:	$ _____	Notes Payable - Total Owed: (List on Back)	$ _____
Stocks & Bonds: (List on Back)	$ _____	Accounts Payable - Total Owed: (List on Back)	$ _____
Notes / Accounts Receivable:	$ _____		
Life Insurance: (Not full value, only surrender value)	$ _____	Mortgages - Total Owed: (List on Back)	$ _____
Real Estate - Total Value: (List on Back)	$ _____	Automobiles - Total Owed:	$ _____
		Income Taxes - Accrued to Date:	$ _____
Automobiles:	$ _____	Other: _____	$ _____
	$ _____	_____	$ _____
		_____	$ _____
Personal Possessions:		**TOTAL LIABILITIES:**	$ _____
	$ _____		
	$ _____	**NET WORTH:**	$ _____
TOTAL ASSETS:	$ _____	**(Assets minus Liabilities)**	

ANNUAL INCOME & EXPENSE

Income:		**Expense:**	
Annual Salary:	$ _____	Annual Rental/Mortgage Payments	$ _____
Annual Rentals:	$ _____		
Annual Dividends:	$ _____	Annual Payments:	$ _____

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Annual Interests:	$ _____ (Notes & Accounts)		
Other Annual Income:	$ _____	Annual Interest & Taxes:	$ _____
		Personal Living Expense:	$ _____
		Other Annual Expenses:	$ _____
TOTAL ANNUAL INCOME:	$ _____	**TOTAL ANNUAL EXPENSE:**	$ _____

BANK REFERENCES

BANK & ADDRESS: _____ ACCT. NO.: _____

BANK & ADDRESS: _____ ACCT. NO.: _____

STOCKS & BONDS

Description	No. of Shares	Cost	Market Value
		$	$
		$	$
		$	$
		$	$
		$	$
TOTALS		$	$

REAL ESTATE - MORTGAGES

Description & Address	Original Cost	Present Value	Trust Deed or Mortgage Unpaid Bal.	Mo. Pay.
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
TOTALS	$	$	$	$

NOTES & ACCOUNTS PAYABLE (Do not include Real Estate)

Description	Account Number	Total Amount Owed (DO NOT LIST PAYMENTS)
		$
		$
		$
		$
		$
		$
TOTAL		$

The undersigned further consent(s) to the addresses above making any inquires it deems necessary to reach a decision on this application, and consent(s) to the disclosure at any time of any credit information about me / us to any credit reporting agency or to any one with whom I/we have financial relations. The undersigned further understands that should a lease be entered into that the authorizing party will pay a $35.00 application credit check fee.

DATE: _____ SIGNATURE: _____

DATE: _____ SPOUSE'S SIGNATURE: _____

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*Lessee by signing lease is acting as a guarantor

*EXHIBIT J

GUARANTY OF LEASE

THIS GUARANTY OF LEASE ("Guaranty"), effective as of _____, 200____, is executed by _____ ("Guarantor"), with reference to the following facts:

RECITALS

A. M.C. Strauss Company ("Lessor"), and _____ ("Lessee") have agreed to enter into that certain Lease ("Lease"), dated the same date as this Guaranty, covering Premises described therein, located in the City of San Diego, County of San Diego, State of California.

B. Lessor requires, as a condition to its execution of the Lease, that Guarantor guarantee the full performance of the obligations of Lessee thereunder.

C. Guarantor is willing to execute this Guaranty for the benefit of Lessor and as a material inducement to Lessor to enter into the Lease.

GUARANTY

NOW, THEREFORE, in order to induce Lessor to enter into the Lease, Guarantor agrees as follows:

1. **Guarantor's Obligations.** Guarantor hereby unconditional guarantees the full and timely performance of each and every obligation to be kept and performed by the Lessee pursuant to the terms of the Lease ("Lease Obligations") in accordance with the terms of and at the time and place specified therein, including, but not limited to, the payment of all rents and other charges accruing pursuant thereto.

2. **Term.** This Guaranty shall continue for the term of the Lease and any extension or renewal thereof. If the Lease terminates and Lessor has any rights which Lessor may enforce against Lessee after termination, Lessor may also enforce such rights against Guarantor.

3. **Primary Liability.** The Lease Obligations guaranteed by Guarantor under this Guaranty shall be primary and independent of the obligations of Lessee under the Lease. Lessor may bring a separate action or actions against Guarantor hereon and such actions may be brought either in conjunction with actions against Lessee or against Lessee directly, regardless of whether Lessor has commenced any action or obtained any judgment against Lessee. If Lessee defaults under the Lease, Lessor may proceed directly against Guarantor, without having commenced any action or obtained any judgment against Lessee, and without applying any property of Lessee (or any other person), if any, held by Lessor as security for the performance of the Lease Obligations. The liability of Guarantor hereunder shall not be released, diminished, or extinguished by Lessor's failure or delay in enforcing any of its rights.

4. **Continuation; No Release.** This Guaranty shall continue in favor of Lessor notwithstanding any modification, alteration, extension or renewal of the Lease entered into by the parties thereto, or their successors or assigns, and notwithstanding any assignment of the Lease, with or without the consent of Lessor. No such modification, alteration, extension, renewal or assignment shall affect this Guaranty or in any way release, diminish, or extinguish the liability of Guarantor hereunder.

5. **Assignment.** Lessor may, with notice to Guarantor, assign this Guaranty in whole, or in part in connection with any transfer of any interest in the Lease or the Premises, and no such assignment or transfer shall release, diminish, or extinguish or otherwise affect the liability of Guarantor hereunder. In such event the benefits of this Guaranty shall inure to the benefit of Lessor's successors and assigns.

6. **Security.** Guarantor authorizes Lessor, without further notice or demand and without affecting the liability of Guarantor hereunder, from time to time, to: (a) take and hold security (including the Security Deposit and any security filing consented to by Lessee) (the "Security") (if any) for performance of the Lease Obligations and exchange, enforce, waive or release any such Security; (b) apply such Security in whole or in part and direct the order or manner of sale thereof as Lessor, in Lessor's discretion, may determine; and (c) proceed against Lessee or proceed against and exhaust such Security held from Lessee; the provisions of this paragraph shall constitute a waiver of Guarantor's right to claim exoneration from the Lease Obligations for the foregoing actions.

7. **Events of Insolvency.**

7.1 **Defined.** The term "Event of Insolvency" shall mean any of the following:

(a) Lessee becomes insolvent or is adjudicated a bankrupt;

(b) Lessee files a petition for reorganization, arrangement or similar relief under any present or future provisions of the Federal Bankruptcy Code, or any other state or federal statute for tile relief of debtors or any similar law;

(c) A court approves a petition filed against Lessee by its creditors for reorganization, arrangement or similar relief under any present or future provision of tile Federal Bankruptcy Code, or any other state or federal statute for the relief of debtors or any other similar law;

(d) Lessee seeks a judicial readjustment of the rights of its creditors under any present or future federal or state law; or

(e) A receiver of all or part of Lessee's property and assets is appointed by any state or federal court.

7.2 **Effect.** This Guaranty shall in full force and effect, notwithstanding the occurrence of any Event of Insolvency affecting Lessee, or any successor or assignee of Lessee, or in the event of any disaffirmance, or abandonment by a trustee of Lessee, or in the event that the Lease is terminated, rejected or modified in the course of any proceeding relating to an Event of Insolvency. To the extent necessary to effectuate the purpose of this Guaranty, Guarantor hereby assigns to Lessor any rights Guarantor may have to file a claim and proof of claim in any bankruptcy or similar proceeding of Lessee any awards or payments thereon to which Guarantor would otherwise be entitled, to the extent of any unsatisfied Lease Obligations.

8. **Waiver of Defenses.** Guarantor waives any defense Guarantor may acquire by reason of Lessor's election of any remedy against Guarantor or Lessee, or both. In addition, Guarantor waives any defense arising by reason of any disability or other defense of Lessee, including, without limitation, any defense based upon: (a) invalidity of the Lease (b) any lack of authority of the officers, directors, partners or agents acting or purporting to act on behalf of Lessee or any principal of Lessee; or (c) by reason of the cessation from any cause whatsoever of the liability of Lessee other than full performance and discharge of the Lease Obligations.

9. **Waiver of Rights.** Guarantor waives the right to require Lessor: (a) to proceed against Lessee or any successor of Lessee; and (b) to pursue any other remedy in Lessor's power. Guarantor expressly waives the provisions of the California and/or Arizona Civil Code, which grants a surety certain rights to require a creditor to pursue alternative remedies before proceeding against a surety.

10. **Subrogation.** Until the Lease Obligations shall have been performed in full, Guarantor shall have no right of subrogation and waive any right to enforce any remedy which Lessor now has or may hereafter have against Lessee. Guarantor waives any right to participate in any security now or hereafter held by Lessor.

11. **Successive Demands.** Guarantor's liability shall extend to each and every payment to be made by Lessee and any additional Lease Obligation to be performed or observed by Lessee. Successive demands may be made upon, and successive actions for the enforcement of such demands may be brought against Guarantor upon successive defaults by Lessee and the enforcement of this Guaranty against Guarantor with respect to any Lease Obligation shall not operate to exhaust this Guaranty or operate as a waiver of the right to proceed under this Guaranty with respect to any future default or defaults.

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12. General Provisions.

12.1 **Attorney's Fees.** Guarantor agrees to pay all costs and other expenses, including reasonable attorneys' fees and court costs, paid or incurred by Lessor in enforcing or attempting to enforce this Guaranty or the obligations guaranteed hereby, Guarantor is obligated as to attorney's fees and costs pursuant to Paragraphs 31 and 37.1 of the Lease, as to the obligations under the Lease and the Guaranty, and the provision in the Addendum as to attorneys fees made applicable here to the Lease and the Guaranty.

12.2 **Governing Law.** This Guaranty shall be enforceable by Lessor in accordance with the laws of the State of California and shall be construed in accordance therewith.

12.3 **Interest.** Interest shall accrue on all accounts which are not paid by Guarantor when due under the Lease, from the date due until due date paid by Guarantor, at the interest rate specified in the Lease, but not to exceed the maximum legal rate of interest.

12.4 **Joint and Several.** If Guarantor is more than one person, each person's obligations hereunder are joint and several and are independent of Lessee's obligations. Lessor may bring a separate action against any Guarantor whether the action is brought against any other Guarantor, or whether any other Guarantor is joined in the action.

12.5 **Modification.** This Guaranty may not be amended, modified, released, or terminated except by a written instrument executed by Guarantor and Lessor.

12.6 **Severability.** If any of Guarantor's obligations hereunder shall be held to be unenforceable, the remainder of this Guaranty and its application to all obligations other than those with respect to which is held unenforceable shall not be affected thereby and shall remain in full and effect.

12.7 **Successors.** The terms and provisions of this Guaranty shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto.

IN WITNESS WHEREOF, the undersigned has executed this guaranty of lease as of the date first written above.

GUARANTOR:

Res. Address: _____ By: _____
Phone: _____
Soc Sec#: _____
DL#: _____ DOB _____

Res. Address: _____ By: _____
Phone: _____
Soc Sec#: _____
DL#: _____ DOB _____

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EXHIBIT J-1

SPOUSAL CONSENT

To the Lease dated July 2, 2013, by and between Strauss Family Trust UDT 6/5/92, dba: MC Strauss Company, as Lessor, and Ramiro Cortes, a married man, as Lessee, for the premises known as 3760 Hancock Street, Suite F/G, San Diego, CA 92110.

The undersigned, being the spouse of the Guarantor/Lessee to this Lease, hereby (a) consent to the Lease, (b) agree that all now owned and hereafter acquired community and quasi-community property of the undersigned and Guarantor/Lessee shall be liable for the satisfaction of obligations imposed by the Lease, and (c) agree solely for purposes of subjecting any community or quasi-community property received pursuant to liability for satisfaction of the obligations imposed by the Lease, the undersigned have "incurred" the obligations of the Lease.

Spouse

_____

_____

_____

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*DELETED

*EXHIBIT K

MEMORANDUM
CERTIFICATE

This memorandum is made of _____, 20____ with reference to that certain Lease Agreement (hereinafter referred to as the "Lease") dated _____ by and between _____ as "Lessor" therein, and _____ as "Lessee."

The undersigned, as Lessee under said Lease, hereby confirms the following:

1. The Lessee accepted possession of the Demised Premises (as described in said Lease) on _____ and acknowledges that the premises are as represented by Lessor and in good order, condition and repair; and that the improvements, if any, required to be constructed for and/or furnished to Lessee by Lessor under said Lease have been so constructed and/or furnished and are satisfactorily completed in all respects.

2. That all conditions of said Lease to be performed by Lessor prerequisite to the full effectiveness of said Lease have been satisfied and that Lessor has fulfilled all of its duties of an inducement nature.

3. That in accordance with the provisions of Paragraph 4 of said Lease die Commencement Date (as the phrase "Commencement Date" is defined in said Lease) of the term is _____ and that, unless sooner terminated, the original term thereof expires on _____.

4. That said Lease (as amended, if amended) is in full force and effect and that the same represents the entire agreement between Lessor and Lessee concerning said Lease.

5. That there are no existing defenses which Lessee has against the enforcement of said Lease by Lessor, and no offsets or credits against rentals except as may be expressly provided in said Lease.

6. That the minimum rental obligation of said Lease is presently in effect and that all rentals, charges and other obligations on the part of Lessee under said Lease commenced to accrue on _____.

7. That the undersigned Lessee has no notice of any prior assignment, hypothecation or pledge of said Lease or of the rents thereunder.

LESSOR: _____ LESSEE:

BY: _____ BY: _____

ITS: _____ ITS: _____

This "Memorandum" is hereby approved in form and shall be completed (if necessary) pursuant with Paragraph 4.A of The Lease and incorporated as part of The Lease.

LESSOR'S INITIALS: _____ LESSEE'S INITIALS:

_____ _____

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EXHIBIT L

OPTION(S) TO EXTEND

ADDENDUM TO
STANDARD LEASE

Dated July 2, 2013

By and Between (Lessor)Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company

(Lessee) Ramiro Cortes, a married man

Property Address: 3760 Hancock Street, Suite F/G, San Diego, CA 92110

Paragraph 39

A. **OPTION(S) TO EXTEND:**

Lessor hereby grants to Lessee the option to extend the term of this Lease for one (1) additional twelve (12) month period(s) commencing when the prior term expires upon each and all of the following terms and conditions:

(i) Lessee gives to Lessor, and Lessor actually receives on a date which is prior to the date that the option period would commence (if exercised) by at least four (4) months and not more than six (6) months, a written notice of the exercise of the option(s) to extend this Lease for said additional term(s), time being of essence. If said notification of the exercise of said option(s) is (are) not so given and received, the option(s) shall automatically expire; said option(s) may (if more than one) only be exercised consecutively;

(ii) The provisions of paragraph 39, including the provision relating to default of Lessee set forth in paragraph 39.4 of this Lease are conditions of this Option;

(iii) All of the terms and conditions of this Lease except where specifically modified by this option shall apply;

(iv) The monthly rent for each month of the option period shall be calculated as follows, using the method(s) indicated below:

(Check Method(s) to be Used and Fill In Appropriately)

θ **I. Cost of Living Adjustment(s) (COL)**

(a) On (Fill in COL Adjustment Date(s): _____ the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted by the change, if any, from the Base Month specified below, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for (select one): ◊ CPI W (Urban Wage Earners and Clerical Workers) or q CPI U (All Urban Consumers), for (Fill in Urban Area): _____ All Items (1982–1984 = 100), herein referred to as "C.P.I."

(b) The monthly rent payable in accordance with paragraph AI(a) of this Addendum shall be calculated as follows: the Base Rent set forth in paragraph 1.5 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the C.P.I. of the calendar month 2 (two) months prior to the month(s) specified in paragraph AI(a) above during which the adjustment is to take effect, and the denominator of which shall be the C.P.I. of the calendar month which is two (2) months prior to (select one): θ the first month of the term of this Lease as set forth in paragraph 1.3 ("Base Month") or θ (Fill In Other "Base Month"): _____. The sum so calculated shall constitute the new monthly rent hereunder, but in no event, shall any such new monthly rent be less than the rent payable for the month Immediately preceding the date for rent adjustment plus 5% increase and 5% for each option year rounded up to the next dollar figure.

(c) In the event the compilation and/or publication of the C.P.I. shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the C.P.I. shall be used to make such calculation. In the event that Lessor and Lessee cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid equally by Lessor and Lessee.

✓ **II. Market Rental Value Adjustment(s) (MRV)**

(a) On (Fill in MRV Adjustment Date(s): September 1, 2014 the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted to the "Market Rental Value" of the property as follows:

1) Four months prior to the Market Rental Value (MRV) Adjustment Date(s) described above, Lessor and Lessee shall meet to establish an agreed upon new MRV for the specified term. If agreement cannot be reached, then:

i) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the parties, or

ii) Both Lessor and Lessee shall each immediately select and pay the appraiser or broker of their choice to establish a MRV within the next 30 days. If, for any reason, either one of the appraisals is not completed within the next 30 days, as stipulated, then the appraisal that is completed at that time shall automatically become the new MRV. If both appraisals are completed and the two appraisers/brokers cannot agree on a reasonable average MRV then they shall Immediately select a third mutually acceptable appraiser/broker to establish a third MRV within the next 30 days. The average of the two appraisals closest in value shall then become the new MRV. The costs of the third appraisal will be split equally between the parties.

2) In any event, the now MRV shall not be less than the rent payable for the month Immediately preceding the date for rent adjustment plus five percent (5%, rounded up) and five percent (5%, rounded up) each succeeding option year.

(b) Upon the establishment of each New Market Rental Value as described In paragraph AII:

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1) the monthly rental sum so calculated for each term as specified in paragraph AII(a) will become the new "Base Rent" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph AII(a) above and

2) the first month at each Market Rental Value term as specified in paragraph AII(a) shall become the new "Base Month" for the purpose of calculating any further Cost of Living Adjustments as specified In paragraph AI(b).

0 **III. Fixed Rental Adjustment(s) (FRA)**

The monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be increased to the following amounts on the dates set forth below.

On (Fill in FRA Adjustment Date(s)):	The New Base Rental shall be:
_____	$_____
_____	$_____
_____	$_____
_____	$_____

B. **NOTICE:** Unless specified otherwise herein, notice at any escalations other than Fixed Rental Adjustment(s) shall be made as specified in paragraph 23 of the attached Lease.

*C. ~~**BROKER'S FEE:**~~ ***Deleted**

~~The Real Estate Brokers specified in paragraph 1.10 of the attached Lease shall be paid a Brokerage Fee for each adjustement specified above in accordance with paragraph 15 of the attached Lease.~~

D. **OPTION RIGHTS CONDITION:** Lessee's Option Rights are contingent upon Lessee not having previously breached or otherwise failed to perform under the Lease since its inception. Otherwise Landlord at its sole discretion may declare any option to extend null and void.

LESSOR'S INITIAL: _____

LESSEE'S INITIAL: R. C

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EXHIBIT M

SPECIAL ADDENDUM

This Addendum to Lease ("Addendum") is made a part of the Lease dated July 2, 2013, by and between Strauss Family Trust UDT 6/5/92, dba: MC Strauss Company ("Lessor") and Ramiro Cortes, a married man, ("Lessee") for the Demised Premises commonly known as 3760 Hancock Street, Suite F/G, San Diego, CA 92110. Should there be any conflicts between the terms and conditions of this Addendum and the Lease, this Addendum shall prevail.

1. TERMINATION OF FORMER LEASE:

The present Lease agreement on the Demised Premises by and between, Strauss Family Trust UDT 6/5/92,and Ramiro Cortes, a married man for Suite 3760 Hancock Street, Suite C dated February 27, 2012 and as amended (hereinafter called "Previous Lease") shall be terminated and superseded by this lease agreement upon the Commencement Date hereof. However, it is understood and agreed that Lessee shall hold Lessor harmless from any Liability or claim under Previous Lease with respect to said Lease, (the Security Deposit $ 600.00 is acknowledged and hereby transferred to new Lease) and Lessee shall assume the responsibility for payment to Lessor (through escrow or otherwise, if any) of all past due rents, taxes, common area charges, and any other lawful charges due Lessor under Previous Lease and prior to the effective date of this lease agreement.

2. LEASE CONTINGENCY:

This Lease is contingent upon Lessor obtaining approval by the City of San Diego of Lessee and its use.

LESSOR:

STRAUSS FAMILY TRUST UDT 6/5/92
DBA: MC STRAUSS COMPANY

BY: _____

ITS: TTEE

LESSEE:

RAMIRO CORTES, A MARRIED MAN

BY: Ramiro Cortes

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Exhibit N

SPORTS ARENA BUSINESS PARK

RULES AND REGULATIONS

1. Use of Premises.

(a) All floor area, including vestibules, entrances and returns, doors, fixtures, windows and plate glass shall be maintained in a safe, neat and clean condition.

(b) All trash, refuse and waste material shall be regularly removed from the premises of each occupant and until removal shall be stored (i) in adequate containers, which containers shall be located so as not to be visible to the general public in the Center; and (ii) so as not to constitute any health or fire hazard or nuisance to any occupant.

(c) No portion of the Premises or Center shall be used for lodging purposes.

(d) Neither sidewalks nor walkways shall be used to display, store or place any merchandise, equipment or devices.

(e) No advertising medium, device, instrument or apparatus shall be utilized which can be heard or experienced outside the Premises including, without limiting the generality of the foregoing, flashing lights, searchlights, loudspeakers, phonographs, organs, radios, television or video monitors.

(f) No auction, fire, bankruptcy, or going-out-of-business sale shall be conducted in, at, or about the Center or any portion or portions thereof, except pursuant to court order.

(g) No use shall be made of the Center or any portion or portions thereof which would (i) violate any law, ordinance or regulation; (ii) constitute a nuisance; (iii) constitute a hazardous use; or (iv) violate, suspend; or void any policy or policies of insurance.

(h) All occupants of the Center shall use their best efforts to cause all trucks servicing retail facilities within the Center to load and unload prior to the hours of the Center opening for business to general public.

2. Conduct of Persons.

The following rules and regulations govern the use of roadways, walkways, the Center, parking areas and other common areas and facilities:

(a) No person shall use any roadway or walkway except as a means of egress from or ingress to any floor area or parking area within the Center or adjacent public streets. Such use shall be in an orderly manner and in accordance with directional or other signs or guides. Roadways shall not be used at a speed in excess of ten (10) miles per hour or any lesser posted speed limit and shall not be used for parking or stopping, except for the immediate loading or unloading of passengers. No walkways, hallways or corridors shall be used for other than pedestrian travel.

(b) No person shall use any parking area, except for ingress and egress to and from the Center and for the parking of motors vehicles during the period of time such person or the occupants of such vehicle are customers or business invitees of the establishments within the Center. All motor vehicles shall be parked in an orderly manner within the painted lines defining the individual parking places. During peak periods of business activity, limitations may be imposed as to the length of time for parking use. Such limitations may be made in specified areas.

(c) No person shall use any utility area, truck court or other area reserved for use in connection with the conduct of business, except for the specific purpose for which permission to use such area is given.

(d) No tenant, contractor, agent or employee of any business in the Center shall use any area for motor vehicle parking, except the area or areas specifically designated by Landlord for employee parking and for the particular period of time such use is to be made as determined, or as established by ordinance.

(e) Unless the following prohibitions are forbidden by law, no person shall, in or on any part of the common areas:

(i) Vend, peddle, store, display, place or solicit orders for sales or distribution of any merchandise, equipment, device, service, periodical, book, pamphlet or other matter whatsoever.

(ii) Exhibit any sign, placard, banner, notice or other written material; distribute any circular, booklet, handbill, placard, or other material; solicit signatures or registration for membership in any organization, group or association or contribution for any purpose; parade, rally, patrol, picket, demonstrate, or engage in any conduct that might tend to interfere with or impede the use of any of the common areas by any person entitled to use the same, create a disturbance, attract attention or harass, annoy, disparage or be detrimental to the interest of any of the retail establishments within the Center.

(iii) Throw, discard, or deposit any paper, glass or extraneous matter of any kind, except in designated receptacles, or create litter or hazards of any kind.

(iv) Use any sound-making device of any kind or create or produce in any manner noise or sound that is annoying, unpleasant, or distasteful to occupants or invitees.

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(vi) Deface, damage or demolish any sign, light standard or fixture, landscaping material or other improvements within the Center, or the property of customers, business invitees or employees situated within the Center.

The listing of specific items as being prohibited is not intended to be exclusive, but to indicate in general the manner in which the right to use the common areas solely as a means of access and convenience in shopping at the establishments in the Center is limited and controlled.

3. Prohibited Operations and Nuisances.

No use or operation will be made, conducted or permitted on any part of the Center site, which use or operation is clearly objectionable to the development or operation of the Center. Included among the uses or operations which are objectionable are uses or operations which produce or are accompanied by the following characteristics, which list is not intended to be all inclusive:

(a) Any noise, litter, dust, dirt, odor or other activity which may constitute a public or private nuisance;

(b) Any unusual firing, explosive or other damaging or dangerous hazards (including the storage, display or sale of explosives or fireworks);

(c) Any trailer court, mobile home park, labor camp, junkyard, stockyard or animal raising;

(d) The sale, distribution or growth of marijuana.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: R.C

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3760 H

By and Between

Strauss Family Trust UDT 6/5/92
dba. M.C. Strauss Company

as: Landlord / Lessor

and

Andrew Merrick, a married man

As Tenant / Lessee
at Sports Arena Business Park
3760 Hancock Street, Suite H
San Diego, CA 92110

Dated for Reference Purposes
As of
October 19, 2012

Standard Commercial Multi-Tenant Lease

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Standard Commercial Multi-Tenant Lease

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STANDARD INDUSTRIAL/ COMMERCIAL
MULTI-TENANT LEASE—GROSS
AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

1. **Basic Provisions ("Basic Provisions").**

1.1 **Parties:** This Lease (**"Lease"**), dated for reference purposes only October 19, 2012, is made by and between Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company (**"Lessor"**)and Andrew Merrick, a married man (**"Lessee"**), (**collectively the "Parties"**, or individually a **"Party"**).

1.2(a) **Premises:** That certain portion of the Project (as defined below), Including all Improvements therein or to be provided by Lessor under the terms of this Lease, commonly known by the street address of 3760 Hancock Street, Suite H, located In the City of San Diego, County of San Diego, State of California, with zip code 92110, as outlined on Exhibit A & A-1 attached hereto (**"Premises"**) and generally described as (describe briefly the nature of the Premises): Sport Arena Business Park, The demised premises consists of approx. 2,100 square feet. The property is further described on Exhibit A & A.1. In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Areas (as defined in Paragraph 2.7 below) as hereinafter specified, but shall not have any rights to the roof, exterior walls or utility raceways of the building containing the Premises (**"Building"**) or to any other buildings In the Project. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the **"Project."** (See also Paragraph 2.)

1.2(b) **Parking:** See Exhibit C item 14 unreserved vehicle parking spaces (**"Unreserved Parking Spaces"**); and (Not applicable) reserved vehicle parking spaces (**"Reserved Parking Spaces"**). (See also Paragraph 2.6)

1.3 **Term:** Five (5) years (**"Original Term"**) commencing November 1, 2012 (**"Commencement Date"**) and ending October 31, 2017 (**"Expiration Date"**). (See also Paragraph 3.) (see Exhibit K)

1.4 **Early Possession:** upon lease signing, payment in certified funds of Security Deposit and Advance Rent and proof of insurance (**"Early Possession Date"**).(See also Paragraphs 3.2 and 3.3.)

1.5 **Base Rent:** $1.05psf x 2, 100sf or $2,205.00 per month (**"Base Rent"**), payable on the first day of each month commencing November 1, 2012. (See also Paragraph 4.) **Lessor shall grant Lessee two (2) months of free rent during the initial term of the Lease.**

✓ If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted. See Exhibit F.

1.6 **Lessee's Share of Common Area Operating Expenses:** (Not applicable) percent (___%) (**"Lessee's Share"**).

1.7 **Base Rent and Other Monies paid Upon Execution:**

(a) Base Rent: $ 2,205.00 for the period of November 1, 2012 thru November 30, 2012.

(b) Common Area Operating Expenses: $ *does not apply for the period *does not apply.

(c) Security Deposit: $ 3,874.50 (**"Security Deposit"**). (See also Paragraph 5.)

(d) Other: $ 75.00 per month for monthly water/sewer fees (see Exhibit C, Item #4).

(e) Other: $70.00 for credit report.

(f) Total Due Upon Execution of this Lease: $ 6,224.50(payment in certified funds).

1.8 **Agreed Use:** office administration, rain gutter material storage and fabrication and for no other purpose or use. See Exhibit H. (See also Paragraph 6.)

1.9 **Insuring Party:** Lessor is the **"Insuring Party"**. (See also Paragraph 8.)

1.10 **Real Estate Brokers:** (See also Paragraph 5).

(a) **Representation:** The following real estate brokers (the **"Brokers"**) and brokerage relationships exist in this transition (check applicable boxes):

0 (Not applicable) represents Lessor exclusively (**"Lessor's Broker"**);

0 (per separate agreement) represents Lessee exclusively (**"Lessee's Broker"**); or

0 (Not applicable) represents both Lessor and Lessee (**"Dual Agency"**).

(b) **Payment to Brokers:** Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Brokers the brokerage fee agreed to in a separate written agreement (or if there is no such agreement, the sum of (per separate agreement) of the total Base Rent for the brokerage services rendered by the Brokers).

1.11 **Guarantor.** The obligations of the Lessee under this Lease are to be guaranteed by (tenant by signing as an individual is acting as a Guarantor) See Exhibits J and J.1 (**"Guarantor"**). (See also Paragraph 37.)

1.12 **Addenda and Exhibits:** Attached hereto is an Addendum or Addenda consisting of Paragraphs ----- through ----- and Exhibits A through N, all of which constitute a part of this lease.

2. **Premises.**

2.1 **Letting.** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of size set forth in this Lease, or that may have been used in calculating Rent, is an approximation which the Parties agree is reasonable and any payments based thereon are not subject to revision whether or not the actual size is more or less.

2.2 **Condition.** Lessor shall deliver that portion of the Premises contained within the Building (**"Unit"**) to Lessee broom clean and free of debris on the Commencement Date or the Early Possession Date, whichever first occurs (**"Start Date"**), and, so long as the required service contracts described in Paragraph 7.1(b) below are obtained by Lessee and in effect within thirty days following the Start Date, warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems (**"HVAC"**), loading doors, if any, and all other such elements in the Unit, other than those constructed by Lessee, shall be in good operating condition on said date and that the structural elements of the roof, bearing walls and foundation of the Unit shall be free of material defects. If a non-compliance with such warranty exists as of the Start Date, or if one of such systems or elements should malfunction or fail within the appropriate warranty period, Lessor shall, as Lessor's sole obligation with respect to such matter, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, malfunction or failure, rectify same at Lessor's expense. The warranty periods shall be as follows: (i) 6 months as to the HVAC systems, and (ii) 30 days as to the remaining systems and other elements of the Unit. If Lessee does not give Lessor the required notice within the appropriate warranty period, correction of any such non-compliance, malfunction or failure shall be the obligation of Lessee at Lessee's sole cost and expense (except for the repairs to the fire sprinkler systems, roof, foundations, and/or bearing walls—see Paragraph 7).

2.3 **Compliance.** Lessor warrants that the Improvements on the Premises and the Common Areas comply with the building codes that were in effect at the time that each such Improvement, or portion thereof and also with all applicable laws, covenants or restrictions of record, regulations, and ordinances in effect on the Start Date (**"Applicable Requirements"**). Said warranty does not apply to the use of which Lessee will put the Premises or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a).) made or to be made by Lessee. **NOTE: Lessee is responsible for determining whether or not the zoning is appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed.** If the Premises do not comply with said warranty; Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within 6 months following the Start Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense. If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Unit, Premises and/or Building, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Unit, Premises and/or Building (**"Capital Expenditure"**), Lessor and Lessee shall allocate the cost of such work as follows:

(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof, provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease and the cost thereof exceeds 6 months' Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, In writing, within 10 days after receipt of Lessee's

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termination notice that Lessor has elected to pay the difference between the actual cost thereof and the amount equal to 6 months' Base Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least 90 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor and Lessee shall allocate the obligation to pay for the portion of such costs reasonably attributable to the Premises pursuant to the formula set out in Paragraph 7.1(d); provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor.

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to non-voluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall be fully responsible for the cost thereof, and Lessee shall not have any right to terminate this Lease.

2.4 **Acknowledgements.** Lessee acknowledges that: (a) it has been advised by Lessor and/or Brokers to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler Systems, security, environmental aspects, and compliance with Applicable Requirements and the Americans with Disabilities Act), and their suitability for Lessee's intended use, (b) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefore as the same relate to its occupancy of the Premises, and (c) neither Lessor, Lessor's Agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (ii) it is Lessor's solo responsibility to investigate the financial capability and/or suitability of all proposed tenants. (See Exhibit D)

2.5 **Lessee as Prior Owner/Occupant.** The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the Start Date Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.

2.6 **Vehicle Parking.** Lessee shall be entitled to use the number of Unreserved Parking Spaces and Reserved Parking Spaces specified in Paragraph 1.2(b) on those portions of the Common Areas designated from time to time by Lessor for parking. Lessee shall not use more parking spaces than said number. Said parking spaces shall be used for parking by vehicles no larger than full-size passenger automobiles or pick-up trucks, herein called **"Permitted Size Vehicles."** Lessor may regulate the loading and unloading of vehicles by adopting Rules and Regulations as provided in Paragraph 2.9. No vehicles other than Permitted Size Vehicles may be parked in the Common Area without the prior written permission of Lessor.

(a) Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, contractors or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.

(b) Lessee shall not service or store any vehicles in the Common Areas.

(c) If Lessee permits or allows any of the prohibited activities described in this Paragraph 2.6, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.7 **Common Areas—Definition.** The term **"Common Areas"** is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Project and interior utility raceways and installations within the Unit that are provided and designated by the Lessor from time to time for the general non-exclusive use of Lessor, Lessee and other tenants of the Project and their respective employees, suppliers, shippers, customers, contractors and invitees, including parking areas, loading and unloading areas, trash areas, roadways, walkways, driveways and landscaped areas.

2.8 **Common Areas—Lessee's Rights.** Lessor grants to Lessee, for the benefit of Lessee and its employees, suppliers, shippers, contractors, customers and invitees, during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Lessor under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Project. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Lessor or Lessor's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.9 **Common Areas—Rules and Regulations.** Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to establish, modify, amend and enforce reasonable rules and regulations **("Rules and Regulations")** for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Project and their invitees. Lessee agrees to abide by and conform to all such Rules and Regulations, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessor shall not be responsible to Lessee for the non-compliance with said Rules and Regulations by other tenants of the Project.

2.10 **Common Areas—Changes.** Lessor shall have the right, in Lessor's sole discretion, from time to time:

(a) To make changes to the Common Areas, including, without limitation, changes in the location, size, shape and number of driveways, entrances, parking spaces, Parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways;

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;

(c) To designate other land outside the boundaries of the Project to be a part of the Common Areas;

(d) To add additional buildings and improvements to the Common Areas;

(e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Project, or any portion thereof; and

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Project as Lessor may, in the exercise of sound business judgment, deem to be appropriate.

3. **Term.**

3.1 **Term.** The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3. (see Exhibit C #2)

3.2 **Early Possession.** If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early possession. All other terms of this Lease (including but not limited to the obligations to pay Lessee's Share of Common Area Operating Expenses, Real Property taxes and insurance premiums and to maintain the Premises) shall, however, be in effect during such period. Any such early possession shall not affect the Expiration Date. (See Exhibit C # 1)

3.3 **Delay In Possession.** Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession as agreed, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until it receives possession of the Premises. If possession is not delivered within 60 days after the Commencement Date, Lessee may, at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this

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Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10 day period, Lessee's right to cancel shall terminate. Except as otherwise provided, if possession is not tendered to Lessee by the Start Date and Lessee does not terminate this Lease, as aforesaid, any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession of the Premises is not delivered within 4 months after the Commencement Date, this Lease shall terminate, unless other agreements are reached between Lessor and Lessee, in writing. (See Exhibit C #12)

3.4 **Lessee Compliance.** Lessor shall not be required to tender possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of Insurance (Paragraph 8.5). Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.

4. **Rent.**

4.1 **Rent Defined.** All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit) are deemed to be rent (**"Rent"**).

4.2 **Common Area Operating Expenses.** INTENTIONALLY DELETED

(a) **"Common Area operating Expenses"** are defined, for purposes of this Lease, as all costs incurred by Lessor relating to the ownership and operation of the Project, including, but not limited to, the following:

(i) The operation, repair and maintenance, in neat, clean, good order and condition, but not the replacement (see subparagraph (e)), of the following:

(aa) The Common Areas and Common Area improvements, including parking areas, loading and unloading areas, trash areas, roadways, parkways, walkways, driveways. landscaped areas, bumpers, irrigation systems, Common Area lighting facilities, fences and gates, elevators, roots, and roof drainage systems.

(bb) Exterior signs and any tenant directories.

(cc) Any fire sprinkler systems.

(ii) The cost of water, gas, electricity and telephone to service the Common Areas and any utilities not separately metered.

(iii) Trash disposal, pest control services, property management, security services, and the costs of any environmental inspections.

(iv) Reserves set aside for maintenance and repair of Common Areas.

(v) Any increase above the Base Real Property Taxes (as defined in Paragraph 10).

(vi) Any "Insurance Cost Increase" (as defined in Paragraph 8).

(vii) Any deductible portion of an insured loss concerning the Building or the Common Areas.

(viii) The cost of any Capital Expenditure to the Building or the Project not covered under the provisions of Paragraph 2.3 provided; however, that Lessor shall allocate the cost of any such Capital Expenditure over a 12 year period and Lessee shall not be required to pay more than Lessee's Share of 1/144th of the cost of such Capital Expenditure in any given month.

(ix) Any other services to be provided by Lessor that are stated elsewhere in this Lease to be a Common Area Operating Expense.

(b) Any Common Area Operating Expenses and Real Property Taxes that are specifically attributable to the Unit, the Building or to any other building in the Project or to the operation, repair and maintenance thereof, shall be allocated entirely to such Unit, Building, or other building. However, any Common Area Operating Expenses and Real Property Taxes, that are not specifically attributable to the Building or to any other building or to the operation, repair and maintenance thereof, shall be equitably allocated by Lessor to all buildings in the Project. (See Exhibit C, Items 3 & 4.)

(c) The inclusion of the improvements, facilities and services set forth in Subparagraph 4.2(a) shall not be deemed to impose an obligation upon Lessor to either have said improvements or facilities or to provide those services unless the Project already has the same, Lessor already provides the services, or Lessor has agreed elsewhere in this Lease to provide the same or some of them.

(d) INTENTIONALLY DELETED

(e) When a capital component such as the roof, foundations, exterior walls or a Common Area capital improvement, such as the parking lot paving, elevators, fences, etc. requires replacement, rather than repair or maintenance, Lessor shall, at Lessor's expense, be responsible for such replacement. Such expenses and/or costs are not Common Area Operating Expenses.

4.3 **Payment.** Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States, without offset or deduction (except as specifically permitted in this Lease), on or before the day on which it is due. Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a Waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating. In the event that any check, draft, or other instrument of payment given by Lessee to Lessor is dishonored for any reason, Lessee agrees to pay to Lessor the sum of $25.

5. **Security Deposit.** Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease. Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of the Security Deposit, Lessee shall within 10 days after written request therefor deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sub lessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, in Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within 14 days after the expiration or termination of this Lease, if Lessor elects to apply the Security Deposit only to unpaid Rent, and otherwise within 30 days after the Premises have been vacated pursuant to Paragraph 7.4(c) below, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease.

6. **Use.**

6.1 **Use.** Lessee shall use and occupy the Premises only for the Agreed Use and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties. (See Exhibit C, Item 5.)

6.2 **Hazardous Substances,**

(a) **Reportable Uses Require Consent.** The term **"Hazardous Substance"** as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either; (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, by-products or fractions thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee's expense) with all Applicable Requirements. **"Reportable Use"** shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a

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permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability; including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit.

(b) **Duty to Inform Lessor.** If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(c) **Lessee Remediation.** Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) **Lessee Indemnification.** Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, or any Third party (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from areas outside of the Project). Lessee's obligations shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

(e) **Lessor Indemnification.** Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which existed as a result of Hazardous Substances on the Premises prior to the Start Date or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

(f) **Investigations and Remediations.** Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to the Start Date, unless such remediation measure is required as a result of Lessee's use (including "Alterations," as defined in Paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessor's investigative and remedial responsibilities.

(g) **Lessor Termination Option.** If a Hazardous Substance Condition (see Paragraph 9.1(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and affect, or (ii) if the estimated cost to remediate such condition exceeds 12 times the then monthly Base Rent or $100,000, whichever is greater, give written notice to Lessee, within 30 days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within 10 days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to 12 times the then monthly Base Rent or $100.000, whichever is greater. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation, as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

6.3 **Lessee's Compliance with Applicable Requirements.** Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the Premises, without regard to whether said requirements are now in effect or become effective after the Start Date. Lessee shall, within 10 days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements.

6.4 **Inspection Compliance.** Lessor and Lessor's **"Lender"** (as defined in Paragraph 30) and consultants shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a contamination is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination.

7. **Maintenance; Repairs, Utility Installations; Trade Fixtures and Alterations.**

7.1 **Lessee's Obligations.**

(a) **In General.** Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance), 6.3 (Lessee's Compliance with Applicable Requirements), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole expense, keep the Premises, Utility Installations (intended for Lessee's exclusive use, no matter where located), and Alterations in good order, condition and repair (whether or not the portion of the Premises requiring repairs, or the means or repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, but not limited to, all equipment or facilities, such as plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fixtures, interior walls, interior surfaces of exterior walls, ceilings, floors, windows, doors, plate glass, and skylights but excluding any items which are the responsibility of Lessor pursuant to Paragraph 7.2. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Paragraph 7.1(b) below. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair. (See Exhibit C, Item 6.)

(b) **Service Contracts.** Lessee shall, at Lessee's sole expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in the maintenance of the following equipment and improvements, if any, if and when installed on the Premises: (I) HVAC equipment, (ii) boiler and pressure vessels, (iii) clarifiers, and (iv) any other equipment, if reasonably required by Lessor. However, Lessor reserves the right, upon notice to Lessee, to procure and maintain any or all of such service contracts, and if Lessor so elects, Lessee shall reimburse Lessor, upon demand, for the cost thereof.

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(c) **Failure to Perform.** If Lessee fails to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after 10 days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, and Lessee shall promptly reimburse Lessor for the cost thereof.

(d) **Replacement.** Subject to Lessee's indemnification of Lessor as set forth in Paragraph 8.7 below, and without relieving Lessee of liability resulting from Lessee's failure to exercise and perform good maintenance practices, if an item described in Paragraph 7.1(b) cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such item, then such item shall be replaced by Lessor, and the cost thereof shall be prorated between the Parties and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease, on the date on which Base Rent is due, an amount equal to the product of multiplying the cost of such replacement by a fraction, the numerator of which is one, and the denominator of which is 144 (ie. 1/144th of the cost per month). Lessee shall pay interest on the unamortized balance at a rate that is commercially reasonable in the judgment of Lessor's accountants. Lessee may, however, prepay its obligation at any time.

7.2 **Lessor's Obligations.** Subject to the Provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 4.2 (Common Area Operating Expenses), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler system, Common Area fire alarm and/or smoke detection systems, fire hydrants, parking lots, walkways, parkways, driveways, landscaping, fences, signs and utility systems serving the Common Areas and all parts thereof, as well as providing the services for which there is a Common Area Operating Expense pursuant to Paragraph 4.2. Lessor shall not be obligated to paint the exterior or interior surfaces of exterior walls nor shall Lessor be obligated to maintain, repair or replace windows, doors or plate glass of the Premises. Lessee expressly waives the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease

7.3 **Utility Installations; Trade Fixtures; Alterations.**

(a) **Definitions.** The term **"Utility Installations"** refers to all floor and window coverings, air lines, power panels, electrical distribution, security and fire protection systems, communication systems, lighting fixtures, HVAC equipment, plumbing, and fencing in or on the Premises. The term **"Trade Fixtures"** shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term **"Alterations"** shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. **"Lessee Owned Alterations and/or Utility Installations"** are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a).

(b) **Consent.** Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, and the cumulative cost thereof during this Lease as extended does not exceed a sum equal to 3 month's Base Rent in the aggregate or a sum equal to one month's Base Rent in any one year. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor.

(c) **Indemnification.** Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or material men's lien against the Premises or any interest therein, Lessee shall give Lessor not less than 10 days notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to 150% of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys' fees and costs.

7.4 **Ownership; Removal; Surrender; and Restoration.**

(a) **Ownership.** Subject to Lessor's right to require removal or elect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

(b) **Removal.** By delivery to Lessee of written notice from Lessor not earlier than 90 and not later than 30 days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent.

(c) **Surrender; Restoration.** Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris, and in good operating order. condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing, if this Lease is for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures. Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall also completely remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Project) even if such removal would require Lessee to perform or pay for work that exceeds statutory requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below. (See Exhibit C, Item 7.)

8. Insurance Indemnity.

8.1 **Payment of Premium Increases.**

(a) As used herein, the term **"Insurance Cost Increase"** is defined as any increase in the actual cost of the insurance applicable to the Building and/or the Project and required to be carried by Lessor, pursuant to Paragraphs 8.2(b), 8.3(a) and 8.3(b) (**"Required Insurance"**), over and above the Base Premium, as hereinafter defined, calculated on an annual basis. Insurance Cost Increase shall include, but not be limited to, requirements of the holder of a mortgage or deed of trust covering the Premises, Building and/or Project, increased valuation of the Premises, Building and/or Project, and/or a general premium rate increase. The term Insurance Cost Increase shall not, however, include any premium increases resulting from the naturo of the occupancy of any other tenant of the Building. If the parties insert a dollar amount in Paragraph 1.9, such amount shall be considered the **"Base Premium."** The Base Premium shall be the annual premium applicable to the 12 month period immediately preceding the Start Date. If, however, the Project was not insured for the entirety of such 12 month period, then the Base Premium shall be the lowest annual premium reasonably obtainable for the Required Insurance as of the Start Date, assuming the most nominal use possible of the Building. In no event, however, shall Lessee be responsible for any portion of the premium cost attributable to liability insurance coverage in excess of $2,000,000 procured under Paragraph 8.2(b).

(b) INTENTIONALLY DELETED

8.2 **Liability Insurance.**

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(a) **Carried by Lessee.** Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $1,000,000 per occurrence with an annual aggregate of not less than $2,000,000, an "Additional Insured-Managers or Lessor's of Premises Endorsement" and contain the "Amendment of the Pollution Exclusion Endorsement" for damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "Insured Contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance carried by Lessee shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only. (See Exhibit C, Item 8.)

(b) **Carried by Lessor.** Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 **Property Insurance – Building, Improvements and Rental Value.**

(a) **Building and Improvements.** Lessor shall obtain and keep in force a policy or policies of insurance in the name of Lessor, with loss Payable to Lessor, any ground-lessor, and to any Lender insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full replacement cost of the Premises, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available insurable value thereof. Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee under Paragraph 8.4. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed $1,000 per occurrence.

(b) **Rental Value.** Lessor shall also obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one year with an extended period of indemnity for an additional 180 days ("Rental Value Insurance"). Said insurance shall contain an agreed valuation provision, in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next 12 month perio d.

(c) **Adjacent Premises.** Lessee shall pay for any increase in the premiums for the property insurance of the Building and for the Common Areas or other buildings in the Project if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(d) **Lessee's Improvements.** Since Lessor is the Insuring Party, Lessor shall not be required to insure Lessee Owned Alterations and Utility Installations unless the item in question has become the property of Lessor under the terms of this Lease.

8.4 **Lessee's Property; Business Interruption Insurance.**

(a) **Property Damage.** Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures, and Lessee Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed $1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of Personal Property, Trade Fixtures and Lessee Owned Alterations and Utility Installations. Lessee shall provide Lessor with written evidence that such insurance in force.

(b) **Business Interruption.** Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all Perils commonly insured against by prudent Lessee's in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

(c) **No Representation of Adequate Coverage.** Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.

8.5 **Insurance Policies.** Insurance required herein shall be by companies duty licensed or admitted to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B+, V, as set forth in the most current issue of "Best's Insurance Guide," or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required Insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates evidencing the existence and amounts of the required Insurance. No such policy shall be cancelable or subject to modification except after 30 days prior written notice to Lessor. Lessee shall, at least 30 days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same.

8.6 **Waiver of Subrogation.** Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of Insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation, that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 **Indemnity.** Except for Lessor's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified.

8.8 **Exemption of Lessor from Liability.** Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the Building, or from other sources or places. Lessor shall not be liable for any damages arising from any act or neglect of any other tenant of Lessor nor from the failure of Lessor to enforce the provisions of any other lease in the Project. Notwithstanding Lessor's negligence or breach of this Lease, Lessor shall under no circumstances be liable for injury to Lessee's business or for any loss of income or profit there from.

9. **Damage or Destruction.**

9.1 Definitions.

(a) **"Premises Partial Damage"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which can reasonably be repaired in 3 months or less from the date of the damage or destruction, and the cost thereof does not exceed a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(b) **"Premises Total Destruction"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility installations and Trade Fixtures, which cannot reasonably be repaired in 3 months or less from the date of the damage or destruction and/or the cost thereof exceeds a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) **"Insured Loss"** shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

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(d) **"Replacement Cost"** shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) **"Hazardous Substance Condition"** shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises.

9.2 **Partial Damage – Insured Loss.** If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force end effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is $5,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said 10 day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 **Partial Damage – Uninsured Loss.** If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective 60 days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 **Total Destruction.** Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate 60 days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6

9.5 **Damage Near End of Term.** If at any time during the last 6 months of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective 60 days following the date of occurrence of such damage by giving a written termination notice to Lessee within 30 days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is 10 days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished.

9.6 **Abatement of Rent; Lessee's Remedies.**

(a) **Abatement.** In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from the Rental Value Insurance. All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) **Remedies.** If Lessor shall be obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within 90 days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than 60 days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within 30 days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such 30 days, this Lease shall continue in full force and effect. "Commence" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 **Termination; Advance Payments.** Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

9.8 **Waive Statutes.** Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith.

10. Real Property Taxes.

10.1 **Definitions.**

(a) **"Real Property Taxes."** As used herein, the term **"Real Property Taxes"** shall include a form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Project, Lessor's right to other income there from, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Project address and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Project is located. The term "Real Property Taxes" shall also include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Project or any portion thereof or a change in the improvements thereon.

(b) **"Base Real Property Taxes."** As used herein, the term **"Base Real Property Taxes"** shall be the amount of Real Property Taxes, which are assessed against the Premises, Building, Project or Common Areas in the calendar year during which the Lease is executed. In calculating Real Property Taxes for any calendar year, the Real Property Taxes for any real estate tax year shall be included in the calculation of Real Property Taxes for such calendar year based upon the number of days which such calendar year and tax year have in common.

10.2 **Payment of Taxes.** Lessor shall pay the Real Property Taxes applicable to the Project, and except as otherwise provided in Paragraph 10.3, any increases in such amounts over the Base Real Property Taxes shall be included in the calculation of Common Area Operating Expenses in accordance with the provisions of Paragraph 4.2.

10.3 **Additional Improvements.** Common Area Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Project by other Lessee's or by Lessor for the exclusive enjoyment of such other lessees. Notwithstanding Paragraph 10.2 hereof, Lessee shall, however, pay to Lessor at the time

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Common Area Operating Expenses are payable under Paragraph 4.2, the entirety of any increase in Real Property Taxes if assessed solely by reason of Alterations, Trade Fixtures or Utility Installations placed upon the Premises by Lessee or at Lessee's request.

10.4 **Joint Assessment.** If the Building is not separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.5 **Personal Property Taxes.** Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within 10 days after receipt of a written statement getting forth the taxes applicable to Lessee's property.

11. **Utilities.** Lessee shall pay for all water, gas, heat, light, power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. Notwithstanding the provisions of Paragraph 4.2, if at any time in Lessor's sole judgment, Lessor determines that Lessee is using a disproportionate amount of water, electricity or other commonly metered utilities, or that Lessee is generating such a large volume of trash as to require an increase in the size of the dumpster and/or an increase in the number of times per month that the dumpster is emptied, then Lessor may increase Lessee's Base Rent by an amount equal to such increased costs.

12. **Assignment and Subletting.** (see Exhibit C #9)

12.1 **Lessor's Consent Required.**

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, **"assign or assignment"**) or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent.

(b) A change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of 25% or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than 25% of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. **"Net Worth of Lessee"** shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.

(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a noncurable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, (i) the Purchase Price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to 110% of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

12.2 **Terms and Conditions Applicable to Assignment and Subletting.**

(a) Regardless of Lessor's consent, any assignment or subletting shall not: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) after the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefore to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of $1,000 or 10% of the current monthly Base Rent applicable to the portion of the Premises which is the subject of the proposed assignment or sublease, whichever is greater, as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested.

(f) Any assignee of, or sublessee under, this lease shall, by reason of accepting such assignment or entering into such sublease, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

12.3 **Additional Terms and Conditions Applicable to Subletting.** The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. **Default; Breach; Remedies.**

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13.1 **Default; Breach.** A **"Default"** is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A **"Breach"** is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or Property, where such failure continues for a period of 3 business days following written notice to Lessee.

(c) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 41 (easements), or (viii) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Lessee.

(d) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 2.9 hereof, other than those described in subparagraphs 13.1(a), (b) or (c), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

(e) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a **"debtor"** as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(f) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.

(g) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 **Remedies.** If Lessee fails to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. The costs and expenses of any such performance by Lessor shall be due and payable by Lessee upon receipt of invoice therefor. If any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor, at its option, may require all future payments to be made by Lessee to be by cashier's check. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result there from, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover damages under Paragraph 12. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 **Inducement Recapture.** Any agreement for free or abated rent or other charges, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as **"Inducement Provisions,"** shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and condition, of this Lease. Upon Breach of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance. (See Exhibit C #16)

13.4 **Late Charges.** Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within 5 days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a one-time late charge equal to 10% of each such overdue amount or $100, whichever is greater. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment, acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late

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charge is payable hereunder, whether or not collected, for 3 consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 **Interest.** Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due as to scheduled payments (such as Base Rent) or within 30 days following the date on which it was due for non-scheduled payment, shall bear interest from the date when due, as to scheduled payments, or the 31st day after it was due as to non-scheduled payments. The interest (**"Interest"**) charged shall be equal to the prime rate reported in the Wall Street Journal as published closest prior to the date when due plus 4%, but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 **Breach by Lessor.**

(a) **Notice of Breach.** Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than 30 days after receipt by Lessor, and any Lender whose name and address shall have been furnished Lessee in writing for such Purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than 30 days are reasonably required for its Performance, then Lessor shall not be in breach of Performance is commenced within such 30 day period and thereafter diligently pursued to completion.

(b) **Performance by Lessee on Behalf of Lessor.** In the event that neither Lessor nor Lender cures said breach within 30 days after receipt of said notice, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from Rent an amount equal to the greater of one Base Rent of the Security Deposit, and to pay an excess of such expense under protest, reserving Lessee's right to reimbursement from Lessor. Lessee shall document the cost of said cure and supply said documentation to Lessor.

14. **Condemnation.** If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively **"Condemnation"**) this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs first. If more than 10% of the floor area of the Unit, or more then 25% of Lessee's Reserved Parking Spaces, is taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within 10 days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within 10 days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided however, that Lessee shall be entitled to any compensation for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefore. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation.

15. **Brokerage Fees.** (see Exhibit C #10)

15.1 **Additional Commission.** In addition to the payments owed pursuant to Paragraph 1.10 above, and unless Lessor and the Brokers Otherwise agree in writing, Lessor agrees that: (a) if Lessee exercises any Option, (b) if Lessee acquires from Lessor any rights to the Premises or other premises owned by Lessor and located within the Project, (c) if Lessee remains in Possession of the Premises, with the consent of Lessor, after the expiration of this Lease or (d) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then, Lessor shall pay Brokers a fee in accordance with the schedule of the Brokers in effect at the time of the execution of this Lease.

15.2 **Assumption of Obligations.** Any buyer or transferee of Lessor's interest in this Lease shall be deemed to have assumed Lessor's obligation hereunder. Brokers shall be third party beneficiaries of the provisions of Paragraphs 1.10, 15, 22 and 31. If Lessor fails to pay to Brokers any amounts due as and for brokerage fees pertaining to this Lease when due, then such amounts shall accrue Interest. In addition, if Lessor fails to pay any amounts to Lessee's Broker when due, Lessee's Broker may send written notice to Lessor and Lessee of such failure and if Lessor fails to pay such amounts within 10 days after said notice, Lessee shall pay said monies to its Broker and offset such amounts against Rent. In addition, Lessee's Broker shall be deemed to be a third party beneficiary of any commission agreement entered into by and/or between Lessor and Lessor's Broker for the limited purpose of collecting any brokerage fee owed.

15.3 **Representations and Indemnities of Broker Relationships.** Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any) in connection with this Lease, and that no one other than said named Brokers is entitled to any commission or finder's fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

16. **Estoppel Certificates.**

(a) Each Party (as **"Responding Party"**) shall within 10 days after written notice from the other Party (the **"Requesting Party"**) execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current **"Estoppel Certificate"** form published by the American Industrial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

(b) It the Responding Party shall fail to execute or deliver the Estoppel Certificate within such 10 day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance. Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate.

(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past 3 years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. **Definition of Lessor.** The term **"Lessor"** as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Except as provided in Paragraph 15, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined. Notwithstanding the above, and subject to the provisions of Paragraph 20 below, the original Lessor under this Lease, and all subsequent holders of the Lessor's interest in this Lease shall remain liable and responsible with regard to the potential duties and liabilities of Lessor pertaining to Hazardous Substances as outlined in Paragraph 6.2 above.

18. **Severability.** The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. **Days.** Unless otherwise specifically indicated to the contrary, the word **"days"** as used in this Lease shall mean and refer to calendar days.

20. **Limitation on Liability.** Subject to the provisions of Paragraph 17 above, the obligations of Lessor under this Lease shall not constitute personal obligations of Lessor, the individual partners of Lessor or its or their individual partners, directors, officers or shareholders, and Lessee shall look to the Premises, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with

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respect to this Lease, and shall not seek recourse against the individual partners of Lessor, or its or their individual partners, directors, officers or shareholders, or any of their personal assets for such satisfaction.

21. **Time of Essence.** Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

22. **No Prior or Other Agreements; Broker Disclaimer.** This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the use, nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees), of any Broker with respect to negotiation, execution, delivery or performance by either Lessor or Lessee under this Lease or any amendment or modification hereto shall be limited to an amount up to the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

23. **Notices.**

23.1 **Notice Requirements.** All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may, by written notice to the other, specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing.

23.2 **Date of Notice.** Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery dale is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 48 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices transmitted by facsimile transmission or similar means shall be deemed delivered upon telephone confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

24. **Waivers.** No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of monies or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

25. **Disclosures Regarding The Nature of a Real Estate Agency Relationship.**

(a) When entering into a discussion with a real estate agent regarding a real estate transaction, a Lessor or Lessee should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Lessor and Lessee acknowledge being advised by the Brokers in this transaction, as follows:

(i) Lessor's Agent. A Lessor's agent under a listing agreement with the Lessor acts as the agent for the Lessor only. A Lessor's agent or subagent has the following affirmative obligations: To the Lessor: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessor. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(ii) Lessee's Agent. An agent can agree to act as agent for the Lessee only. In these situations, the agent is not the Lessor's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Lessor. An agent acting only for a Lessee has the following affirmative obligations. To the Lessee: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessee. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that not known to, or within the diligent attention and observation of the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not Involve the affirmative duties set forth above.

(iii) Agent Representing Both Lessor and Lessee. A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Lessor and the Lessee in a transaction, but only with the knowledge and consent of both the Lessor and the Lessee. In a dual agency situation, the agent has the following affirmative obligations to both the Lessor and the Lessee: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Lessor or the Lessee. b. Other duties to the Lessor and the Lessee as stated above in subparagraphs (i) or (ii). In representing both Lessor and Lessee, the agent may not without the express permission of the respective Party, disclose to the other Party that the Lessor will accept rent in an amount less than that indicated in the listing or that the Lessee is willing to pay a higher rent than that offered. The above duties of the agent in a real estate transaction do not relieve a Lessor or Lessee from the responsibility to protect their own interests. Lessor and Lessee should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

(b) Brokers have no responsibility with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees), of any Broker with respect to any breach of duty, error or omission relating to this Lease shall not exceed the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

(c) Buyer and Seller agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

26. **No Right To Holdover.** Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 150% of the Base Rent applicable immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

27. **Cumulative Remedies.** No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. **Covenants and Conditions; Construction of Agreement.** All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

29. **Binding Effect; Choice of Law.** This Lease shall be binding upon the parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. **Subordination; Attornment; Non-Disturbance.**

30.1 **Subordination.** This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, **"Security Device"**), now or hereafter placed upon the

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Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as **"Lender"**) shall have no liability or obligation to perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to Lessee, whereupon this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 **Attornment.** Subject to the non-disturbance provisions of Paragraph 30.3, Lessee agrees to attorn to a Lender or any other party who acquires ownership of the Premises by reason of a foreclosure of a Security Device, and that in the event of such foreclosure, such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (b) be subject to any offsets or defenses which Lessee might have against any prior lessor, (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor.

30.3 **Non-Disturbance.** With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a **"Non-Disturbance Agreement"**) from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within 60 days after the execution of this Lease, Lessor shall use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to provide the Non-Disturbance Agreement within said 60 days, then Lessee may, at Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 **Self-Executing.** The agreements contained in this Paragraph 30 shall be affective without the execution or any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

31. **Attorneys' Fees.** If any Party or Broker brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, **"Prevailing Party"** shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgement, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach ($200 is a reasonable minimum per occurrence for such services and consultation). (see Exhibit C #15)

32. **Lessor's Access; Showing Premises; Repairs.** Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times for the purpose of showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary. All such activities shall be without abatement of rent or liability to Lessee. Lessor may at any time place on the Premises any Ordinary **"For Sale"** signs and Lessor may during the last 6 months of the term hereof place on the Premises any ordinary **"For Lease"** signs. Lessee may at any time place on the Premises any ordinary **"For Sublease"** sign.

33. **Auctions.** Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessor's prior written consent. Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

34. **Signs.** Except for ordinary "For Sublease" signs which may be placed only on the Premises, Lessee shall not place any sign upon the Project without Lessor's prior written consent. All signs must comply with all Applicable Requirements. (see Exhibit G)

35. **Termination; Merger.** Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subtenancies. Lessor's failure within 10 days following any such event to elect to the contrary by written notice to the holder of any such lesser interest shall constitute Lessor's election to have such event constitute the termination of such interest.

36. **Consents.** Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an Invoice and supporting documentation therefor. Lessor's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within 10 business days following such request.

37. **Guarantor.**

37.1 **Execution.** The Guarantors, if any, shall each execute a guaranty in the form most recently published by the American Industrial Real Estate Association, and each such Guarantor shall have the same obligations as Lessee under this Lease.

37.2 **Default.** It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantors behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect.

38. **Quiet Possession.** Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. **Options.** If Lessee is granted an option, as defined below, then the following provisions shall apply. (see Exhibit L, if any)

39.1 **Definition. "Option"** shall mean: (a) the right to extend the term of or renew this Lease or to extend or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Promises or other property of Lessor; (c) the right to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 **Options Personal To Original Lessee.** Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting.

39.3 **Multiple Options.** In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised

39.4 **Effect of Default on Options.**

(a) Lessee shall have no right to exercise an Option; (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

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(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), (ii) Lessor gives to Lessee 3 or more notices of separate Default during any 12 month period, whether or not the Defaults are cured, or (iii) if Lessee commits a Breach of this Lease.

40. **Security Measures.** Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

41. **Reservations.** Lessor reserves the right, (i) to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, (ii) to cause the recordation of parcel maps and restrictions, and (iii) to create and/or install new utility raceways, so long as such easements, rights dedications, maps, restrictions, and utility raceways do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate such rights.

42. **Performance Under Protest.** If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make Payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay.

43. **Authority.** If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duty authorized to execute and deliver this Lease an its behalf. Each party shall, within 30 days after request, deliver to the other party satisfactory evidence of such authority.

44. **Conflict.** Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions. (see Exhibit C #13)

45. **Offer.** Preparation of this Lease by either party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

46. **Amendments.** This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

47. **Multiple Parties.** If more than one person or entity is named herein as either Lessor or Lessee, such multiple Parties shall have joint and several responsibility to comply with the terms of this Lease.

48. **Waiver of Jury Trial.** The Parties hereby waive their respective rights to trial by jury in any action or proceeding involving the Property or arising out of this Agreement.

49. **Mediation and Arbitration of Disputes.** An Addendum requiring the Mediation and/or the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease is not attached to this Lease.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL, AND TAX CONSEQUENCES OF THIS LEASE.
2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

WARNING: IF THE PREMISES ARE LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES ARE LOCATED.
The parties hereto have executed this lease at the place and on the dates specified above their respective signatures.

Executed at: Solana Beach CA
on: October 25, 2012

By LESSOR:
Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company

By: M C Strauss
Name Printed: MC STRAUSS
Title: TTEE

Address: 990 Highland Drive #200, Solana Beach, CA 92075
Telephone: (858) 792-7500: Fax: 858-792-7834

Executed at: _____
on: _____

By LESSEE:
Andrew Merrick, a married man

By: _____
Name Printed: Andrew Merrick
Title: Owner
Address: 4965 Brighton Ave
SD CA 92107
Telephone/Fax: ( ) 619-248-9297
SocSec#: 153-68-5106

These forms are often modified to meet changing requirements of law and needs of the industry. Always write or call to make sure you are utilizing the most current form: American Industrial Real Estate Association, 700 South Flower Street, Suite 600, Los Angeles, CA 90017. (213) 687-8777.

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TENANTS SHALL FURNISH:

1. Its personal and corporate (if applicable) financial statements.
2. Completed Landlord furnished credit information forms.
3. Letter of reference from Tenant's bank.
4. If a corporation, its duly Authorized Corporate Resolution notifying the Lease. (SEE Exhibit C Item #11)

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EXHIBIT A

LEGAL DESCRIPTION & SITE PLAN

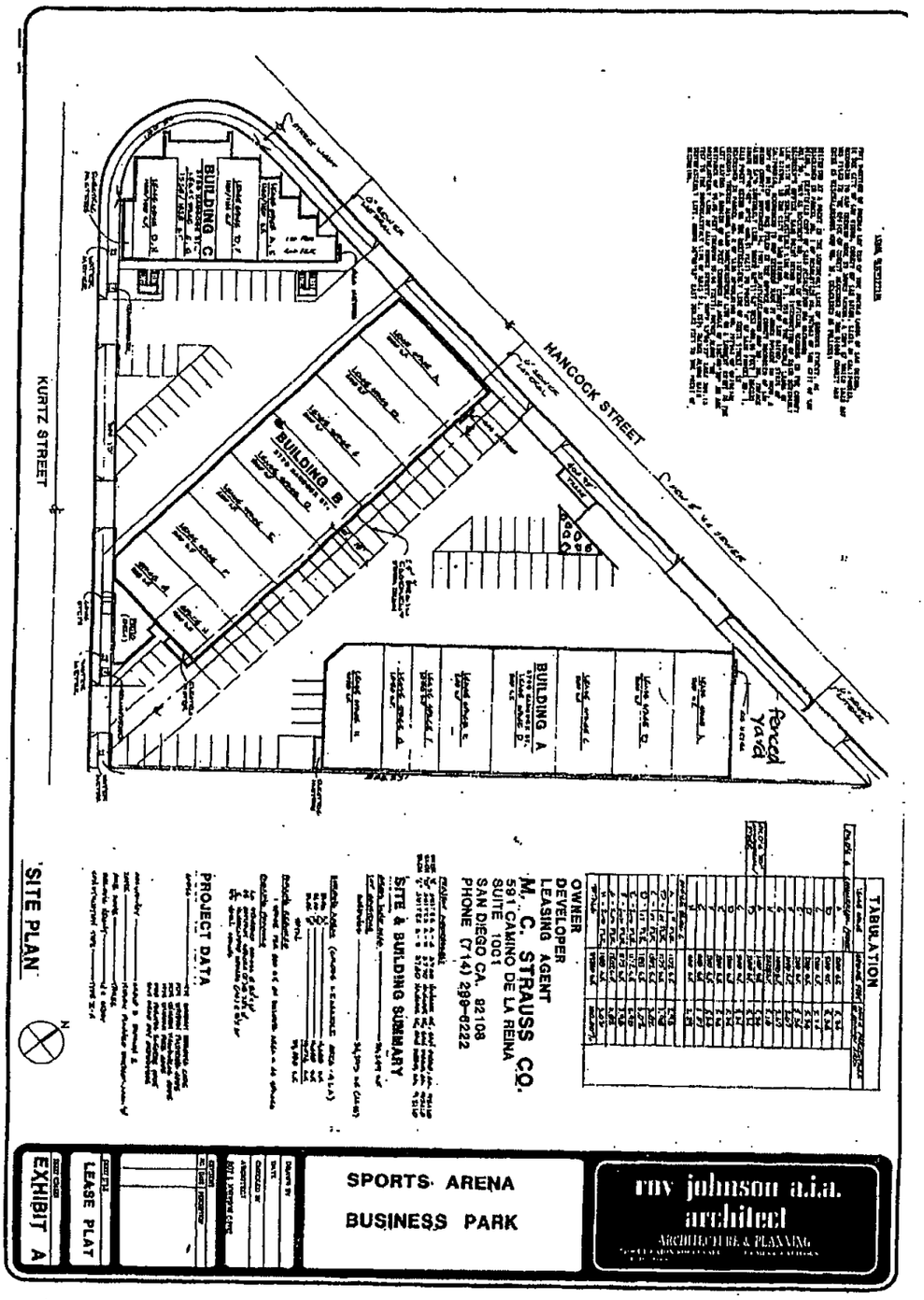


EXHIBIT A

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EXHIBIT A-1 TO LEASE (SUBLEASE)
MINIMUM STANDARD SUBLEASE CONDITIONS

(1) ASSIGNMENT AND SUBLEASING: Sublessee, shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and the City of San Diego, hereinafter, "City." An assignment by operation of law shall automatically terminate this lease.

(2) HOLD HARMLESS: Sublessee shall assume the defense of, indemnify and save harmless Lessee and City from all claims, expenses and liability of every nature, directly or indirectly arising from, or alleged to have arisen from the operations conducted on the leased premises or from any act or omission of Sublessee, its agents and invitees.

(3) INSURANCE: Sublessee shall be insured by an insurance carrier acceptable to the Lessee and City against loss from public liability arising from the use or condition of or operation conducted on the leased premises. Minimum coverage shall be as set forth in Paragraph 16-B hereof. A copy of the policy of insurance shall be filed with the City and shall name "THE CITY OF SAN DIEGO" as an additional Insured. Said policy shall specify that the policy may not be terminated, altered or canceled without 30 days prior written notice to the. City by the insurance company,

(4) LEGAL PROCEEDINGS: Should it become necessary to Lessee or City to commence legal Proceedings to collect rent, to recover possessions or enforce any other provision of this lease, Sublessee agrees that the prevailing party shall be entitled to all legal costs in connection therewith, including a reasonable sum as attorney's fees

(5) SUBORDINATION: This agreement is in effect a sublease of a portion of the premises covered by that certain Lease Agreement dated September 13, 1977, as amended between the sublessor herein and the City of San Diego- This sublease is subject and subordinated to the covenants and conditions of said Lease Agreement notwithstanding any provision hereto contrary to or in conflict with said agreement.

(6) The property is subject to a City of San Diego ground lease mentioned hereinabove and lies with in the recently formed North Bay Redevelopment Area, The property will be redeveloped sometime in the future- Accordingly, Landlord and or city at its sole option may terminate this lease at anytime after Dec 1, 2003 with 6 months notice in writing, and without invalidating or superceding any of the rights contained here in this Addendum of the lease or the city land lease agreements there under

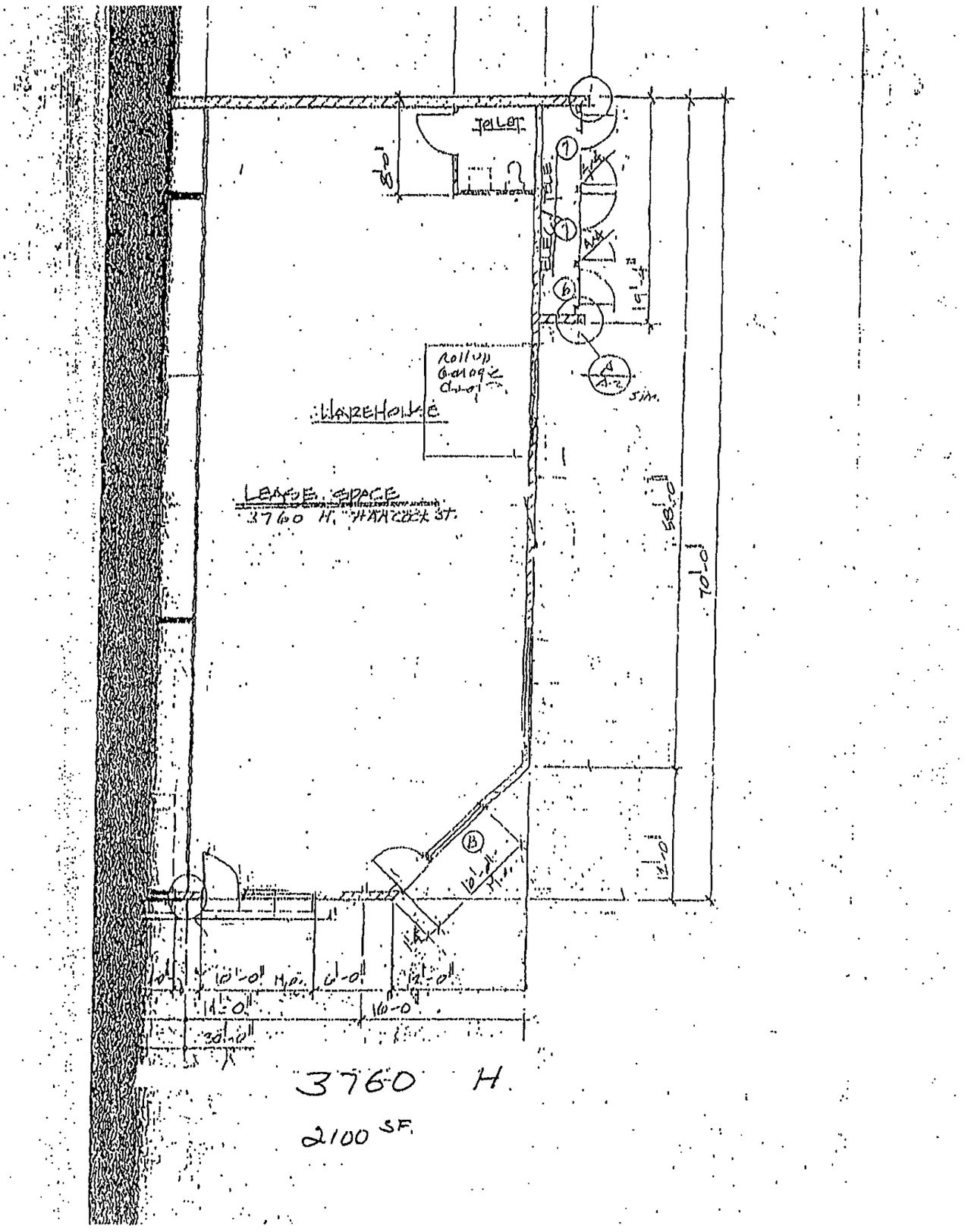
LESSOR'S INITIALS

LESSEE'S INITIALS

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EXHIBIT B

DEMISED PREMISES PLAN (IF AVAILABLE)



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Addendum to Commercial/Industrial Multi-Tenant Lease

1. Early Possession: With early move-in of Lessee, Lessee may not interfere with any tenant improvements needed to be done by Lessor. Additionally, M.C. Strauss Company is not responsible for loss, theft, or damage of any of Lessee's property should Lessee desire to move-in prior to commencement of Lease Term.

2. Term Adjustment: If the Commencement Date is other than the first day of a calendar month, the Term shall be deemed to have commenced on the first day of the next succeeding month.

3. Modified Common Area Operating Expenses: Lessor shall pay Tenant's portion of common area maintenance, taxes,and insurance.
   a. "Operating Costs" means all costs reasonably incurred by Lessor in accordance with generally accepted accounting principles, and fairly allocable to the applicable Calendar Year which relate to, or are fairly allocable to, the ownership and operation of the Common Areas. Lessor shall pay tenant's portion of common area maintenance, axes and insurance
   b. Periodic painting of the building exterior and common areas shall be included as a common area operating expense. If Lessor undertakes a program of preventive maintenance for the HVAC systems for all of the Tenants per Paragraph 7.1(b), the cost thereby shall be included as a common area expense.
   c, The common area definition shall also include lighting facilities, sewer, water, gas, electric, phone and other utility lines, storm drains, roads and approaches servicing the Center generally; and any other items that Lessor deems necessary and appropriate.
   d. Replacement costs, defined as that which cannot be repaired other than at a cost which is in excess of fifty percent (50%) of the cost of replacing such item, then such item shall be replaced and the cost prorated over sixty (60) months and Tenant shall pay one sixtieth ($^{1}/_{60}$) of the cost each month of the Lease term and extension thereto.

4. Utilities: Lessee shall pay before delinquency all charges for water, sewer, gas heat, electricity, power, telephone service and all and any other services or utilities used in, upon or about the Demised Premises by Lessee or any of its subtenants, licensees or concessionaries, provided, however, if any such services or utilities shall be billed to Lessor and not separately metered to the Demised Premises the mount thereof shall be prorated and Lessee shall pay to Lessor upon demand as additional rental hereunder an amount equal to that proportion of the total charges therefore which the number of square feet of Gross Floor Area in the Demised Premises bears to the total number of square feet of gross floor area of stores then rented as of the date of the utility bill served in the area and/or buildings covered by such combined charges. With respect to gas and electric service, which is not separately metered, Lessor may, at Lessor's option, in lieu of prorating on the fore-going basis, determine the amount of use of such services by Lessee on the basis of Lessee's estimated usage as determined by the utility company servicing the Demised Premises, or, if such company ceases providing such service, by a qualified electrical contractor selected by Lessor. Water is furnished to the part of the Common Area via as is central meter. Accordingly, Lessee will pay Lessor a flat charge of ___(per Section 1.7d)_ a month for its share of the water for its premises. Water charges may be reevaluated and increased by Lessor based on the use of the premises especially due to the number of patrons of and Lessee's business use. Lessor may require a high water user such as a restaurant or beauty parlor to install a separate meter or if the cost is prohibitive, to install an inline meter at Lessee's expense to be able to determine Lessee's fair share for any excess use.

5. Continuous Operations: Lessee shall keep the Demised Premises open for business during all hours customarily maintained by business similar to Lessee's business in the trading area in which the Demised Premises are located. At all such times Lessee shall have upon the Demised Premises a sufficient number of employees and a sufficient stock of merchandise to adequately serve the patrons thereof or render the services offered. A business holiday of more than 30 days of consecutive closing in any one year shall be considered a default.

6. Locks: Should Lessee change the locks on their suite, Lessee must furnish Lessor with a copy of the new key which is for the protection of the Lessee and per the Lease.

7. Vacating Premises: The definition "ordinary wear and tear" shall NOT include such items as carpet cleaning, cleaning, patching and painting necessary to restore Premises to a releasable condition. Additionally, Tenant will be charged for repainting rear access doors, repairing store front doors, rekeying locks to the master system and removing alarm systems or personal property and/or debris, etc, upon Lease termination,

8. Insurance: Lessor's appropriate liability insurance coverage is $3,000,000. Therefore, Paragraph 8.1 and/or Paragraph 8.2 is amended to increase the ceiling to $3,000,000 and Lessee shall reimburse Lessor for its portion accordingly.

9. Assignment and Subletting:
(This is in addition to lease language and prevails in the event of conflict.)

a. Consent to Assignment or Subletting shall not be unreasonably withheld: Subject to a compatible and noncompetitive business use with respect to the other businesses in the Center and sufficient financial statement and credit record of assignee and reasonable experience in conducting the intended business, Lessor's consent to assign or sublet this Lease shall not be unreasonably withheld provided however, that Lease shall not be in default and/or if Lessee shall have, previously breached or otherwise failed to perform under this Lease since its inception, and Lessee did not cure that breach, Lessor, at its sole discretion, may declare this
Sub-paragraph null and void. Any increase in rents shall become the property of the Lessor. Any such assignment or subleasing even with the approval of the Lessor, shall not relieve the Lessee from liability for payment of the rental herein provided or from the obligation to keep and be bound by the terms, conditions and covenants of this Lease.

b. Assignment or Transfer to a Corporation: Notwithstanding anything to the contrary set forth herein, Lessee may assign this Lease, without the consent of Lessor, to a corporation or other entity not less than fifty percent (50%) of the voting stock or controlling interest of which is owned by Lessee; provided that Lessee shall at all times remain liable for performance hereunder; and provided, further, that any transfer by Lessee of the controlling stock or interest in such corporation or other entity shall be a prohibited assignment hereunder.

c. Consent to be in writing: Lessee shall not assign, mortgage, pledge, hypothecate or encumber this lease or the leasehold interest created hereby or any interest herein or sublet the Demised Premises or any portion thereof, or license the use of all or any portion of the Demised Premises, without the written consent of Lessor first had and obtained. Without in any way limiting any other rights available to the Lessor at the time of any proposed assignment or subletting, Lessor expressly reserves the right to adjust the Guaranteed Minimum Monthly Rental to an amount derived by multiplying said guaranteed minimum monthly rental times a number equal to the percentage by which the Bureau of Labor Statistics, United States Department of Labor for Los Angeles-Riverside-Orange County under the heading of "All Items" for "All Urban Consumers" for the month in which the date of such assignment or subletting occurs has increased over the same Cost of Living Index figure for the month in which the Commencement Date under this Lease occurs (i.e., if the percentage of such increase is thirty percent (30%), then the guaranteed minimum monthly rental will be multiplied times 130%). Tenant agrees to pay Lessor an administrative fee of $500 and to reimburse Lessor for Lessor's reasonable attorney fees incurred in conjunction with the processing and documentation of any such requested transfer, assignment, subletting, licensing or concession agreement

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10. Broker's Fee:
    a. All Broker's fees as referred to in the Lease and Lease addendums shall be by separate agreement pursuant to a schedule to be agreed upon by Owner and Broker.
    b. However, it is understood and agreed that no commissions shall be paid on option exercises, or renewals, or expansions that unless at the invitation of the Owner first had obtained in writing.

11. Lessee's Financial Information: Lessee will furnish a credit report and financial statement at its expense, subject to Lessor's approval or reimburse Lessor $35 if Lessor obtains a credit report. Lessee also agrees to deliver to Lessor a resume of its business experience, a copy of its income tax returns for the prior year, a letter of reference from Lessee's bank, and a completed Lessor's "Credit Information" form. The Lease is contingent upon Lessor's review and approval to its sole satisfaction of Lessee's qualifications to lease. Said credit application must include but not be limited to listing specifics of next of kin, closest living relative not living with you, closest non-relative and who to notify in case of emergency.

12. Dispute or Delay: In the event of any dispute between the parties concerning the time of actual completion of Lessor's Work or Lessee's Work or any claimed excuse for delay in performance or non-performance thereof or whether such work has been adequately performed in a good and workmanlike manner and is satisfactory for the use intended, such dispute shall be referred to Lessor's architect whose determination with regard thereto shall be final and conclusive upon the parties.

13. Deletion: Wherever in this Lease a Section or Subsection is preceded by the word "Deleted" or "*Deleted," such Section or Subsection is deleted from this Lease in its entirety and is of no force or effect.

14. Parking: Lessee shall have the right to N/A parking spaces on level N/A at no cost to Lessee for the term of the Lease and any Option Periods. The surface parking is designated for customers and retail tenants only, All employees, visitors, guests of Lessee are not Permitted to use surface parking, but shall park on lower levels A & B of the parking structure, if any.

15. Attorney's Fees: The Lessor is entitled to attorney's fees or costs for the enforcement of the lease regardless of whether an action is filed, said fees and costs to be considered additional rent.

16. Lease Incentives: If Tenant is in default under this Lease at any time during the Term and without limiting the foregoing, if Landlord has given Tenant any lease incentives or other inducements or consideration in connection with this Lease ("Incentives"), including without limitation, any abatement of rent, the unamortized portion of any Tenant Improvement Allowance and/or leasing commissions then the incentives will terminate and Landlord may recover from Tenant the value of all such Incentives received by Tenant in addition to all other damages recoverable by Landlord pursuant to the provisions of this Lease.

17. Confidentiality: Lessee shall keep the content and all copies of this Lease and related documents now or hereafter entered into, and all proposals, materials, information and matters relating thereto, strictly confidential, and shall not disclose, disseminate or distribute any of the same, or permit the same to occur, except to the extent reasonably required for proper business purposes by Lessee's attorneys, insurers, auditors and lenders, and, in such event, Lessee shall obligate any such parties to whom disclosure is permitted to honor the confidentiality provisions hereto, except as may be required by Law or court proceedings.

18. Substitute Premises: Lessor shall have the right from time to time during the term of this lease to relocate the Premises within the Project on the following terms and conditions: (i) the square footage of the substitute premise ("Substitute Premises") are equal to the square footage of the Premises (subject to a variation of up to fifteen percent (15%) in the square footage of the Substitute Premises, provided that the amount of rent payable under this lease is not thereby increased); (ii) Lessor shall pay the cost of providing Lessee Improvements (defined below) in the Substitute Premises substantially comparable to the Tenant Improvements in the Premises; (iii) Lessor shall pay the expenses directly related to and reasonably incurred by Lessee in connection with such relocation to the Substitute Premises; and (iv) Lessor shall not be liable for (a) any loss of business or good will, or (b) any damage to Lessee's Property or other personal property relocated, unless caused by Lessor or it's employees gross negligence or willful misconduct. Lessor shall deliver to Lessee written notices of Lessor's election to relocate the Premises specifying the new location at least thirty (30) days prior to the date the relocation is to be effective. If the relocation of the Premises is unacceptable to Lessee, then Lessee may terminate this lease during a period of thirty (30) days after receipt of Lessor's notice to relocate, by delivering written notice to Lessor within the thirty (30) day period. Such notice of termination shall be effective upon receipt thereof by Lessor. If Lessee elects to terminate this Lease pursuant to this Section, then the parties shall be discharged from all obligations hereunder, other than those that have accrued prior to the actual date of Lessee's termination of this Lease or which specifically survive the termination of this Lease and Lessee shall be granted a reasonable period of tenancy in order to relocate to suitable premises.

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A. Lessee is responsible for sending rent payments on the first of the month to:

MC Strauss Company
990 Highland Drive, Suite 200
Solana Beach, CA 92075

B. For any questions or building management problems, call:

MC Strauss Company
990 Highland Drive, Suite 200
Solana Beach, CA 92075
Phone: 858-792-7500; Fax: 858-792-7834

C. Required Personal Data:
Lessee's Home Address: _____
Home Phone: _____ Home Fax: _____

In case of emergency: _____
Address: _____
Phone: _____ Fax: _____

Next of Kin (Name): _____
Address: _____
Phone: _____ Fax: _____

D. Other: Lessor reserves the right to change the management company and the address to which rent payments shall be made by delivering notice to Lessee in accordance with this Lease.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: _____

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EXHIBIT D

TENANT IMPROVEMENTS AND ACCEPTANCE OF PREMISES

Scope of Lessor's Work

Lessor shall provide Lessee, at the sole cost and expense of Lessor, the following "standard" improvements as follows:

1. Lessee acknowledges that the Demised Premises are being leased in "as is" condition and that Lessee has inspected some and the Demised Promises are in satisfactory condition.

Scope of Lessee's Work

All improvements desired by Lessee, shall be considered "Non-standard" and shall be at the sole cost and expense of Lessee including, but not limited to :

1. Permits, Plans, and supervision for any Tenant improvements.

2. Lessor grants permission to Lessee to install necessary and/or required improvements or modifications, subject to Lessor's prior written approval, to accommodate Lessee's intended business use, at Lessee's sole cost and expense, and in accordance with any and all governmental requirements including the obtaining of any required permits for the Demised Premises and said business.

Perform any and all additional work required to complete the Premises to a condition customary and ready for the normal operation of Lessee's business. Lessee shall be responsible to pay for any additional water, and/or sewer impact fees if imposed due to the nature of Lessee's business or use of Premises.

Within thirty (30) days following the execution of the Lease, Lessee, at Lessee's sole cost and expense, shall deliver to Lessor a fully dimensioned 1/4-inch scale set of plans. Said plans shall show all storefronts, interior partitions, fixtures, lighting, electrical outlets, plumbing (including fixtures), floor coverings, ceiling and other improvements that Lessee wishes to construct and install upon Premises. Said plans shall be subject to Lessor's approval prior to start of any work by Lessee or his contractors, which shall not be unreasonably withheld, which shall thereafter be called "Lessee Plans Approved for Construction." Should Lessee fail to deliver to Lessor plans for "Lessee's Work" within thirty (30) days following execution of the Lease, Lessor may, at his option and with written notification to that effect to Lessee, terminate this Lease.

No changes, modifications or alterations to Lessee Plans Approved for Construction may be made without the written consent of Lessor. Any additional costs, including any increased fees which Lessor may be required to Pay for architectural, engineering and/or other similar services arising by reason of any subsequent change to Lessee Plans Approved for Construction made at the request of Lessee, shall be at the sole cost and expense of Lessee and shall be paid by Lessee to Lessor before the performance of the work requested by Lessee.

All of Lessee's work and improvements shall be performed by Lessee, at Lessee's sole cost and expense except as outlined above and pursuant to the plans and specifications approved by Lessor. It is understood that the approval of Lessor shall in no manner relieve Lessee of Lessee's obligation to obtain, at Lessee's sole cost and expense, all necessary and appropriate permits from all applicable governmental or public agencies for the construction of Lessee's improvements, installation of Lessee's personal property and the operation of Lessee's business at Premises.

Upon delivery of Premises to the Lessee, Lessee shall immediately and diligently proceed to install Lessee's Work as described in Lessee's Plans Approved for Construction at Lessee's sole cost and expense without interfering with other work being done, if any, in the building or shopping center.

All work done by Lessee shall be done by a licensed contractor and in compliance with all rules and regulations required by local building authorities, Lessor or his agents and in accordance with all uniform building codes as dictated by state, federal and local requirements.

Upon final completion of Lessee's Work, Lessee shall furnish Lessor with all certificates, approvals and permits "signed off" by local governmental building inspector, that were required to complete Lessee's Work. Lessor shall not be responsible for any loss or damage to Lessee's improvements/property that is installed or left on Premises.

Lessee's entry upon Premises prior to commencement of the Term of this Lease shall be subject to all provisions of this Lease other than payment of rent, At all times after such entry, Lessee shall maintain an insurance policy that complies with the provisions of this Lease. The inability of Lessee to complete Lessee's Work in a timely manner and to a condition acceptable for conducting business, through no fault of Lessor, shall not delay the Term Commencement or payment of rent.

Lessee hereby indemnifies and holds Lessor free and harmless from and against any and all claims, demands [illegible]es including, but not limited to attorney costs, expenses and court costs, arising from or relating to Lessee's Work and [illegible]t is the intent of the parties that this indemnification shall survive the expiration or sooner termination of this Lease.

INITIAL HERE

LESSOR'S INITIALS:

LESSEE'S INITIALS:

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*DOES NOT APPLY

*EXHIBIT E

ESTIMATED OPERATING EXPENSES (GROSS LEASE)

The operating expenses are estimated at $_____ per square foot annually or _____
($_____ psf x _____ sq. ft. /12 = $_____) per month for the Demised Premises until adjusted per the Lease.

LESSOR'S INITIALS:

_____

LESSEE'S INITIALS:

_____

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EXHIBIT F

RENT ADJUSTMENT(S)

ADDENDUM TO
STANDARD LEASE

Dated October 19, 2012

By and Between (Lessor) Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company
(Lessee) Andrew Merrick, a married man

Property Address: 3760 Hancock Street, Suite #H
San Diego, CA 92110

Paragraph 1.5

A. **RENT ADJUSTMENTS:**

The monthly rent for each month of the adjustment period(s) specified below shall be Increased using the method(s) indicated below:

(Check Method(s) to be Used and Fill in Appropriately)

θ **I. Cost of Living Adjustment(s) (COL)**

(a) On (Fill in COL Adjustment Dale(s): _____

the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted by the change, if any, from the Base Month specified below, In the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for (select one): θ CP1 W (Urban Wage Earners and Clerical Workers) or θ CPI U (All Urban Consumers), for (Fill in Urban Area): _____ ,All Items (1982–1984 = 100), herein referred to as "C.P.I."

(b) The monthly rent payable in accordance with paragraph AI(a) of this Addendum shall be calculated as follows: the Base Rent set forth in paragraph 1.5 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the C.P.I. of the calendar month 2 (two) months prior to the month(s) specified In paragraph AI(a) above during which the adjustment is to take effect, and the denominator of which shall be the C.P.I. of the calendar month which Is two (2) months prior to (select one): θ the first month of the term of this Lease as set forth in paragraph 1.3 ("Base Month") or θ (Fill in Other "Base Month"): _____ . The sum so calculated shall constitute the new monthly rent hereundor, but in no event, shall any such new monthly rent be less than the rent payable for the month immediately preceding the date for rent adjustment, plus _____rounded up to the next dollar figure.

(c) In the event the compilation and/or publication of the C.P.I. shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the C.P.I. shall be used to make such calculation. In the event that Lessor and Lessee cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid equally by Lessor and Lessee.

θ **II. Market Rental Value Adjustment(s) (MRV)**

(a) On (Fill in MRV Adjustment Dale(s): _____

the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted to the "Market Rental Value" of the property as follows:

1) Four months prior to the Market Rental Value (MRV) Adjustment Date(s) described above, Lessor and Lessee shall meet to establish an agreed upon new MRV for the specified term. If agreement cannot be reached, then:

i) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the parties, or

ii) Both Lessor and Lessee shall each immediately select and pay the appraiser or broker of their choice to establish a MRV within the next 30 days. If, for any reason, either one of the appraisals is not completed within the next 30 days, as stipulated, then the appraisal that is completed at that time shall automatically become the new MRV. If both appraisals are completed and the two appraisers/brokers cannot agree on a reasonable average MRV then they shall Immediately select a third mutually acceptable appraiser/broker to establish a third MRV within the next 30 days. The average of the two appraisals closest in value shall then become the new MRV. The costs of the third appraisal will be split equally between the parties.

2) In any event, the now MRV shall not be less than the rent payable for the month Immediately preceding the date for rent adjustment.

(b) Upon the establishment of each New Market Rental Value as described In paragraph AII:

1) the monthly rental sum so calculated for each term as specified in paragraph AII(a) will become the new "Base Rent" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph AII(a) above and

2) the first month at each Market Rental Value term as specified in paragraph AII(a) shall become the new "Base Month" for the purpose of calculating any further Cost of Living Adjustments as specified In paragraph AI(b).

✓ **III. Fixed Rental Adjustment(s) (FRA)**

The monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be increased to the following amounts on the dates set forth below.

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On (Fill in FRA Adjustment Date(s)):	The New Base Rental shall be:
Year 2	$1.09psf x 2,100sf = $2,289.00 per month +$75 water/sewer=$2,364.00 per month
Year 3	$1.13psf x 2,100sf = $2,373.00 per month +$75 water/sewer=$2,448.00 per month
Year 4	$1.18psf x 2,100sf = $2,478.00 per month +$75 water/sewer=$2,553.00 per month
Year 5	$1.23psf x 2,100sf = $2,583.00 per month +$75 water/sewer=$2,658.00 per month

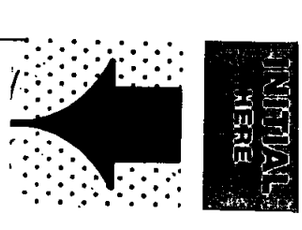
B. **NOTICE:** Unless specified otherwise herein, notice at any escalations other than Fixed Rental Adjustment(s) shall be made as specified in paragraph 23 of the attached Lease.

*C. ~~**BROKER'S FEE:**~~ ***Deleted**

~~The Real Estate Brokers specified in paragraph 1.10 of the attached Lease shall be paid a Brokerage Fee for each adjustement specified above in accordance with paragraph 15 of the attached Lease.~~

LESSOR'S INITIAL:

LESSEE'S INITIAL:



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EXHIBIT G

CENTER SIGN CRITERIA

The purpose of this sign criteria has been established for the intent of assuring an outstanding shopping center and mutual benefit of all Lessee's. Conformance will be strictly enforced. Any Installed non-conforming or unapproved signs will be brought into conformance at the expense of the Lessee.

A. Lessee shall be entitled to signage above the Premises. Signage shall be subject to City of San Diego and Lessors prior written approval. All costs associated with the design, construction, installation, as well as removal, shall be borne by Lessee. Lessee shall be required to remove all Lessee signage at the conclusion of Lessee's occupancy of the Premises. Ground level Lessee's shall be entitled to signage on the Center's pole sign at its expense and subject to availability.

B. General Requirements:

1. Lessee shall submit to the Lessor the exact sign specifications, copy and colors desired for Lessor's approval from a license and experienced sign company.

2. All approvals or disapprovals of sign submittals based on esthetics and design shall remain sole right of the Lessor and local governing authorities.

3. Selected sign company will be responsible for obtaining all permits and sign Installation.

4. No exposed lamp, raceways, crossovers, conduit, conductors, transformers or similar devices shall be permitted.

5. All maintenance of signage shall be the responsibility of the Lessee.

6. All signs shall be individually illuminated.

7. No audible, flashing or animated signs will be permitted.

8. No projections above or below the sign will be permitted.

9. Electrical service to all signs will be connected to Lessee's meter.

10. Lessee's signs shall be designed and installed in a manner compatible with and complimentary to adjacent and facing storefronts and the overall design concept of the center.

11. All penetrations of the building structure required for sign installation shall be sealed in a watertight condition and shall be patched to match adjacent finish. At termination of lease when sign is removed, Lessee or its sign company shall patch and paint and restore to "as was" condition.

12. No advertising placards, banners, pennants, names, insignias or other descriptive material shall be affixed or maintained upon the glass pane supports of the show windows and doors or upon the exterior was of building without the prior written approval of Lessor.

13. Logos require prior approval of lessor unless nationally recognized logos of a franchise.

14. Letter height restrictions:

a. One line of copy with the letter and logo height not to exceed 24 inches or to be less than 10 inches. Allowable, sign fascia coverage not to exceed seventy-five percent (75) of store frontage.

b. Two lines of copy will be allowed with the overall height of the two lines of letters not to exceed 30 inches with a maximum height of the letters not to exceed 18 inches or to be less than 16 inches.

15. Designs submitted for the City/County approval must follow ft following guidelines:

a. Drawings of elevations and sign with all measurements to scale.
b. Plot plan and legal description (plans to scale).
c. Sections drawings of sign and fascia showing construction and electrical details.
d. Color of plastic faces and logos.
e. Color of neon, size and intensity.
f. Letter style selection

16. Lessee is granted permission by Lessor to install a temporary sign banner at its expense above the premises while signs are being fabricated.

17. Lessee shall indemnify and hold harmless Lessor against any loss, cost, damages or liability caused to persons, property or otherwise caused by Lessee's sign Installations.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: _____

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EXHIBIT 6-1

BLDG. A&B FRONT ELEVATION

TYPICAL TENANT DISPLAY

TYPICAL DISPLAY SIGN 10ft.X 24in.X 9in. depth

TYPICAL TENANT DISPLAYS

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EXHIBIT H

SPECIAL USE OF PREMISES CLAUSE

A. Uses Of Premises:

Lessee shall occupy and use the premises solely for the operation of office administration, rain gutter material storage and fabrication and for no other purpose or use.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: _____

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EXHIBIT I
APPLICATION FOR LEASE AND CREDIT INFORMATION

The undersigned furnishes the following as a true and accurate statement of the financial condition of the undersigned. It is understood that the Landlord, in entering into a lease or other agreement, are doing so in reliance upon this financial statement and in consideration of such the undersigned agree that if any of the representations of the undersigned prove to be untrue, such shall be considered as a default under such lease or agreement.

NAME: _____ AGE: _____ SPOUSES NAME: _____

ADDRESS: _____ HOW LONG: _____

CITY, STATE, ZIP _____

Previous Address - if less than five years: _____

SOCIAL SECURITY NO: _____ SPOUSE'S SOCIAL SECURITY NO: _____

PHONE: _____ OWN OR RENT: _____ NO. OF DEPENDENTS: _____

PRESENT EMPLOYER: _____ HOW LONG: _____

ADDRESS: _____

PHONE: _____ POSITION: _____

SPOUSE'S EMPLOYER: _____ PHONE: _____

IN CASE OF EMERGENCY CONTACT: NAME: _____

ADDRESS: _____ PHONE: _____

_____ RELATIONSHIP: _____

NEXT OF KIN NOT LIVING WITH YOU: NAME: _____

ADDRESS: _____ PHONE: _____

_____ RELATIONSHIP: _____

CLOSEST NON RELATIVE CONTACT: NAME: _____

ADDRESS: _____ PHONE: _____

_____ RELATIONSHIP: _____

BALANCE SHEET

Cash:	$ _____	Notes Payable - Total Owed: (List on Back)	$ _____
Stocks & Bonds: (List on Back)	$ _____		
		Accounts Payable - Total Owed: (List on Back)	$ _____
Notes / Accounts Receivable:	$ _____		
Life Insurance: (Not full value, only surrender value)	$ _____	Mortgages - Total Owed: (List on Back)	$ _____
Real Estate - Total Value: (List on Back)	$ _____	Automobiles - Total Owed:	$ _____
		Income Taxes - Accrued to Date:	$ _____
Automobiles:	$ _____	Other: _____	$ _____
	$ _____	_____	$ _____
		_____	$ _____
Personal Possessions:		**TOTAL LIABILITIES:**	$ _____
	$ _____		
	$ _____	**NET WORTH:**	$ _____
TOTAL ASSETS:	$ _____	**(Assets minus Liabilities)**	

ANNUAL INCOME & EXPENSE

Income:		**Expense:**	
Annual Salary:	$ _____	Annual Rental/Mortgage Payments	$ _____
Annual Rentals:	$ _____		
Annual Dividends:	$ _____	Annual Payments:	$ _____

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Annual Interests:	$ _____ (Notes & Accounts)		
Other Annual Income:	$ _____	Annual Interest & Taxes:	$ _____
		Personal Living Expense:	$ _____
		Other Annual Expenses:	$ _____
TOTAL ANNUAL INCOME:	$ _____	**TOTAL ANNUAL EXPENSE:**	$ _____

BANK REFERENCES

BANK & ADDRESS: _____ ACCT. NO.: _____

BANK & ADDRESS: _____ ACCT. NO.: _____

STOCKS & BONDS

Description	No. of Shares	Cost	Market Value
		$	$
		$	$
		$	$
		$	$
		$	$
TOTALS		$	$

REAL ESTATE - MORTGAGES

Description & Address	Original Cost	Present Value	Trust Deed or Mortgage Unpaid Bal.	Mo. Pay.
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
TOTALS	$	$	$	$

NOTES & ACCOUNTS PAYABLE (Do not include Real Estate)

Description	Account Number	Total Amount Owed (DO NOT LIST PAYMENTS)
		$
		$
		$
		$
		$
		$
TOTAL		$

The undersigned further consent(s) to the addresses above making any inquires it deems necessary to reach a decision on this application, and consent(s) to the disclosure at any time of any credit information about me / us to any credit reporting agency or to any one with whom I/we have financial relations. The undersigned further understands that should a lease be entered into that the authorizing party will pay a $35.00 application credit check fee.

DATE: _____ SIGNATURE: _____

DATE: _____ SPOUSE'S SIGNATURE: _____

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*Lessee by signing Lease is acting as guarantor

*EXHIBIT J

GUARANTY OF LEASE

THIS GUARANTY OF LEASE ("Guaranty"), effective as of _____, 200_____, is executed by _____ ("Guarantor"), with reference to the following facts:

RECITALS

A. M.C. Strauss Company ("Lessor"), and _____ ("Lessee") have agreed to enter into that certain Lease ("Lease"), dated the same date as this Guaranty, covering Premises described therein, located in the City of San Diego, County of San Diego, State of California.

B. Lessor requires, as a condition to its execution of the Lease, that Guarantor guarantee the full performance of the obligations of Lessee thereunder.

C. Guarantor is willing to execute this Guaranty for the benefit of Lessor and as a material inducement to Lessor to enter into the Lease.

GUARANTY

NOW, THEREFORE, in order to induce Lessor to enter into the Lease, Guarantor agrees as follows:

1. **Guarantor's Obligations.** Guarantor hereby unconditional guarantees the full and timely performance of each and every obligation to be kept and performed by the Lessee pursuant to the terms of the Lease ("Lease Obligations") in accordance with the terms of and at the time and place specified therein, including, but not limited to, the payment of all rents and other charges accruing pursuant thereto.

2. **Term.** This Guaranty shall continue for the term of the Lease and any extension or renewal thereof. If the Lease terminates and Lessor has any rights which Lessor may enforce against Lessee after termination, Lessor may also enforce such rights against Guarantor.

3. **Primary Liability.** The Lease Obligations guaranteed by Guarantor under this Guaranty shall be primary and independent of the obligations of Lessee under the Lease. Lessor may bring a separate action or actions against Guarantor hereon and such actions may be brought either in conjunction with actions against Lessee or against Lessee directly, regardless of whether Lessor has commenced any action or obtained any judgment against Lessee. If Lessee defaults under the Lease, Lessor may proceed directly against Guarantor, without having commenced any action or obtained any judgment against Lessee, and without applying any property of Lessee (or any other person), if any, held by Lessor as security for the performance of the Lease Obligations. The liability of Guarantor hereunder shall not be released, diminished, or extinguished by Lessor's failure or delay in enforcing any of its rights.

4. **Continuation; No Release.** This Guaranty shall continue in favor of Lessor notwithstanding any modification, alteration, extension or renewal of the Lease entered into by the parties thereto, or their successors or assigns, and notwithstanding any assignment of the Lease, with or without the consent of Lessor. No such modification, alteration, extension, renewal or assignment shall affect this Guaranty or in any way release, diminish, or extinguish the liability of Guarantor hereunder.

5. **Assignment.** Lessor may, with notice to Guarantor, assign this Guaranty in whole, or in part in connection with any transfer of any interest in the Lease or the Premises, and no such assignment or transfer shall release, diminish, or extinguish or otherwise affect the liability of Guarantor hereunder. In such event the benefits of this Guaranty shall inure to the benefit of Lessor's successors and assigns.

6. **Security.** Guarantor authorizes Lessor, without further notice or demand and without affecting the liability of Guarantor hereunder, from time to time, to: (a) take and hold security (including the Security Deposit and any security filing consented to by Lessee) (the "Security") (if any) for performance of the Lease Obligations and exchange, enforce, waive or release any such Security; (b) apply such Security in whole or in part and direct the order or manner of sale thereof as Lessor, in Lessor's discretion, may determine; and (c) proceed against Lessee or proceed against and exhaust such Security held from Lessee; the provisions of this paragraph shall constitute a waiver of Guarantor's right to claim exoneration from the Lease Obligations for the foregoing actions.

7. **Events of Insolvency.**

7.1. **Defined.** The term "Event of Insolvency" shall mean any of the following:

(a) Lessee becomes insolvent or is adjudicated a bankrupt;

(b) Lessee files a petition for reorganization, arrangement or similar relief under any present or future provisions of the Federal Bankruptcy Code, or any other state or federal statute for the relief of debtors or any similar law;

(c) A court approves a petition filed against Lessee by its creditors for reorganization, arrangement or similar relief under any present or future provision of the Federal Bankruptcy Code, or any other state or federal statute for the relief of debtors or any other similar law;

(d) Lessee seeks a judicial readjustment of the rights of its creditors under any present or future federal or state law; or

(e) A receiver of all or part of Lessee's property and assets is appointed by any state or federal court.

7.2 **Effect.** This Guaranty shall in full force and effect, notwithstanding the occurrence of any Event of Insolvency affecting Lessee, or any successor or assignee of Lessee, or in the event of any disaffirmance, or abandonment by a trustee of Lessee, or in the event that the Lease is terminated, rejected or modified in the course of any proceeding relating to an Event of Insolvency. To the extent necessary to effectuate the purpose of this Guaranty, Guarantor hereby assigns to Lessor any rights Guarantor may have to file a claim and proof of claim in any bankruptcy or similar proceeding of Lessee any awards or payments thereon to which Guarantor would otherwise be entitled, to the extent of any unsatisfied Lease Obligations.

8. **Waiver of Defenses.** Guarantor waives any defense Guarantor may acquire by reason of Lessor's election of any remedy against Guarantor or Lessee, or both. In addition, Guarantor waives any defense arising by reason of any disability or other defense of Lessee, including, without limitation, any defense based upon: (a) invalidity of the Lease (b) any lack of authority of the officers, directors, partners or agents acting or purporting to act on behalf of Lessee or any principal of Lessee; or (c) by reason of the cessation from any cause whatsoever of the liability of Lessee other than full performance and discharge of the Lease Obligations.

9. **Waiver of Rights.** Guarantor waives the right to require Lessor: (a) to proceed against Lessee or any successor of Lessee; and (b) to pursue any other remedy in Lessor's power. Guarantor expressly waives the provisions of the California and/or Arizona Civil Code, which grants a surety certain rights to require a creditor to pursue alternative remedies before proceeding against a surety.

10. **Subrogation.** Until the Lease Obligations shall have been performed in full, Guarantor shall have no right of subrogation and waive any right to enforce any remedy which Lessor now has or may hereafter have against Lessee. Guarantor waives any right to participate in any security now or hereafter held by Lessor.

11. **Successive Demands.** Guarantor's liability shall extend to each and every payment to be made by Lessee and any additional Lease Obligation to be performed or observed by Lessee. Successive demands may be made upon, and successive actions for the enforcement of such demands may be brought against Guarantor upon successive defaults by Lessee and the enforcement of this Guaranty against Guarantor with respect to any Lease Obligation shall not operate to exhaust this Guaranty or operate as a waiver of the right to proceed under this Guaranty with respect to any future default or defaults.

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~~12. General Provisions.~~

~~12.1 **Attorney's Fees.** Guarantor agrees to pay all costs and other expenses, including reasonable attorneys' fees and court costs, paid or incurred by Lessor in enforcing or attempting to enforce this Guaranty or the obligations guaranteed hereby. Guarantor is obligated as to attorney's fees and costs pursuant to Paragraphs 31 and 37.1 of the Lease, as to the obligations under the Lease and the Guaranty, and the provision in the Addendum as to attorneys fees made applicable here to the Lease and the Guaranty.~~

~~12.2 **Governing Law.** This Guaranty shall be enforceable by Lessor in accordance with the laws of the State of California and shall be construed in accordance therewith.~~

~~12.3 **Interest.** Interest shall accrue on all accounts which are not paid by Guarantor when due under the Lease, from the date due until due date paid by Guarantor, at the interest rate specified in the Lease, but not to exceed the maximum legal rate of interest.~~

~~12.4 **Joint and Several.** If Guarantor is more than one person, each person's obligations hereunder are joint and several and are independent of Lessee's obligations. Lessor may bring a separate action against any Guarantor whether the action is brought against any other Guarantor, or whether any other Guarantor is joined in the action.~~

~~12.5 **Modification.** This Guaranty may not be amended, modified, released, or terminated except by a written instrument executed by Guarantor and Lessor.~~

~~12.6 **Severability.** If any of Guarantor's obligations hereunder shall be held to be unenforceable, the remainder of this Guaranty and its application to all obligations other than those with respect to which is held unenforceable shall not be affected thereby and shall remain in full and effect.~~

~~12.7 **Successors.** The terms and provisions of this Guaranty shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto.~~

IN WITNESS WHEREOF, the undersigned has executed this guaranty of lease as of tile date first written above.

GUARANTOR:

Res. Address: _____
Phone: _____
Soc Sec#: _____
DL#: _____ DOB _____

By: _____

Res. Address: _____
Phone: _____
Soc Sec#: _____
DL#: _____ DOB _____

By: _____

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EXHIBIT J-1

SPOUSAL CONSENT

To the Lease dated October 19, 2012, by and between Strauss Family Trust UDT 6/5/92, dba: MC Strauss Company, as Lessor, and Andrew Merrick, a married man, as Lessee, for the premises known as 3760 Hancock Street, Suite H, San Diego, CA 92110.

The undersigned, being the spouse of the Guarantor to this Lease, hereby (a) consent to the Lease, (b) agree that all now owned and hereafter acquired community and quasi-community property of the undersigned and Guarantor shall be liable for the satisfaction of obligations imposed by the Lease, and (c) agree solely for purposes of subjecting any community or quasi-community property received pursuant to liability for satisfaction of the obligations imposed by the Lease, the undersigned have "incurred" the obligations of the Lease.

Spouse: Robyn Merrick

R. Merrick

Robyn Merrick

615-03-1428

SSN

B6116023 7/7/79

DriverLic# Date of Birth

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*NOT APPLICABLE

*EXHIBIT K

MEMORANDUM
CERTIFICATE

This memorandum is made of _____,20____ with reference to that certain Lease Agreement (hereinafter referred to as the "Lease") dated _____ by and between _____ as "Lessor" therein, and _____ as "Lessee."

The undersigned, as Lessee under said Lease, hereby confirms the following:

1. The Lessee accepted possession of the Demised Premises (as described in said Lease) on _____ and acknowledges that the premises are as represented by Lessor and in good order, condition and repair, and that the improvements, if any, required to be constructed for and/or furnished to Lessee by Lessor under said Lease have been so constructed and/or furnished and are satisfactorily completed in all respects.

2. That all conditions of said Lease to be performed by Lessor prerequisite to the full effectiveness of said Lease have been satisfied and that Lessor has fulfilled all of its duties of an inducement nature.

3. That in accordance with the provisions of Paragraph 4 of said Lease the Commencement Date (as the phrase "Commencement Date" is defined in said Lease) of the term is _____ and that, unless sooner terminated, the original term thereof expires on _____.

4. That said Lease (as amended, if amended) is in full force and effect and that the same represents the entire agreement between Lessor and Lessee concerning said Lease.

5. That there are no existing defenses which Lessee has against the enforcement of said Lease by Lessor, and no offsets or credits against rentals except as may be expressly provided in said Lease.

6. That the minimum rental obligation of said Lease is presently in effect and that all rentals, charges and other obligations on the part of Lessee under said Lease commenced to accrue on _____.

7. That the undersigned Lessee has no notice of any prior assignment, hypothecation or pledge of said Lease or of the rents thereunder.

LESSOR:	LESSEE:
BY: _____	BY: _____
ITS: _____	ITS: _____

This "Memorandum" is hereby approved in form and shall be completed (if necessary) pursuant with Paragraph 4.A of The Lease and incorporated as part of The Lease.

LESSOR'S INITIALS:	LESSEE'S INITIALS:
_____	_____

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EXHIBIT L

OPTION(S) TO EXTEND

ADDENDUM TO
STANDARD LEASE

Dated October 19, 2012

By and Between (Lessor) Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company
(Lessee) Andrew Merrick, a married man

Property Address: 3760 Hancock Street, Suite #H
San Diego, CA 92110

Paragraph 39

A. **OPTION(S) TO EXTEND:**

Lessor hereby grants to Lessee the option to extend the term of this Lease for one (1) additional sixty (60) month period(s) commencing when the prior term expires upon each and all of the following terms and conditions:

(i) Lessee gives to Lessor, and Lessor actually receives on a date which is prior to the date that the option period would commence (if exercised) by at least six (6) months and not more than nine (9) months, a written notice of the exercise of the option(s) to extend this Lease for said additional term(s), time being of essence. If said notification of the exercise of said option(s) is (are) not so given and received, the option(s) shall automatically expire; said option(s) may (if more than one) only be exercised consecutively;

(ii) The provisions of paragraph 39, including the provision relating to default of Lessee set forth in paragraph 39.4 of this Lease are conditions of this Option;

(iii) All of the terms and conditions of this Lease except where specifically modified by this option shall apply;

(iv) The monthly rent for each month of the option period shall be calculated as follows, using the method(s) indicated below:

(Check Method(s) to be Used and Fill In Appropriately)

0 I. **Cost of Living Adjustment(s) (COL)**

(a) On (Fill in COL Adjustment Date(s): _____ the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted by the change, If any, from the Base Month specified below, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for (select one): 0 CPI W (Urban Wage Earners and Clerical Workers) or q CPI U (All Urban Consumers), for (Fill in Urban Area): _____ All Items (1982–1984 = 100), herein referred to as "C.P.I."

(b) The monthly rent payable in accordance with paragraph AI(a) of this Addendum shall be calculated as follows: the Base Rent set forth in paragraph 1.5 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the C.P.I. of the calendar month 2 (two) months prior to the month(s) specified in paragraph AI(a) above during which the adjustment is to take effect, and the denominator of which shall be the C.P.I. of the calendar month which is two (2) months prior to (select one): 0 the first month of the term of this Lease as set forth in paragraph 1.3 ("Base Month") or 0 (Fill In Other "Base Month"): _____. The sum so calculated shall constitute the new monthly rent hereunder, but in no event, shall any such new monthly rent be less than the rent payable for the month Immediately preceding the date for rent adjustment plus 5% increase and 5% for each option year rounded up to the next dollar figure.

(c) In the event the compilation and/or publication of the C.P.I. shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the C.P.I. shall be used to make such calculation. In the event that Lessor and Lessee cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid equally by Lessor and Lessee.

✓ II. **Market Rental Value Adjustment(s) (MRV)**

(a) On (Fill in MRV Adjustment Date(s): November 1, 2017, the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted to the "Market Rental Value" of the property as follows:

1) Four months prior to the Market Rental Value (MRV) Adjustment Date(s) described above, Lessor and Lessee shall meet to establish an agreed upon new MRV for the specified term. If agreement cannot be reached, then:

i) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the parties, or

ii) Both Lessor and Lessee shall each immediately select and pay the appraiser or broker of their choice to establish a MRV within the next 30 days. If, for any reason, either one of the appraisals is not completed within the next 30 days, as stipulated, then the appraisal that is completed at that time shall automatically become the new MRV. If both appraisals are completed and the two appraisers/brokers cannot agree on a reasonable average MRV then they shall Immediately select a third mutually acceptable appraiser/broker to establish a third MRV within the next 30 days. The average of the two appraisals closest in value shall then become the new MRV. The costs of the third appraisal will be split equally between the parties.

2) In any event, the now MRV shall not be less than the rent payable for the month Immediately preceding the date for rent adjustment plus five percent (5%, rounded up) and five percent (5%, rounded up) each succeeding option year.

(b) Upon the establishment of each New Market Rental Value as described In paragraph AII:

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1) the monthly rental sum so calculated for each term as specified in paragraph AII(a) will become the new "Base Rent" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph AII(a) above and

2) the first month at each Market Rental Value term as specified in paragraph AII(a) shall become the new "Base Month" for the purpose of calculating any further Cost of Living Adjustments as specified In paragraph AI(b).

θ **III. Fixed Rental Adjustment(s) (FRA)**

The monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be increased to the following amounts on the dates set forth below.

On (Fill in FRA Adjustment Date(s)):	The New Base Rental shall be:
_____	$_____
_____	$_____
_____	$_____
_____	$_____

B. **NOTICE:** Unless specified otherwise herein, notice at any escalations other than Fixed Rental Adjustment(s) shall be made as specified in paragraph 23 of the attached Lease.

*C. ~~**BROKER'S FEE:**~~ ***Deleted**

~~The Real Estate Brokers specified in paragraph 1.10 of the attached Lease shall be paid a Brokerage Fee for each adjustement specified above in accordance with paragraph 15 of the attached Lease.~~

D. **OPTION RIGHTS CONDITION:** Lessee's Option Rights are contingent upon Lessee not having previously breached or otherwise failed to perform under the Lease since its inception. Otherwise Landlord at its sole discretion may declare any option to extend null and void.

LESSOR'S INITIAL: _____

LESSEE'S INITIAL: _____

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EXHIBIT M

SPECIAL ADDENDUM

This Addendum to Lease ("Addendum") is made a part of the Lease dated October 19, 2012, by and between Strauss Family Trust UDT 6/5/92, dba: MC Strauss Company ("Lessor") and Andrew Merrick, a married man, ("Lessee") for the Demised Premises commonly known as 3760 Hancock Street, Suite H, San Diego, CA 92110. Should there be any conflicts between the terms and conditions of this Addendum and the Lease, this Addendum shall prevail.

1. LEASE CONTINGENCY:

This Lease is contingent upon Lessor obtaining approval by the City of San Diego of Lessee and its use.

LESSOR:

STRAUSS FAMILY TRUST UDT 6/5/92

By: _____

Its: _____

LESSEE:

ANDREW MERRICK, A MARRIED MAN

By: _____
Andrew Merrick

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Exhibit N

SPORTS ARENA BUSINESS PARK

RULES AND REGULATIONS

1. Use of Premises.

(a) All floor area, including vestibules, entrances and returns, doors, fixtures, windows and plate glass shall be maintained in a safe, neat and clean condition.

(b) All trash, refuse and waste material shall be regularly removed from the premises of each occupant and until removal shall be stored (i) in adequate containers, which containers shall be located so as not to be visible to the general public in the Center; and (ii) so as not to constitute any health or fire hazard or nuisance to any occupant.

(c) No portion of the Premises or Center shall be used for lodging purposes.

(d) Neither sidewalks nor walkways shall be used to display, store or place any merchandise, equipment or devices.

(e) No advertising medium, device, instrument or apparatus shall be utilized which can be heard or experienced outside the Premises including, without limiting the generality of the foregoing, flashing lights, searchlights, loudspeakers, phonographs, organs, radios, television or video monitors.

(f) No auction, fire, bankruptcy, or going-out-of-business sale shall be conducted in, at, or about the Center or any portion or portions thereof, except pursuant to court order.

(g) No use shall be made of the Center or any portion or portions thereof which would (i) violate any law, ordinance or regulation; (ii) constitute a nuisance; (iii) constitute a hazardous use; or (iv) violate, suspend; or void any policy or policies of insurance.

(h) All occupants of the Center shall use their best efforts to cause all trucks servicing retail facilities within the Center to load and unload prior to the hours of the Center opening for business to general public.

2. Conduct of Persons.

The following rules and regulations govern the use of roadways, walkways, the Center, parking areas and other common areas and facilities:

(a) No person shall use any roadway or walkway except as a means of egress from or ingress to any floor area or parking area within the Center or adjacent public streets. Such use shall be in an orderly manner and in accordance with directional or other signs or guides. Roadways shall not be used at a speed in excess of ten (10) miles per hour or any lesser posted speed limit and shall not be used for parking or stopping, except for the immediate loading or unloading of passengers. No walkways, hallways or corridors shall be used for other than pedestrian travel.

(b) No person shall use any parking area, except for ingress and egress to and from the Center and for the parking of motors vehicles during the period of time such person or the occupants of such vehicle are customers or business invitees of the establishments within the Center. All motor vehicles shall be parked in an orderly manner within the painted lines defining the individual parking places. During peak periods of business activity, limitations may be imposed as to the length of time for parking use. Such limitations may be made in specified areas.

(c) No person shall use any utility area, truck court or other area reserved for use in connection with the conduct of business, except for the specific purpose for which permission to use such area is given.

(d) No tenant, contractor, agent or employee of any business in the Center shall use any area for motor vehicle parking, except the area or areas specifically designated by Landlord for employee parking and for the particular period of time such use is to be made as determined, or as established by ordinance.

(e) Unless the following prohibitions are forbidden by law, no person shall, in or on any part of the common areas:

(i) Vend, peddle, store, display, place or solicit orders for sales or distribution of any merchandise, equipment, device, service, periodical, book, pamphlet or other matter whatsoever.

(ii) Exhibit any sign, placard, banner, notice or other written material; distribute any circular, booklet, handbill, placard, or other material; solicit signatures or registration for membership in any organization, group or association or contribution for any purpose; parade, rally, patrol, picket, demonstrate, or engage in any conduct that might tend to interfere with or impede the use of any of the common areas by any person entitled to use the same, create a disturbance, attract attention or harass, annoy, disparage or be detrimental to the interest of any of the retail establishments within the Center.

(iii) Throw, discard, or deposit any paper, glass or extraneous matter of any kind, except in designated receptacles, or create litter or hazards of any kind.

(iv) Use any sound-making device of any kind or create or produce in any manner noise or sound that is annoying, unpleasant, or distasteful to occupants or invitees.

(vi) Deface, damage or demolish any sign, light standard or fixture, landscaping material or other improvements within the Center, or the property of customers, business invitees or employees situated within the Center.

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The listing of specific items as being prohibited is not intended to be exclusive, but to indicate in general the manner in which the right to use the common areas solely as a means of access and convenience in shopping at the establishments in the Center is limited and controlled.

3. Prohibited Operations and Nuisances.

No use or operation will be made, conducted or permitted on any part of the Center site, which use or operation is clearly objectionable to the development or operation of the Center. Included among the uses or operations which are objectionable are uses or operations which produce or are accompanied by the following characteristics, which list is not intended to be all inclusive:

(a) Any noise, litter, dust, dirt, odor or other activity which may constitute a public or private nuisance;

(b) Any unusual firing, explosive or other damaging or dangerous hazards (including the storage, display or sale of explosives or fireworks);

(c) Any trailer court, mobile home park, labor camp, junkyard, stockyard or animal raising;

(d) The sale, distribution or growth of marijuana.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: _____

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By and Between

Strauss Family Trust UDT 6/5/92
dba. M.C. Strauss Company

3770 A

as Lessor

and

Paul G. Konkle, Jr. and Belinda D. Shaffer, as husband and wife
dba: British Auto Repair

as Lessee

at Sports Arena Business Park
3770 Hancock Street, Suite A
San Diego, CA 92110

Dated for Reference Purposes
As of
June 3, 2013

Standard Commercial Multi-Tenant Lease

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Standard Commercial Multi-Tenant Lease

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STANDARD INDUSTRIAL/ COMMERCIAL
MULTI-TENANT LEASE—GROSS
AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

1. **Basic Provisions ("Basic Provisions").**

1.1 **Parties:** This Lease (**"Lease"**), dated for reference purposes only June 3, 2013, is made by and between Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company (**"Lessor"**)and Paul G. Konkle, Jr. and Belinda D. Shaffer, as husband and wife, dba: British Auto Repair (**"Lessee"**), (**collectively the "Parties"**, or individually a **"Party"**).

1.2(a) **Premises:** That certain portion of the Project (as defined below), including all Improvements therein or to be provided by Lessor under the terms of this Lease, commonly known by the street address of 3770 Hancock Street, Suite A, located in the City of San Diego, County of San Diego, State of California, with zip code 92110, as outlined on Exhibit A & A-1 attached hereto (**"Premises"**) and generally described as (describe briefly the nature of the Premises): Sport Arena Business Park. The demised premises consists of approx. 2,100 square feet. The property is further described on Exhibit A & A.1. In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Areas (as defined in Paragraph 2.7 below) as hereinafter specified, but shall not have any rights to the roof, exterior walls or utility raceways of the building containing the Premises (**"Building"**) or to any other buildings in the Project. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the **"Project."** (See also Paragraph 2.)

1.2(b) **Parking:** See Exhibit C item 14 unreserved vehicle parking spaces (**"Unreserved Parking Spaces"**); and (Not applicable) reserved vehicle parking spaces (**"Reserved Parking Spaces"**). (See also Paragraph 2.6)

1.3 **Term:** Three (3) years (**"Original Term"**) commencing July 1, 2013 (**"Commencement Date"**) and ending June 30, 2016 (**"Expiration Date"**). (See also Paragraph 3.) (see Exhibit K)

1.4 **Early Possession:** (Not applicable) (**"Early Possession Date"**). (See also Paragraphs 3.2 and 3.3.)

1.5 **Base Rent:** July 1, 2013 through June 30, 2016 = $1.35psf x 2,100sf= $2,835.00 per month (**"Base Rent"**), payable on the first day of each month commencing July 1, 2013. (See also Paragraph 4.)

θ If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted. See Exhibit F.

1.6 **Lessee's Share of Common Area Operating Expenses:** (Not applicable) percent (___%) (**"Lessee's Share"**).

1.7 **Base Rent and Other Monies paid Upon Execution:**

(a) Base Rent: $ 2,835.00 for the period July 1, 2013 through July 31, 2013.

(b) Common Area Operating Expenses: $ *does not apply for the period *does not apply.

(c) Security Deposit: $2,910.00 (**"Security Deposit"**). (See also Paragraph 5.)

(d) Other: $75.00 per month for monthly water/sewer fees (see Exhibit C, Item #4).

(e) Other: $70.00 for credit report.

(f) Total Due Upon Execution of this Lease: $ 5,890.00(payment must be in certified funds).

1.8 **Agreed Use:** automotive repair and for no other purpose or use. See Exhibit H. (See also Paragraph 6.)

1.9 **Insuring Party:** Lessor is the **"Insuring Party"**. (See also Paragraph 8.)

1.10 **Real Estate Brokers:** (See also Paragraph 5).

(a) **Representation:** The following real estate brokers (the **"Brokers"**) and brokerage relationships exist in this transition (check applicable boxes):

θ (Not applicable) represents Lessor exclusively (**"Lessor's Broker"**);

θ (Not applicable) represents Lessee exclusively (**"Lessee's Broker"**); or

θ (Not applicable) represents both Lessor and Lessee (**"Dual Agency"**).

(b) **Payment to Brokers:** Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Brokers the brokerage fee agreed to in a separate written agreement (or if there is no such agreement, the sum of (N/A) or _____% of the total Base Rent for the brokerage services rendered by the Brokers).

1.11 **Guarantor.** The obligations of the Lessee under this Lease are to be guaranteed by (Lessee by signing is acting as a Guarantor) (See Exhibits J and J.1) (**"Guarantor"**). (See also Paragraph 37.)

1.12 **Addenda and Exhibits:** Attached hereto is an Addendum or Addenda consisting of Paragraphs ___ through ___ and Exhibits A through N, all of which constitute a part of this lease.

2. **Premises.**

2.1 **Letting.** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of size set forth in this Lease, or that may have been used in calculating Rent, is an approximation which the Parties agree is reasonable and any payments based thereon are not subject to revision whether or not the actual size is more or less.

2.2 **Condition.** Lessee shall accept that portion of the Premises contained within the Building (**"Unit"**) in its as is, where is condition with no warranty by Lessor.

2.3 **Compliance.** INTENTIONALLY DELETED

2.4 **Acknowledgements.** Lessee acknowledges that: (a) it has been advised by Lessor and/or Brokers to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler Systems, security, environmental aspects, and compliance with Applicable Requirements and the Americans with Disabilities Act), and their suitability for Lessee's intended use, (b) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefore as the same relate to its occupancy of the Premises, and (c) neither Lessor, Lessor's Agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (ii) it is Lessor's sole responsibility to investigate the financial capability and/or suitability of all proposed tenants. (See Exhibit D)

2.5 **Lessee as Prior Owner/Occupant.** The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the Start Date Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.

2.6 **Vehicle Parking.** Lessee shall be entitled to use the number of Unreserved Parking Spaces and Reserved Parking Spaces specified in Paragraph 1.2(b) on those portions of the Common Areas designated from time to time by Lessor for parking. Lessee shall not use more parking spaces than said number. Said parking spaces shall be used for parking by vehicles no larger than full-size passenger automobiles or pick-up trucks, herein called **"Permitted Size Vehicles."** Lessor may regulate the loading and unloading of vehicles by adopting Rules and Regulations as provided in Paragraph 2.9. No vehicles other than Permitted Size Vehicles may be parked in the Common Area without the prior written permission of Lessor.

(a) Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, contractors or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.

(b) Lessee shall not service or store any vehicles in the Common Areas.

(c) If Lessee permits or allows any of the prohibited activities described in this Paragraph 2.6, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.7 **Common Areas—Definition.** The term **"Common Areas"** is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Project and interior utility raceways and installations within the Unit that are provided and designated by the Lessor from time to time for the general non-exclusive use of Lessor, Lessee and other tenants of the Project and their respective employees, suppliers, shippers, customers, contractors and invitees, including parking areas, loading and unloading areas, trash areas, roadways, walkways, driveways and landscaped areas.

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2.8 **Common Areas—Lessee's Rights.** Lessor grants to Lessee, for the benefit of Lessee and its employees, suppliers, shippers, contractors, customers and invitees, during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Lessor under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Project. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Lessor or Lessor's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.9 **Common Areas—Rules and Regulations.** Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to establish, modify, amend and enforce reasonable rules and regulations **("Rules and Regulations")** for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Project and their invitees. Lessee agrees to abide by and conform to all such Rules and Regulations, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessor shall not be responsible to Lessee for the non-compliance with said Rules and Regulations by other tenants of the Project.

2.10 **Common Areas—Changes.** Lessor shall have the right, in Lessor's sole discretion, from time to time:

(a) To make changes to the Common Areas, including, without limitation, changes in the location, size, shape and number of driveways, entrances, parking spaces, Parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways;

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;

(c) To designate other land outside the boundaries of the Project to be a part of the Common Areas;

(d) To add additional buildings and improvements to the Common Areas;

(e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Project, or any portion thereof; and

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Project as Lessor may, in the exercise of sound business judgment, deem to be appropriate.

3. **Term.**

3.1 **Term.** The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3. (see Exhibit C #2)

3.2 **Early Possession.** If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early possession. All other terms of this Lease (including but not limited to the obligations to pay Lessee's Share of Common Area Operating Expenses, Real Property taxes and insurance premiums and to maintain the Premises) shall, however, be in effect during such period. Any such early possession shall not affect the Expiration Date. (See Exhibit C # 1)

3.3 **Delay In Possession.** Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession as agreed, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until it receives possession of the Premises. If possession is not delivered within 60 days after the Commencement Date, Lessee may, at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10 day period, Lessee's right to cancel shall terminate. Except as otherwise provided, if possession is not tendered to Lessee by the Start Date and Lessee does not terminate this Lease, as aforesaid, any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession of the Premises is not delivered within 4 months after the Commencement Date, this Lease shall terminate, unless other agreements are reached between Lessor and Lessee, in writing. (See Exhibit C #12)

3.4 **Lessee Compliance.** Lessor shall not be required to tender possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of insurance (Paragraph 8.5). Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.

4. **Rent.**

4.1 **Rent Defined.** All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit) are deemed to be rent **("Rent")**.

4.2 **Common Area Operating Expenses.** INTENTIONALLY DELETED

(a) **"Common Area operating Expenses"** are defined, for purposes of this Lease, as all costs incurred by Lessor relating to the ownership and operation of the Project, including, but not limited to, the following:

(i) The operation, repair and maintenance, in neat, clean, good order and condition, but not the replacement (see subparagraph (e)), of the following:

(aa) The Common Areas and Common Area improvements, including parking areas, loading and unloading areas, trash areas, roadways, parkways, walkways, driveways, landscaped areas, bumpers, irrigation systems, Common Area lighting facilities, fences and gates, elevators, roofs, and roof drainage systems.

(bb) Exterior signs and any tenant directories.

(cc) Any fire sprinkler systems.

(ii) The cost of water, gas, electricity and telephone to service the Common Areas and any utilities not separately metered.

(iii) Trash disposal, pest control services, property management, security services, and the costs of any environmental inspections.

(iv) Reserves set aside for maintenance and repair of Common Areas.

(v) Any increase above the Base Real Property Taxes (as defined in Paragraph 10).

(vi) Any "Insurance Cost Increase" (as defined in Paragraph 8).

(vii) Any deductible portion of an insured loss concerning the Building or the Common Areas.

(viii) The cost of any Capital Expenditure to the Building or the Project not covered under the provisions of Paragraph 2.3 provided; however, that Lessor shall allocate the cost of any such Capital Expenditure over a 12 year period and Lessee shall not be required to pay more than Lessee's Share of 1/144th of the cost of such Capital Expenditure in any given month.

(ix) Any other services to be provided by Lessor that are stated elsewhere in this Lease to be a Common Area Operating Expense.

(b) Any Common Area Operating Expenses and Real Property Taxes that are specifically attributable to the Unit, the Building or to any other building in the Project or to the operation, repair and maintenance thereof, shall be allocated entirely to such Unit, Building, or other building. However, any Common Area Operating Expenses and Real Property Taxes, that are not specifically attributable to the Building or to any other building or to the operation, repair and maintenance thereof, shall be equitably allocated by Lessor to all buildings in the Project. (See Exhibit C, Items 3 & 4.)

(c) The inclusion of the improvements, facilities and services set forth in Subparagraph 4.2(a) shall not be deemed to impose an obligation upon Lessor to either have said improvements or facilities or to provide those services unless the Project already has the same, Lessor already provides the services, or Lessor has agreed elsewhere in this Lease to provide the same or some of them.

(d) INTENTIONALLY DELETED

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(e) When a capital component such as the roof, foundations, exterior walls or a Common Area capital improvement, such as the parking lot paving, elevators, fences, etc. requires replacement, rather than repair or maintenance, Lessor shall, at Lessor's expense, be responsible for such replacement. Such expenses and/or costs are not Common Area Operating Expenses.

4.3 **Payment.** Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States, without offset or deduction (except as specifically permitted in this Lease), on or before the day on which it is due. Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a Waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating. In the event that any check, draft, or other instrument of payment given by Lessee to Lessor is dishonored for any reason, Lessee agrees to pay to Lessor the sum of $25.

5. **Security Deposit.** Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease. Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of the Security Deposit, Lessee shall within 10 days after written request therefore deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sub lessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, in Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within 14 days after the expiration or termination of this Lease, if Lessor elects to apply the Security Deposit only to unpaid Rent, and otherwise within 30 days after the Premises have been vacated pursuant to Paragraph 7.4(c) below, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease.

6. **Use.**

6.1 **Use.** Lessee shall use and occupy the Premises only for the Agreed Use and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties. (See Exhibit C, Item 5.)

6.2 **Hazardous Substances.**

(a) **Reportable Uses Require Consent.** The term **"Hazardous Substance"** as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either; (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, by-products or fractions thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee's expense) with all Applicable Requirements. **"Reportable Use"** shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefore. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability; including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit.

(b) **Duty to Inform Lessor.** If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(c) **Lessee Remediation.** Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) **Lessee Indemnification.** Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, or any Third party (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from areas outside of the Project). Lessee's obligations shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

(e) **Lessor Indemnification.** Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which existed as a result of Hazardous Substances on the Premises prior to the Start Date or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

(f) **Investigations and Remediations.** Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to the Start Date, unless such remediation measure is required as a result of Lessee's use (including "Alterations," as defined in Paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessor's investigative and remedial responsibilities.

(g) **Lessor Termination Option.** If a Hazardous Substance Condition (see Paragraph 9.1(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to remediate such condition exceeds 12 times the then monthly Base Rent or $100,000, whichever is greater, give written notice to Lessee, within 30 days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Lessor elects to give a termination notice,

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Lessee may, within 10 days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to 12 times the then monthly Base Rent or $100,000, whichever is greater. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation, as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

6.3 **Lessee's Compliance with Applicable Requirements.** Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the Premises, without regard to whether said requirements are now in effect or become effective after the Start Date. Lessee shall, within 10 days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements.

6.4 **Inspection Compliance.** Lessor and Lessor's **"Lender"** (as defined in Paragraph 30) and consultants shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a contamination is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination.

7. **Maintenance; Repairs, Utility Installations; Trade Fixtures and Alterations.**

7.1 **Lessee's Obligations.**

(a) In **General.** Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance), 6.3 (Lessee's Compliance with Applicable Requirements), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole expense, keep the Premises, Utility Installations (intended for Lessee's exclusive use, no matter where located), and Alterations in good order, condition and repair (whether or not the portion of the Premises requiring repairs, or the means or repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, but not limited to, all equipment or facilities, such as plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fixtures, interior walls, interior surfaces of exterior walls, ceilings, floors, windows, doors, plate glass, and skylights but excluding any items which are the responsibility of Lessor pursuant to Paragraph 7.2. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Paragraph 7.1(b) below. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair. (See Exhibit C, Item 6.)

(b) **Service Contracts.** Lessee shall, at Lessee's sole expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in the maintenance of the following equipment and improvements, if any, if and when installed on the Premises: (i) HVAC equipment, (ii) boiler and pressure vessels, (iii) clarifiers, and (iv) any other equipment, if reasonably required by Lessor. However, Lessor reserves the right, upon notice to Lessee, to procure and maintain any or all of such service contracts, and if Lessor so elects, Lessee shall reimburse Lessor, upon demand, for the cost thereof.

(c) **Failure to Perform.** If Lessee fails to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after 10 days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, and Lessee shall promptly reimburse Lessor for the cost thereof.

(d) **Replacement.** Subject to Lessee's indemnification of Lessor as set forth in Paragraph 8.7 below, and without relieving Lessee of liability resulting from Lessee's failure to exercise and perform good maintenance practices, if an item described in Paragraph 7.1(b) cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such item, then such item shall be replaced by Lessor, and the cost thereof shall be prorated between the Parties and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease, on the date on which Base Rent is due, an amount equal to the product of multiplying the cost of such replacement by a fraction, the numerator of which is one, and the denominator of which is 144 (ie. 1/144th of the cost per month). Lessee shall pay interest on the unamortized balance at a rate that is commercially reasonable in the judgment of Lessor's accountants. Lessee may, however, prepay its obligation at any time.

7.2 **Lessor's Obligations.** Subject to the Provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 4.2 (Common Area Operating Expenses), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler system, Common Area fire alarm and/or smoke detection systems, fire hydrants, parking lots, walkways, parkways, driveways, landscaping, fences, signs and utility systems serving the Common Areas and all parts thereof, as well as providing the services for which there is a Common Area Operating Expense pursuant to Paragraph 4.2. Lessor shall not be obligated to paint the exterior or interior surfaces of exterior walls nor shall Lessor be obligated to maintain, repair or replace windows, doors or plate glass of the Premises. Lessee expressly waives the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease

7.3 **Utility Installations; Trade Fixtures; Alterations.**

(a) **Definitions.** The term **"Utility Installations"** refers to all floor and window coverings, air lines, power panels, electrical distribution, security and fire protection systems, communication systems, lighting fixtures, HVAC equipment, plumbing, and fencing in or on the Premises. The term **"Trade Fixtures"** shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term **"Alterations"** shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. **"Lessee Owned Alterations and/or Utility Installations"** are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a).

(b) **Consent.** Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, and the cumulative cost thereof during this Lease as extended does not exceed a sum equal to 3 month's Base Rent in the aggregate or a sum equal to one month's Base Rent in any one year. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor.

(c) **Indemnification.** Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or material men's lien against the Premises or any interest therein. Lessee shall give Lessor not less than 10 days notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee

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shall furnish a surety bond in an amount equal to 150% of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys' fees and costs.

7.4 **Ownership; Removal; Surrender; and Restoration.**

(a) **Ownership.** Subject to Lessor's right to require removal or elect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

(b) **Removal.** By delivery to Lessee of written notice from Lessor not earlier than 90 and not later than 30 days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent.

(c) **Surrender; Restoration.** Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing, if this Lease is for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures, Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall also completely remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Project) even if such removal would require Lessee to perform or pay for work that exceeds statutory requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below. (See Exhibit C, Item 7.)

8. **Insurance Indemnity.**

8.1 **Payment of Premium Increases.**

(a) As used herein, the term **"Insurance Cost Increase"** is defined as any increase in the actual cost of the insurance applicable to the Building and/or the Project and required to be carried by Lessor, pursuant to Paragraphs 8.2(b), 8.3(a) and 8.3(b) (**"Required Insurance"**), over and above the Base Premium, as hereinafter defined, calculated on an annual basis. Insurance Cost Increase shall include, but not be limited to, requirements of the holder of a mortgage or deed of trust covering the Premises, Building and/or Project, increased valuation of the Premises, Building and/or Project, and/or a general premium rate increase. The term Insurance Cost Increase shall not, however, include any premium increases resulting from the nature of the occupancy of any other tenant of the Building. If the parties insert a dollar amount in Paragraph 1.9, such amount shall be considered the **"Base Premium."** The Base Premium shall be the annual premium applicable to the 12 month period immediately preceding the Start Date. If, however, the Project was not insured for the entirety of such 12 month period, then the Base Premium shall be the lowest annual premium reasonably obtainable for the Required Insurance as of the Start Date, assuming the most nominal use possible of the Building. In no event, however, shall Lessee be responsible for any portion of the premium cost attributable to liability insurance coverage in excess of $2,000,000 procured under Paragraph 8.2(b).

(b) INTENTIONALLY DELETED

8.2 **Liability Insurance.**

(a) **Carried by Lessee.** Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $1,000,000 per occurrence with an annual aggregate of not less than $2,000,000, an "Additional Insured-Managers or Lessor's of Premises Endorsement" and contain the "Amendment of the Pollution Exclusion Endorsement" for damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "Insured Contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance carried by Lessee shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only. (See Exhibit C, Item 8.)

(b) **Carried by Lessor.** Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 **Property Insurance – Building, Improvements and Rental Value.**

(a) **Building and Improvements.** Lessor shall obtain and keep in force a policy or policies of insurance in the name of Lessor, with loss Payable to Lessor, any ground-lessor, and to any Lender insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full replacement cost of the Premises, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available insurable value thereof. Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee under Paragraph 8.4. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed $1,000 per occurrence.

(b) **Rental Value.** Lessor shall also obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one year with an extended period of indemnity for an additional 180 days ("Rental Value Insurance"). Said insurance shall contain an agreed valuation provision, in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next 12 month perio d.

(c) **Adjacent Premises.** Lessee shall pay for any increase in the premiums for the property insurance of the Building and for the Common Areas or other buildings in the Project if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(d) **Lessee's Improvements.** Since Lessor is the Insuring Party, Lessor shall not be required to insure Lessee Owned Alterations and Utility Installations unless the item in question has become the property of Lessor under the terms of this Lease.

8.4 **Lessee's Property; Business Interruption Insurance.**

(a) **Property Damage.** Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures, and Lessee Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed $1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of Personal Property, Trade Fixtures and Lessee Owned Alterations and Utility Installations. Lessee shall provide Lessor with written evidence that such insurance in force.

(b) **Business Interruption.** Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all Perils commonly insured against by prudent Lessee's in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

(c) **No Representation of Adequate Coverage.** Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.

8.5 **Insurance Policies.** Insurance required herein shall be by companies duly licensed or admitted to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B+, V, as set forth in the most current issue of "Best's Insurance Guide," or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates evidencing the existence and amounts of the required insurance. No such policy shall be cancelable

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or subject to modification except after 30 days prior written notice to Lessor. Lessee shall, at least 30 days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same.

8.6 **Waiver of Subrogation.** Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation, that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 **Indemnity.** Except for Lessor's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified.

8.8 **Exemption of Lessor from Liability.** Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the Building, or from other sources or places. Lessor shall not be liable for any damages arising from any act or neglect of any other tenant of Lessor nor from the failure of Lessor to enforce the provisions of any other lease in the Project. Notwithstanding Lessor's negligence or breach of this Lease, Lessor shall under no circumstances be liable for injury to Lessee's business or for any loss of income or profit there from.

9. **Damage or Destruction.**

9.1 Definitions.

(a) **"Premises Partial Damage"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which can reasonably be repaired in 3 months or less from the date of the damage or destruction, and the cost thereof does not exceed a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(b) **"Premises Total Destruction"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which cannot reasonably be repaired in 3 months or less from the date of the damage or destruction and/or the cost thereof exceeds a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) **"Insured Loss"** shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

(d) **"Replacement Cost"** shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) **"Hazardous Substance Condition"** shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises.

9.2 **Partial Damage – Insured Loss.** If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is $5,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the insuring Party shall promptly contribute the shortage in proceeds as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said 10 day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 **Partial Damage – Uninsured Loss.** If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective 60 days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 **Total Destruction.** Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate 60 days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6

9.5 **Damage Near End of Term.** If at any time during the last 6 months of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective 60 days following the date of occurrence of such damage by giving a written termination notice to Lessee within 30 days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is 10 days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished.

9.6 **Abatement of Rent; Lessee's Remedies.**

(a) **Abatement.** In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from the Rental Value Insurance. All other obligations of Lessee hereunder shall be

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performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) **Remedies.** If Lessor shall be obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within 90 days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than 60 days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within 30 days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such 30 days, this Lease shall continue in full force and effect. "Commence" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 **Termination; Advance Payments.** Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

9.8 **Waive Statutes.** Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith.

10. Real Property Taxes.

10.1 **Definitions.**

(a) **"Real Property Taxes."** As used herein, the term **"Real Property Taxes"** shall include a form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Project, Lessor's right to other income there from, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Project address and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Project is located. The term "Real Property Taxes" shall also include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Project or any portion thereof or a change in the improvements thereon.

(b) **"Base Real Property Taxes."** As used herein, the term **"Base Real Property Taxes"** shall be the amount of Real Property Taxes, which are assessed against the Premises, Building, Project or Common Areas in the calendar year during which the Lease is executed. In calculating Real Property Taxes for any calendar year, the Real Property Taxes for any real estate tax year shall be included in the calculation of Real Property Taxes for such calendar year based upon the number of days which such calendar year and tax year have in common.

10.2 **Payment of Taxes.** Lessor shall pay the Real Property Taxes applicable to the Project, and except as otherwise provided in Paragraph 10.3, any increases in such amounts over the Base Real Property Taxes shall be included in the calculation of Common Area Operating Expenses in accordance with the provisions of Paragraph 4.2.

10.3 **Additional Improvements.** Common Area Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Project by other Lessee's or by Lessor for the exclusive enjoyment of such other lessees. Notwithstanding Paragraph 10.2 hereof, Lessee shall, however, pay to Lessor at the time Common Area Operating Expenses are payable under Paragraph 4.2, the entirety of any increase in Real Property Taxes if assessed solely by reason of Alterations, Trade Fixtures or Utility Installations placed upon the Premises by Lessee or at Lessee's request.

10.4 **Joint Assessment.** If the Building is not separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.5 **Personal Property Taxes.** Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within 10 days after receipt of a written statement getting forth the taxes applicable to Lessee's property.

11. Utilities. Lessee shall pay for all water, gas, heat, light, power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. Notwithstanding the provisions of Paragraph 4.2, if at any time in Lessor's sole judgment, Lessor determines that Lessee is using a disproportionate amount of water, electricity or other commonly metered utilities, or that Lessee is generating such a large volume of trash as to require an increase in the size of the dumpster and/or an increase in the number of times per month that the dumpster is emptied, then Lessor may increase Lessee's Base Rent by an amount equal to such increased costs.

12. Assignment and Subletting. (see Exhibit C #9)

12.1 **Lessor's Consent Required.**

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, **"assign or assignment"**) or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent.

(b) A change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of 25% or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than 25% of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. **"Net Worth of Lessee"** shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.

(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a noncurable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, (i) the Purchase Price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to 110% of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

12.2 **Terms and Conditions Applicable to Assignment and Subletting.**

(a) Regardless of Lessor's consent, any assignment or subletting shall not: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) after the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or

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sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefore to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of $1,000 or 10% of the current monthly Base Rent applicable to the portion of the Premises which is the subject of the proposed assignment or sublease, whichever is greater, as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested.

(f) Any assignee of, or sublessee under, this lease shall, by reason of accepting such assignment or entering into such sublease, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

12.3 **Additional Terms and Conditions Applicable to Subletting.** The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. **Default; Breach; Remedies.**

13.1 **Default; Breach.** A **"Default"** is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A **"Breach"** is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or Property, where such failure continues for a period of 3 business days following written notice to Lessee.

(c) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 41 (easements), or (viii) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Lessee.

(d) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 2.9 hereof, other than those described in subparagraphs 13.1(a), (b) or (c), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

(e) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a **"debtor"** as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(f) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.

(g) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 **Remedies.** If Lessee fails to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. The costs and expenses of any such performance by Lessor shall be due and payable by Lessee upon receipt of invoice therefor. If any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor, at its option, may require all future payments to be made by Lessee to be by cashier's check. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result there from, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease

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applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover damages under Paragraph 12. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 **Inducement Recapture.** Any agreement for free or abated rent or other charges, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as **"Inducement Provisions,"** shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and condition, of this Lease. Upon Breach of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance. (See Exhibit C #16)

13.4 **Late Charges.** Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within 5 days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a one-time late charge equal to 10% of each such overdue amount or $100, whichever is greater. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment. acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for 3 consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 **Interest.** Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due as to scheduled payments (such as Base Rent) or within 30 days following the date on which it was due for non-scheduled payment, shall bear interest from the date when due, as to scheduled payments, or the 31st day after it was due as to non-scheduled payments. The interest **("Interest")** charged shall be equal to the prime rate reported in the Wall Street Journal as published closest prior to the date when due plus 4%, but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 **Breach by Lessor.**

(a) **Notice of Breach.** Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than 30 days after receipt by Lessor, and any Lender whose name and address shall have been furnished Lessee in writing for such Purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than 30 days are reasonably required for its Performance, then Lessor shall not be in breach of Performance is commenced within such 30 day period and thereafter diligently pursued to completion.

(b) **Performance by Lessee on Behalf of Lessor.** In the event that neither Lessor nor Lender cures said breach within 30 days after receipt of said notice, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from Rent an amount equal to the greater of one Base Rent of the Security Deposit, and to pay an excess of such expense under protest, reserving Lessee's right to reimbursement from Lessor. Lessee shall document the cost of said cure and supply said documentation to Lessor.

14. **Condemnation.** If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively **"Condemnation"**) this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs first. If more than 10% of the floor area of the Unit, or more than 25% of Lessee's Reserved Parking Spaces, is taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within 10 days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within 10 days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided however, that Lessee shall be entitled to any compensation for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefore. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation.

15. **Brokerage Fees.** (see Exhibit C #10)

15.1 **Additional Commission.** In addition to the payments owed pursuant to Paragraph 1.10 above, and unless Lessor and the Brokers Otherwise agree in writing, Lessor agrees that: (a) if Lessee exercises any Option, (b) if Lessee acquires from Lessor any rights to the Premises or other premises owned by Lessor and located within the Project, (c) if Lessee remains in Possession of the Premises, with the consent of Lessor, after the expiration of this Lease or (d) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then, Lessor shall pay Brokers a fee in accordance with the schedule of the Brokers in effect at the time of the execution of this Lease.

15.2 **Assumption of Obligations.** Any buyer or transferee of Lessor's interest in this Lease shall be deemed to have assumed Lessor's obligation hereunder. Brokers shall be third party beneficiaries of the provisions of Paragraphs 1.10, 15, 22 and 31. If Lessor fails to pay to Brokers any amounts due as and for brokerage fees pertaining to this Lease when due, then such amounts shall accrue Interest. In addition, if Lessor fails to pay any amounts to Lessee's Broker when due, Lessee's Broker may send written notice to Lessor and Lessee of such failure and if Lessor fails to pay such amounts within 10 days after said notice, Lessee shall pay said monies to its Broker and offset such amounts against Rent. In addition, Lessee's Broker shall be deemed to be a third party beneficiary of any commission agreement entered into by and/or between Lessor and Lessor's Broker for the limited purpose of collecting any brokerage fee owed.

15.3 **Representations and Indemnities of Broker Relationships.** Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any) in connection with this Lease, and that no one other than said named Brokers is entitled to any commission or finder's fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges

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which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

16. **Estoppel Certificates.**

(a) Each Party (as **"Responding Party"**) shall within 10 days after written notice from the other Party (the **"Requesting Party"**) execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current **"Estoppel Certificate"** form published by the American Industrial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

(b) If the Responding Party shall fail to execute or deliver the Estoppel Certificate within such 10 day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance. Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate.

(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past 3 years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. **Definition of Lessor.** The term **"Lessor"** as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Except as provided in Paragraph 15, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined. Notwithstanding the above, and subject to the provisions of Paragraph 20 below, the original Lessor under this Lease, and all subsequent holders of the Lessor's interest in this Lease shall remain liable and responsible with regard to the potential duties and liabilities of Lessor pertaining to Hazardous Substances as outlined in Paragraph 6.2 above.

18. **Severability.** The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. **Days.** Unless otherwise specifically indicated to the contrary, the word **"days"** as used in this Lease shall mean and refer to calendar days.

20. **Limitation on Liability.** Subject to the provisions of Paragraph 17 above, the obligations of Lessor under this Lease shall not constitute personal obligations of Lessor, the individual partners of Lessor or its or their individual partners, directors, officers or shareholders, and Lessee shall look to the Premises, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with respect to this Lease, and shall not seek recourse against the individual partners of Lessor, or its or their individual partners, directors, officers or shareholders, or any of their personal assets for such satisfaction.

21. **Time of Essence.** Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

22. **No Prior or Other Agreements; Broker Disclaimer.** This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the use, nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees), of any Broker with respect to negotiation, execution, delivery or performance by either Lessor or Lessee under this Lease or any amendment or modification hereto shall be limited to an amount up to the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

23. **Notices.**

23.1 **Notice Requirements.** All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may, by written notice to the other, specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing.

23.2 **Date of Notice.** Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 48 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices transmitted by facsimile transmission or similar means shall be deemed delivered upon telephone confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

24. **Waivers.** No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of monies or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

25. **Disclosures Regarding The Nature of a Real Estate Agency Relationship.**

(a) When entering into a discussion with a real estate agent regarding a real estate transaction, a Lessor or Lessee should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Lessor and Lessee acknowledge being advised by the Brokers in this transaction, as follows:

(i) Lessor's Agent. A Lessor's agent under a listing agreement with the Lessor acts as the agent for the Lessor only. A Lessor's agent or subagent has the following affirmative obligations: To the Lessor: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessor. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(ii) Lessee's Agent. An agent can agree to act as agent for the Lessee only. In these situations, the agent is not the Lessor's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Lessor. An agent acting only for a Lessee has the following affirmative obligations. To the Lessee: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessee. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that not known to, or within the diligent attention and observation of the

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Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(iii) Agent Representing Both Lessor and Lessee. A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Lessor and the Lessee in a transaction, but only with the knowledge and consent of both the Lessor and the Lessee. In a dual agency situation, the agent has the following affirmative obligations to both the Lessor and the Lessee: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Lessor or the Lessee. b. Other duties to the Lessor and the Lessee as stated above in subparagraphs (i) or (ii). In representing both Lessor and Lessee, the agent may not without the express permission of the respective Party, disclose to the other Party that the Lessor will accept rent in an amount less than that indicated in the listing or that the Lessee is willing to pay a higher rent than that offered. The above duties of the agent in a real estate transaction do not relieve a Lessor or Lessee from the responsibility to protect their own interests. Lessor and Lessee should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

(b) Brokers have no responsibility with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees), of any Broker with respect to any breach of duty, error or omission relating to this Lease shall not exceed the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

(c) Buyer and Seller agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

26. **No Right To Holdover.** Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 150% of the Base Rent applicable immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

27. **Cumulative Remedies.** No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. **Covenants and Conditions; Construction of Agreement.** All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

29. **Binding Effect; Choice of Law.** This Lease shall be binding upon the parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. **Subordination; Attornment; Non-Disturbance.**

30.1 **Subordination.** This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, **"Security Device"**), now or hereafter placed upon the Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as **"Lender"**) shall have no liability or obligation to perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to Lessee, whereupon this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 **Attornment.** Subject to the non-disturbance provisions of Paragraph 30.3, Lessee agrees to attorn to a Lender or any other party who acquires ownership of the Premises by reason of a foreclosure of a Security Device, and that in the event of such foreclosure, such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (b) be subject to any offsets or defenses which Lessee might have against any prior lessor, (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor.

30.3 **Non-Disturbance.** With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a **"Non-Disturbance Agreement"**) from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within 60 days after the execution of this Lease, Lessor shall use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to provide the Non-Disturbance Agreement within said 60 days, then Lessee may, at Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 **Self-Executing.** The agreements contained in this Paragraph 30 shall be effective without the execution or any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

31. **Attorneys' Fees.** If any Party or Broker brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, **"Prevailing Party"** shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgement, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach ($200 is a reasonable minimum per occurrence for such services and consultation). (see Exhibit C #15)

32. **Lessor's Access; Showing Premises; Repairs.** Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times for the purpose of showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary. All such activities shall be without abatement of rent or liability to Lessee. Lessor may at any time place on the Premises any Ordinary **"For Sale"** signs and Lessor may during the last 6 months of the term hereof place on the Premises any ordinary **"For Lease"** signs. Lessee may at any time place on the Premises any ordinary **"For Sublease"** sign.

33. **Auctions.** Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessor's prior written consent. Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

34. **Signs.** Except for ordinary "For Sublease" signs which may be placed only on the Premises, Lessee shall not place any sign upon the Project without Lessor's prior written consent. All signs must comply with all Applicable Requirements. (see Exhibit G)

35. **Termination; Merger.** Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subtenancies. Lessor's failure within 10 days following any such event to elect to the contrary by written notice to the holder of any such lesser interest shall constitute Lessor's election to have such event constitute the termination of such interest.

36. **Consents.** Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an invoice and supporting documentation therefor. Lessor's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists,

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nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within 10 business days following such request.

37. **Guarantor.**

37.1 **Execution.** The Guarantors, if any, shall each execute a guaranty in the form most recently published by the American Industrial Real Estate Association, and each such Guarantor shall have the same obligations as Lessee under this Lease.

37.2 **Default.** It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantors behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect.

38. **Quiet Possession.** Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. **Options.** If Lessee is granted an option, as defined below, then the following provisions shall apply. (see Exhibit L, if any)

39.1 **Definition. "Option"** shall mean: (a) the right to extend the term of or renew this Lease or to extend or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Premises or other property of Lessor; (c) the right to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 **Options Personal To Original Lessee.** Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting.

39.3 **Multiple Options.** In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised

39.4 **Effect of Default on Options.**

(a) Lessee shall have no right to exercise an Option; (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), (ii) Lessor gives to Lessee 3 or more notices of separate Default during any 12 month period, whether or not the Defaults are cured, or (iii) if Lessee commits a Breach of this Lease.

40. **Security Measures.** Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

41. **Reservations.** Lessor reserves the right, (i) to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, (ii) to cause the recordation of parcel maps and restrictions, and (iii) to create and/or install new utility raceways, so long as such easements, rights dedications, maps, restrictions, and utility raceways do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate such rights.

42. **Performance Under Protest.** If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make Payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay.

43. **Authority.** If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. Each party shall, within 30 days after request, deliver to the other party satisfactory evidence of such authority.

44. **Conflict.** Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions. (see Exhibit C #13)

45. **Offer.** Preparation of this Lease by either party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

46. **Amendments.** This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

47. **Multiple Parties.** If more than one person or entity is named herein as either Lessor or Lessee, such multiple Parties shall have joint and several responsibility to comply with the terms of this Lease.

48. **Waiver of Jury Trial.** The Parties hereby waive their respective rights to trial by jury in any action or proceeding involving the Property or arising out of this Agreement.

49. **Mediation and Arbitration of Disputes.** An Addendum requiring the Mediation and/or the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease is not attached to this Lease.

[REMAINDER INTENTIONALLY LEFT BLANK]

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LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL, AND TAX CONSEQUENCES OF THIS LEASE.
2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

WARNING: IF THE PREMISES ARE LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES ARE LOCATED.

The parties hereto have executed this lease at the place and on the dates specified above their respective signatures.

Executed at: Solana Beach, CA
on: June 10, 2013

By LESSOR:
Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company

By: M.C. Strauss
Name Printed:
Title: M.C. Strauss, TTEE

Address: 990 Highland Drive #200, Solana Beach, CA 92075
Telephone: (858) 792-7500; Fax: 858-792-7834

Executed at: Santee, CA
on: 6/9/13

By LESSEE:
Paul G. Konkle, Jr., and Belinda D. Shaffer, as husband and wife, dba: British Auto Repair

By:
Name Printed: Paul G. Konkle, Jr.
Title: Owner
Address: 10051 Trigal Way
Santee, CA 92071
Telephone/Fax: ( ) 619-328-0090
SocSec#: 550-15-4429

By: Belinda D. Shaffer
Name Printed: Belinda D. Shaffer
Title:
Address: Same as above
Telephone/Fax: ( )
SocSec#: 500-82-0643

These forms are often modified to meet changing requirements of law and needs of the industry. Always write or call to make sure you are utilizing the most current form: American Industrial Real Estate Association, 700 South Flower Street, Suite 600, Los Angeles, CA 90017. (213) 687-8777.

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TENANTS SHALL FURNISH:

1. Its personal and corporate (if applicable) financial statements.
2. Completed Landlord furnished credit information forms.
3. Letter of reference from Tenant's bank.
4. If a corporation, its duly Authorized Corporate Resolution notifying the Lease. (SEE Exhibit C Item #11)

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EXHIBIT A

LEGAL DESCRIPTION & SITE PLAN

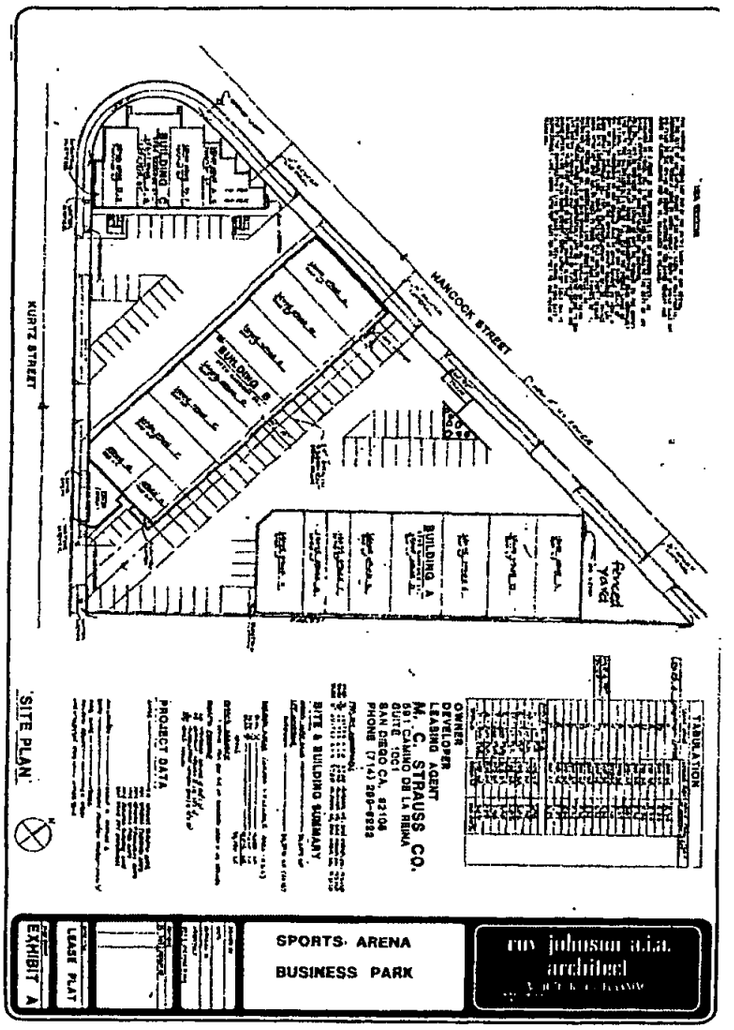


EXHIBIT A

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EXHIBIT A-1 TO LEASE (SUBLEASE)
MINIMUM STANDARD SUBLEASE CONDITIONS

(1) ASSIGNMENT AND SUBLEASING: Sublessee, shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and the City of San Diego, hereinafter, "City." An assignment by operation of law shall automatically terminate this lease.

(2) HOLD HARMLESS: Sublessee shall assume the defense of, indemnify and save harmless Lessee and City from all claims, expenses and liability of every nature, directly or indirectly arising from, or alleged to have arisen from the operations conducted on the leased premises or from any act or omission of Sublessee, its agents and invitees.

(3) INSURANCE: Sublessee shall be insured by an insurance carrier acceptable to the Lessee and City against loss from public liability arising from the use or condition of or operation conducted on the leased premises. Minimum coverage shall be as set forth in Paragraph 16-B hereof. A copy of the policy of insurance shall be filed with the City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or canceled without 30 days prior written notice to the. City by the insurance company,

(4) LEGAL PROCEEDINGS: Should it become necessary to Lessee or City to commence legal Proceedings to collect rent, to recover possessions or enforce any other provision of this lease, Sublessee agrees that the prevailing party shall be entitled to all legal costs in connection therewith, including a reasonable sum as attorney's fees

(5) SUBORDINATION: This agreement is in effect a sublease of a portion of the premises covered by that certain Lease Agreement dated September 13, 1977, as amended between the sublessor herein and the City of San Diego- This sublease is subject and subordinated to the covenants and conditions of said Lease Agreement notwithstanding any provision hereto contrary to or in conflict with said agreement.

(6) The property is subject to a City of San Diego ground lease mentioned hereinabove and lies with in the recently formed North Bay Redevelopment Area. The property will be redeveloped sometime in the future- Accordingly, Landlord and or city at its sole option may terminate this lease at anytime after Dec 1, 2003 with 6 months notice in writing, and without invalidating or superceding any of the rights contained here in this Addendum of the lease or the city land lease agreements there under

LESSOR'S INITIALS

LESSEE'S INITIALS

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EXHIBIT B

DEMISED PREMISES PLAN (IF AVAILABLE)

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Addendum to Commercial/Industrial Multi-Tenant Lease

1. Early Possession: With early move-in of Lessee, Lessee may not interfere with any tenant improvements needed to be done by Lessor. Additionally, M.C. Strauss Company is not responsible for loss, theft, or damage of any of Lessee's property should Lessee desire to move-in prior to commencement of Lease Term.

2. Term Adjustment: If the Commencement Date is other than the first day of a calendar month, the Term shall be deemed to have commenced on the first day of the next succeeding month.

3. Modified Common Area Operating Expenses: Lessor shall pay Tenant's portion of common area maintenance, taxes,and insurance.
   a. "Operating Costs" means all costs reasonably incurred by Lessor in accordance with generally accepted accounting principles, and fairly allocable to the applicable Calendar Year which relate to, or are fairly allocable to, the ownership and operation of the Common Areas. Lessor shall pay tenant's portion of common area maintenance, taxes and insurance.
   b. Periodic painting of the building exterior and common areas shall be included as a common area operating expense. If Lessor undertakes a program of preventive maintenance for the HVAC systems for all of the Tenants per Paragraph 7.1(b), the cost thereby shall be included as a common area expense.
   c. The common area definition shall also include lighting facilities, sewer, water, gas, electric, phone and other utility lines, storm drains, roads and approaches servicing the Center generally; and any other items that Lessor deems necessary and appropriate.
   d. Replacement costs, defined as that which cannot be repaired other than at a cost which is in excess of fifty percent (50%) of the cost of replacing such item, then such item shall be replaced and the cost prorated over sixty (60) months and Tenant shall pay one sixtieth (1/60) of the cost each month of the Lease term and extension thereto.

4. Utilities: Lessee shall pay before delinquency all charges for water, sewer, gas heat, electricity, power, telephone service and all and any other services or utilities used in, upon or about the Demised Premises by Lessee or any of its subtenants, licensees or concessionaries, provided, however, if any such services or utilities shall be billed to Lessor and not separately metered to the Demised Premises the mount thereof shall be prorated and Lessee shall pay to Lessor upon demand as additional rental hereunder an amount equal to that proportion of the total charges therefore which the number of square feet of Gross Floor Area in the Demised Premises bears to the total number of square feet of gross floor area of stores then rented as of the date of the utility bill served in the area and/or buildings covered by such combined charges. With respect to gas and electric service, which is not separately metered, Lessor may, at Lessor's option, in lieu of prorating on the fore-going basis, determine the amount of use of such services by Lessee on the basis of Lessee's estimated usage as determined by the utility company servicing the Demised Premises, or, if such company ceases providing such service, by a qualified electrical contractor selected by Lessor. Water is furnished to the part of the Common Area via as is central meter. Accordingly, Lessee will pay Lessor a flat charge of ___(per Section 1.7 (d))___ a month for its share of the water for its premises. Water charges may be reevaluated and increased by Lessor based on the use of the premises especially due to the number of patrons of and Lessee's business use. Lessor may require a high water user such as a restaurant or beauty parlor to install a separate meter or if the cost is prohibitive, to install an inline meter at Lessee's expense to be able to determine Lessee's fair share for any excess use.

5. Continuous Operations: Lessee shall keep the Demised Premises open for business during all hours customarily maintained by business similar to Lessee's business in the trading area in which the Demised Premises are located. At all such times Lessee shall have upon the Demised Premises a sufficient number of employees and a sufficient stock of merchandise to adequately serve the patrons thereof or render the services offered. A business holiday of more than 30 days of consecutive closing in any one year shall be considered a default.

6. Locks: Should Lessee change the locks on their suite, Lessee must furnish Lessor with a copy of the new key which is for the protection of the Lessee and per the Lease.

7. Vacating Premises: The definition "ordinary wear and tear" shall NOT include such items as carpet cleaning, cleaning, patching and painting necessary to restore Premises to a releasable condition. Additionally, Tenant will be charged for repainting rear access doors, repairing store front doors, rekeying locks to the master system and removing alarm systems or personal property and/or debris, etc, upon Lease termination.

8. Insurance: Lessor's appropriate liability insurance coverage is $3,000,000. Therefore, Paragraph 8.1 and/or Paragraph 8.2 is amended to increase the ceiling to $3,000,000 and Lessee shall reimburse Lessor for its portion accordingly.

9. Assignment and Subletting:
(This is in addition to lease language and prevails in the event of conflict.)

a. Consent to Assignment or Subletting shall not be unreasonably withheld: Subject to a compatible and noncompetitive business use with respect to the other businesses in the Center and sufficient financial statement and credit record of assignee and reasonable experience in conducting the intended business, Lessor's consent to assign or sublet this Lease shall not be unreasonably withheld provided however, that Lease shall not be in default and/or if Lessee shall have, previously breached or otherwise failed to perform under this Lease since its inception, and Lessee did not cure that breach, Lessor, at its sole discretion, may declare this Sub-paragraph null and void. Any increase in rents shall become the property of the Lessor. Any such assignment or subleasing even with the approval of the Lessor, shall not relieve the Lessee from liability for payment of the rental herein provided or from the obligation to keep and be bound by the terms, conditions and covenants of this Lease.

b. Assignment or Transfer to a Corporation: Notwithstanding anything to the contrary set forth herein, Lessee may assign this Lease, without the consent of Lessor, to a corporation or other entity not less than fifty percent (50%) of the voting stock or controlling interest of which is owned by Lessee; provided that Lessee shall at all times remain liable for performance hereunder; and provided, further, that any transfer by Lessee of the controlling stock or interest in such corporation or other entity shall be a prohibited assignment hereunder.

c. Consent to be in writing: Lessee shall not assign, mortgage, pledge, hypothecate or encumber this lease or the leasehold interest created hereby or any interest herein or sublet the Demised Premises or any portion thereof, or license the use of all or any portion of the Demised Premises, without the written consent of Lessor first had and obtained. Without in any way limiting any other rights available to the Lessor at the time of any proposed assignment or subletting, Lessor expressly reserves the right to adjust the Guaranteed Minimum Monthly Rental to an amount derived by multiplying said guaranteed minimum monthly rental times a number equal to the percentage by which the Bureau of Labor Statistics, United States Department of Labor for Los Angeles-Riverside-Orange County under the heading of "All Items" for "All Urban Consumers" for the month in which the date of such assignment or subletting occurs has increased over the same Cost of Living Index figure for the month in which the Commencement Date under this Lease occurs (i.e., if the percentage of such increase is thirty percent (30%), then the guaranteed minimum monthly rental will be multiplied times 130%). Tenant agrees to pay Lessor an administrative fee of $500 and to reimburse Lessor for Lessor's reasonable attorney fees

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incurred in conjunction with the processing and documentation of any such requested transfer, assignment, subletting, licensing or concession agreement

10. Broker's Fee:
    a. All Broker's fees as referred to in the Lease and Lease addendums shall be by separate agreement pursuant to a schedule to be agreed upon by Owner and Broker.
    b. However, it is understood and agreed that no commissions shall be paid on option exercises, or renewals, or expansions that unless at the invitation of the Owner first had obtained in writing.

11. Lessee's Financial Information: Lessee will furnish a credit report and financial statement at its expense, subject to Lessor's approval or reimburse Lessor $35 if Lessor obtains a credit report. Lessee also agrees to deliver to Lessor a resume of its business experience, a copy of its income tax returns for the prior year, a letter of reference from Lessee's bank, and a completed Lessor's "Credit Information" form. The Lease is contingent upon Lessor's review and approval to its sole satisfaction of Lessee's qualifications to lease. Said credit application must include but not be limited to listing specifics of next of kin, closest living relative not living with you, closest non-relative and who to notify in case of emergency.

12. Dispute or Delay: In the event of any dispute between the parties concerning the time of actual completion of Lessor's Work or Lessee's Work or any claimed excuse for delay in performance or non-performance thereof or whether such work has been adequately performed in a good and workmanlike manner and is satisfactory for the use intended, such dispute shall be referred to Lessor's architect whose determination with regard thereto shall be final and conclusive upon the parties.

13. Deletion: Wherever in this Lease a Section or Subsection is preceded by the word "Deleted" or ""Deleted," such Section or Subsection is deleted from this Lease in its entirety and is of no force or effect.

14. Parking: Lessee shall have the right to N/A parking spaces on level N/A at no cost to Lessee for the term of the Lease and any Option Periods. The surface parking is designated for customers and retail tenants only, All employees, visitors, guests of Lessee are not Permitted to use surface parking, but shall park on lower levels A & B of the parking structure, if any.

15. Attorney's Fees: The Lessor is entitled to attorney's fees or costs for the enforcement of the lease regardless of whether an action is filed, said fees and costs to be considered additional rent.

16. Lease Incentives: If Tenant is in default under this Lease at any time during the Term and without limiting the foregoing, if Landlord has given Tenant any lease incentives or other inducements or consideration in connection with this Lease ("Incentives"), including without limitation, any abatement of rent, the unamortized portion of any Tenant Improvement Allowance and/or leasing commissions then the incentives will terminate and Landlord may recover from Tenant the value of all such Incentives received by Tenant in addition to all other damages recoverable by Landlord pursuant to the provisions of this Lease.

17. Confidentiality: Lessee shall keep the content and all copies of this Lease and related documents now or hereafter entered into, and all proposals, materials, information and matters relating thereto, strictly confidential, and shall not disclose, disseminate or distribute any of the same, or permit the same to occur, except to the extent reasonably required for proper business purposes by Lessee's attorneys, insurers, auditors and lenders, and, in such event, Lessee shall obligate any such parties to whom disclosure is permitted to honor the confidentiality provisions hereto, except as may be required by Law or court proceedings.

18. Substitute Premises: Lessor shall have the right from time to time during the term of this lease to relocate the Premises within the Project on the following terms and conditions: (i) the square footage of the substitute premise ("Substitute Premises") are equal to the square footage of the Premises (subject to a variation of up to fifteen percent (15%) in the square footage of the Substitute Premises, provided that the amount of rent payable under this lease is not thereby increased); (ii) Lessor shall pay the cost of providing Lessee Improvements (defined below) in the Substitute Premises substantially comparable to the Tenant Improvements in the Premises; (iii) Lessor shall pay the expenses directly related to and reasonably incurred by Lessee in connection with such relocation to the Substitute Premises; and (iv) Lessor shall not be liable for (a) any loss of business or good will, or (b) any damage to Lessee's Property or other personal property relocated, unless caused by Lessor or it's employees gross negligence or willful misconduct. Lessor shall deliver to Lessee written notices of Lessor's election to relocate the Premises specifying the new location at least thirty (30) days prior to the date the relocation is to be effective. If the relocation of the Premises is unacceptable to Lessee, then Lessee may terminate this lease during a period of thirty (30) days after receipt of Lessor's notice to relocate, by delivering written notice to Lessor within the thirty (30) day period. Such notice of termination shall be effective upon receipt thereof by Lessor. If Lessee elects to terminate this Lease pursuant to this Section, then the parties shall be discharged from all obligations hereunder, other than those that have accrued prior to the actual date of Lessee's termination of this Lease or which specifically survive the termination of this Lease and Lessee shall be granted a reasonable period of tenancy in order to relocate to suitable premises.

[REMAINDER INTENTIONALLY LEFT BLANK]

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A. Lessee is responsible for sending rent payments on the first of the month to:

MC Strauss Company
990 Highland Drive, Suite 200
Solana Beach, CA 92075

B. For any questions or building management problems, call:

MC Strauss Company
990 Highland Drive, Suite 200
Solana Beach, CA 92075
Phone: 858-792-7500; Fax: 858-792-7834

C. Required Personal Data:
Lessee's Home Address: 10651 Tribal Way Santee, CA 92071
Home Phone: 619-378-0188 Home Fax: _____

In case of emergency: Laura Banse
Address: 9431 Pearlwood Rd, Santee, CA 92071
Phone: 619-368-1486 Fax: _____

Next of Kin (Name): Linda S. White
Address: 6624 Hillsdale Blvd, Sacramento, CA 95842
Phone: 916-807-9841 Fax: _____

D. Other: Lessor reserves the right to change the management company and the address to which rent payments shall be made by delivering notice to Lessee in accordance with this Lease.

[REMAINDER INTENTIONALLY LEFT BLANK]

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: _____

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EXHIBIT D

TENANT IMPROVEMENTS AND ACCEPTANCE OF PREMISES

Scope of Lessor's Work

Lessor shall provide Lessee, at the sole cost and expense of Lessor, the following "standard" improvements as follows:

1. Lessor has completed construction of the Demised Premises and Lessee acknowledges that the Demised Premises are being leased in "as is" condition and that Lessee has inspected same and the Demised Premises are in satisfactory condition.

Scope of Lessee's Work

All improvements desired by Lessee, shall be considered "Non-standard" and shall be at the sole cost and expense of Lessee including, but not limited to :

1. Permits, Plans, and supervision for any Tenant improvements.

2. Lessor grants permission to Lessee to install necessary and/or required improvements or modifications, subject to Lessor's prior written approval, to accommodate Lessee's intended business use, at Lessee's sole cost and expense, and in accordance with any and all governmental requirements including the obtaining of any required permits for the Demised Premises and said business.

Perform any and all additional work required to complete the Premises to a condition customary and ready for the normal operation of Lessee's business. Lessee shall be responsible to pay for any additional water, and/or sewer impact fees if imposed due to the nature of Lessee's business or use of Premises.

Within thirty (30) days following the execution of the Lease, Lessee, at Lessee's sole cost and expense, shall deliver to Lessor a fully dimensioned $^{1}/_{4}$-inch scale set of plans. Said plans shall show all storefronts, interior partitions, fixtures, lighting, electrical outlets, plumbing (including fixtures), floor coverings, ceiling and other improvements that Lessee wishes to construct and install upon Premises. Said plans shall be subject to Lessor's approval prior to start of any work by Lessee or his contractors, which shall not be unreasonably withheld, which shall thereafter be called "Lessee Plans Approved for Construction." Should Lessee fail to deliver to Lessor plans for "Lessee's Work" within thirty (30) days following execution of the Lease, Lessor may, at his option and with written notification to that effect to Lessee, terminate this Lease.

No changes, modifications or alterations to Lessee Plans Approved for Construction may be made without the written consent of Lessor. Any additional costs, including any increased fees which Lessor may be required to Pay for architectural, engineering and/or other similar services arising by reason of any subsequent change to Lessee Plans Approved for Construction made at the request of Lessee, shall be at the sole cost and expense of Lessee and shall be paid by Lessee to Lessor before the performance of the work requested by Lessee.

All of Lessee's work and improvements shall be performed by Lessee, at Lessee's sole cost and expense except as outlined above and pursuant to the plans and specifications approved by Lessor. It is understood that the approval of Lessor shall in no manner relieve Lessee of Lessee's obligation to obtain, at Lessee's sole cost and expense, all necessary and appropriate permits from all applicable governmental or public agencies for the construction of Lessee's improvements, installation of Lessee's personal property and the operation of Lessee's business at Premises.

Upon delivery of Premises to the Lessee, Lessee shall immediately and diligently proceed to install Lessee's Work as described in Lessee's Plans Approved for Construction at Lessee's sole cost and expense without interfering with other work being done, if any, in the building or shopping center.

All work done by Lessee shall be done by a licensed contractor and in compliance with all rules and regulations required by local building authorities, Lessor or his agents and in accordance with all uniform building codes as dictated by state, federal and local requirements.

Upon final completion of Lessee's Work, Lessee shall furnish Lessor with all certificates, approvals and permits "signed off" by local governmental building inspector, that were required to complete Lessee's Work. Lessor shall not be responsible for any loss or damage to Lessee's improvements/property that is installed or left on Premises.

Lessee's entry upon Premises prior to commencement of the Term of this Lease shall be subject to all provisions of this Lease other than payment of rent. At all times after such entry, Lessee shall maintain an insurance policy that complies with the provisions of this Lease. The inability of Lessee to complete Lessee's Work in a timely manner and to a condition acceptable for conducting business, through no fault of Lessor, shall not delay the Term Commencement or payment of rent.

Lessee hereby indemnifies and holds Lessor free and harmless from and against any and all claims, demands and liabilities, including, but not limited to attorney costs, expenses and court costs, arising from or relating to Lessee's Work and improvements. It is the intent of the parties that this indemnification shall survive the expiration or sooner termination of this Lease.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: _____

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*DOES NOT APPLY

*EXHIBIT E

ESTIMATED OPERATING EXPENSES (GROSS LEASE)

The operating expenses are estimated at $_____ per square foot annually or _____
($_____ psf x _____ sq. ft. /12 = $_____) per month for the Demised Premises until adjusted per the Lease.

LESSOR'S INITIALS:

LESSEE'S INITIALS:

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*DELETED

*EXHIBIT F

RENT ADJUSTMENT(S)

ADDENDUM TO
STANDARD LEASE

Dated _____

By and Between (Lessor) M.C. Strauss Company

(Lessee) _____

Property Address: Hancock Street, Suite # _____

San Diego, CA 92110

Paragraph _____

A. **RENT ADJUSTMENTS:**

The monthly rent for each month of the adjustment period(s) specified below shall be increased using the method(s) indicated below:

(Check Method(s) to be Used and Fill in Appropriately)

0 I. **Cost of Living Adjustment(s) (COL)**

(a) On (Fill in COL Adjustment Date(s): _____

_____

the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted by the change, if any, from the Base Month specified below, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for (select one): 0 CPI-W (Urban Wage Earners and Clerical Workers) or 0 CPI-U (All Urban Consumers), for (Fill in Urban Area): _____, All Items (1982-1984 = 100), herein referred to as "C.P.I."

(b) The monthly rent payable in accordance with paragraph A(a) of this Addendum shall be calculated as follows: the Base Rent set forth in paragraph 1.5 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the C.P.I. of the calendar month 2 (two) months prior to the month(s) specified in paragraph A(a) above during which the adjustment is to take effect, and the denominator of which shall be the C.P.I. of the calendar month which is two (2) months prior to (select one): 0 the first month of the term of this Lease as set forth in paragraph 1.3 ("Base Month") or 0 (Fill in Other "Base Month"): _____. The sum so calculated shall constitute the new monthly rent hereunder, but in no event, shall any such new monthly rent be less than the rent payable for the month immediately preceding the date for rent adjustment, plus _____ rounded up to the next dollar figure.

(c) In the event the compilation and/or publication of the C.P.I. shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the C.P.I. shall be used to make such calculation. In the event that Lessor and Lessee cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid equally by Lessor and Lessee.

0 II. **Market Rental Value Adjustment(s) (MRV)**

(a) On (Fill in MRV Adjustment Date(s): _____

_____

the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted to the "Market Rental Value" of the property as follows:

1) Four months prior to the Market Rental Value (MRV) Adjustment Date(s) described above, Lessor and Lessee shall meet to establish an agreed upon new MRV for the specified term. If agreement cannot be reached, then:

i) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the parties, or

ii) Both Lessor and Lessee shall each immediately select and pay the appraiser or broker of their choice to establish a MRV within the next 30 days. If, for any reason, either one of the appraisals is not completed within the next 30 days, as stipulated, then the appraisal that is completed at that time shall automatically become the new MRV. If both appraisals are completed and the two appraisers/brokers cannot agree on a reasonable average MRV then they shall immediately select a third mutually acceptable appraiser/broker to establish a third MRV within the next 30 days. The average of the two appraisals closest in value shall then become the new MRV. The costs of the third appraisal will be split equally between the parties.

2) In any event, the new MRV shall not be less than the rent payable for the month immediately preceding the date for rent adjustment.

(b) Upon the establishment of each New Market Rental Value as described in paragraph A.II:

1) the monthly rental sum so calculated for each term as specified in paragraph A.II(a) will become the new "Base Rent" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph A.II(a) above and

2) the first month of each Market Rental Value term as specified in paragraph A.II(a) shall become the new "Base Month" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph A.I(b).

0 III. **Fixed Rental Adjustment(s) (FRA)**

The monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be increased to the following amounts on the dates set forth below:

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On (Fill in FRA Adjustment Date(s)): The New Base Rental shall be:

_____ $_____
_____ $_____
_____ $_____
_____ $_____

8. **NOTICE:** Unless specified otherwise herein, notice of any escalations other than Fixed Rental Adjustment(s) shall be made as specified in paragraph 23 of the attached Lease.

*C. **BROKER'S FEE: *Deleted**

The Real Estate Brokers specified in paragraph 1.10 of the attached Lease shall be paid a Brokerage Fee for each adjustment specified above in accordance with paragraph 15 of the attached Lease.

LESSOR'S INITIAL:

_____

LESSEE'S INITIAL:

_____

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EXHIBIT G

CENTER SIGN CRITERIA

The purpose of this sign criteria has been established for the intent of assuring an outstanding shopping center and mutual benefit of all Lessee's. Conformance will be strictly enforced. Any installed non-conforming or unapproved signs will be brought into conformance at the expense of the Lessee.

A. Lessee shall be entitled to signage above the Premises. Signage shall be subject to City of San Diego and Lessors prior written approval. All costs associated with the design, construction, installation, as well as removal, shall be borne by Lessee. Lessee shall be required to remove all Lessee signage at the conclusion of Lessee's occupancy of the Premises. Ground level Lessee's shall be entitled to signage on the Center's pole sign at its expense and subject to availability.

B. General Requirements:

1. Lessee shall submit to the Lessor the exact sign specifications, copy and colors desired for Lessor's approval from a license and experienced sign company.

2. All approvals or disapprovals of sign submittals based on esthetics and design shall remain sole right of the Lessor and local governing authorities.

3. Selected sign company will be responsible for obtaining all permits and sign installation.

4. No exposed lamp, raceways, crossovers, conduit, conductors, transformers or similar devices shall be permitted.

5. All maintenance of signage shall be the responsibility of the Lessee.

6. All signs shall be individually illuminated.

7. No audible, flashing or animated signs will be permitted.

8. No projections above or below the sign will be permitted.

9. Electrical service to all signs will be connected to Lessee's meter.

10. Lessee's signs shall be designed and installed in a manner compatible with and complimentary to adjacent and facing storefronts and the overall design concept of the center.

11. All penetrations of the building structure required for sign installation shall be sealed in a watertight condition and shall be patched to match adjacent finish. At termination of lease when sign is removed, Lessee or its sign company shall patch and paint and restore to "as was" condition.

12. No advertising placards, banners, pennants, names, insignias or other descriptive material shall be affixed or maintained upon the glass pane supports of the show windows and doors or upon the exterior was of building without the prior written approval of Lessor.

13. Logos require prior approval of lessor unless nationally recognized logos of a franchise.

14. Letter height restrictions:

a. One line of copy with the letter and logo height not to exceed 24 inches or to be less than 10 inches. Allowable, sign fascia coverage not to exceed seventy-five percent (75) of store frontage.
b. Two lines of copy will be allowed with the overall height of the two lines of letters not to exceed 30 inches with a maximum height of the letters not to exceed 18 inches or to be less than 16 inches.

15. Designs submitted for the City/County approval must follow ft following guidelines:

a. Drawings of elevations and sign with all measurements to scale.
b. Plot plan and legal description (plans to scale).
c. Sections drawings of sign and fascia showing construction and electrical details.
d. Color of plastic faces and logos.
e. Color of neon, size and intensity.
f. Letter style selection

16. Lessee is granted permission by Lessor to install a temporary sign banner at its expense above the premises while signs are being fabricated.

17. Lessee shall indemnify and hold harmless Lessor against any loss, cost, damages or liability caused to persons, property or otherwise caused by Lessee's sign installations.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: _____

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EXHIBIT 6-1

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EXHIBIT H

SPECIAL USE OF PREMISES CLAUSE

A. Uses Of Premises:

Lessee shall occupy and use the premises solely for the operation of automotive repair and for no other purpose or use.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: _____

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EXHIBIT I
APPLICATION FOR LEASE AND CREDIT INFORMATION

The undersigned furnishes the following as a true and accurate statement of the financial condition of the undersigned. It is understood that the Landlord, in entering into a lease or other agreement, are doing so in reliance upon this financial statement and in consideration of such the undersigned agree that if any of the representations of the undersigned prove to be untrue, such shall be considered as a default under such lease or agreement.

NAME: _____ AGE: _____ SPOUSES NAME: _____

ADDRESS: _____ HOW LONG: _____

CITY, STATE, ZIP _____

Previous Address - if less than five years: _____

SOCIAL SECURITY NO: _____ SPOUSE'S SOCIAL SECURITY NO: _____

PHONE: _____ OWN OR RENT: _____ NO. OF DEPENDENTS: _____

PRESENT EMPLOYER: _____ HOW LONG: _____

ADDRESS: _____

PHONE: _____ POSITION: _____

SPOUSE'S EMPLOYER: _____ PHONE: _____

IN CASE OF EMERGENCY CONTACT: NAME: _____

ADDRESS: _____ PHONE: _____

_____ RELATIONSHIP: _____

NEXT OF KIN NOT LIVING WITH YOU: NAME: _____

ADDRESS: _____ PHONE: _____

_____ RELATIONSHIP: _____

CLOSEST NON RELATIVE CONTACT: NAME: _____

ADDRESS: _____ PHONE: _____

_____ RELATIONSHIP: _____

BALANCE SHEET

Cash:	$	Notes Payable - Total Owed: (List on Back)	$
Stocks & Bonds: (List on Back)	$	Accounts Payable - Total Owed: (List on Back)	$
Notes / Accounts Receivable:	$		
Life Insurance: (Not full value, only surrender value)	$	Mortgages - Total Owed: (List on Back)	$
Real Estate - Total Value: (List on Back)	$	Automobiles - Total Owed:	$
		Income Taxes - Accrued to Date:	$
Automobiles:	$	Other:	$
	$		$
			$
Personal Possessions:	$	**TOTAL LIABILITIES:**	$
	$	**NET WORTH:**	$
TOTAL ASSETS:	$	**(Assets minus Liabilities)**	

ANNUAL INCOME & EXPENSE

Income:		**Expense:**	
Annual Salary:	$	Annual Rental/Mortgage Payments	$
Annual Rentals:	$		
Annual Dividends:	$	Annual Payments: (Notes & Accounts)	$
Annual Interests:	$		

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Other Annual Income:	$	Annual Interest & Taxes:	$
		Personal Living Expense:	$
		Other Annual Expenses:	$
TOTAL ANNUAL INCOME:	$	**TOTAL ANNUAL EXPENSE:**	$

BANK REFERENCES

BANK & ADDRESS: _____ ACCT. NO.: _____

BANK & ADDRESS: _____ ACCT. NO.: _____

STOCKS & BONDS

Description	No. of Shares	Cost	Market Value
		$	$
		$	$
		$	$
		$	$
		$	$
TOTALS		$	$

REAL ESTATE - MORTGAGES

Description & Address	Original Cost	Present Value	Trust Deed or Mortgage Unpaid Bal.	Mo. Pay.
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
TOTALS	$	$	$	$

NOTES & ACCOUNTS PAYABLE (Do not include Real Estate)

Description	Account Number	Total Amount Owed (DO NOT LIST PAYMENTS)
		$
		$
		$
		$
		$
		$
TOTAL		$

The undersigned further consent(s) to the addresses above making any inquires it deems necessary to reach a decision on this application, and consent(s) to the disclosure at any time of any credit information about me / us to any credit reporting agency or to any one with whom I/we have financial relations. The undersigned further understands that should a lease be entered into that the authorizing party will pay a $35.00 application credit check fee.

DATE: _____ SIGNATURE: _____

DATE: _____ SPOUSE'S SIGNATURE: _____

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*EXHIBIT J

*LESSEE BY SIGNING LEASE IS ACTING AS A GUARANTOR

GUARANTY OF LEASE

THIS GUARANTY OF LEASE ("Guaranty"), effective as of _____, 200____, is executed by _____ ("Guarantor"), with reference to the following facts:

RECITALS

A. M.C. Strauss Company ("Lessor"), and _____ ("Lessee") have agreed to enter into that certain Lease ("Lease"), dated the same date as this Guaranty, covering Premises described therein, located in the City of San Diego, County of San Diego, State of California.

B. Lessor requires, as a condition to its execution of the Lease, that Guarantor guarantee the full performance of the obligations of Lessee thereunder.

C. Guarantor is willing to execute this Guaranty for the benefit of Lessor and as a material inducement to Lessor to enter into the Lease.

GUARANTY

NOW, THEREFORE, in order to induce Lessor to enter into the Lease, Guarantor agrees as follows:

1. **Guarantor's Obligations.** Guarantor hereby unconditional guarantees the full and timely performance of each and every obligation to be kept and performed by the Lessee pursuant to the terms of the Lease ("Lease Obligations") in accordance with the terms of and at the time and place specified therein, including, but not limited to, the payment of all rents and other charges accruing pursuant thereto.

2. **Term.** This Guaranty shall continue for the term of the Lease and any extension or renewal thereof. If the Lease terminates and Lessor has any rights which Lessor may enforce against Lessee after termination, Lessor may also enforce such rights against Guarantor.

3. **Primary Liability.** The Lease Obligations guaranteed by Guarantor under this Guaranty shall be primary and independent of the obligations of Lessee under the Lease. Lessor may bring a separate action or actions against Guarantor hereon and such actions may be brought either in conjunction with actions against Lessee or against Lessee directly, regardless of whether Lessor has commenced any action or obtained any judgment against Lessee. If Lessee defaults under the Lease, Lessor may proceed directly against Guarantor, without having commenced any action or obtained any judgment against Lessee, and without applying any property of Lessee (or any other person), if any, held by Lessor as security for the performance of the Lease Obligations. The liability of Guarantor hereunder shall not be released, diminished, or extinguished by Lessor's failure or delay in enforcing any of its rights.

4. **Continuation; No Release.** This Guaranty shall continue in favor of Lessor notwithstanding any modification, alteration, extension or renewal of the Lease entered into by the parties thereto, or their successors or assigns, and notwithstanding any assignment of the Lease, with or without the consent of Lessor. No such modification, alteration, extension, renewal or assignment shall affect this Guaranty or in any way release, diminish, or extinguish the liability of Guarantor hereunder.

5. **Assignment.** Lessor may, with notice to Guarantor, assign this Guaranty in whole, or in part in connection with any transfer of any interest in the Lease or the Premises, and no such assignment or transfer shall release, diminish, or extinguish or otherwise affect the liability of Guarantor hereunder. In such event the benefits of this Guaranty shall inure to the benefit of Lessor's successors and assigns.

6. **Security.** Guarantor authorizes Lessor, without further notice or demand and without affecting the liability of Guarantor hereunder, from time to time, to: (a) take and hold security (including the Security Deposit and any security filing consented to by Lessee) (the "Security") (if any) for performance of the Lease Obligations and exchange, enforce, waive or release any such Security; (b) apply such Security in whole or in part and direct the order or manner of sale thereof as Lessor, in Lessor's discretion, may determine; and (c) proceed against Lessee or proceed against and exhaust such Security held from Lessee; the provisions of this paragraph shall constitute a waiver of Guarantor's right to claim exoneration from the Lease Obligations for the foregoing actions.

7. **Events of Insolvency.**

7.1. **Defined.** The term "Event of Insolvency" shall mean any of the following:

(a) Lessee becomes insolvent or is adjudicated a bankrupt;

(b) Lessee files a petition for reorganization, arrangement or similar relief under any present or future provisions of the Federal Bankruptcy Code, or any other state or federal statute for the relief of debtors or any similar law;

(c) A court approves a petition filed against Lessee by its creditors for reorganization, arrangement or similar relief under any present or future provision of the Federal Bankruptcy Code, or any other state or federal statute for the relief of debtors or any other similar law;

(d) Lessee seeks a judicial readjustment of the rights of its creditors under any present or future federal or state law; or

(e) A receiver of all or part of Lessee's property and assets is appointed by any state or federal court.

7.2 **Effect.** This Guaranty shall in full force and effect, notwithstanding the occurrence of any Event of Insolvency affecting Lessee, or any successor or assignee of Lessee, or in the event of any disaffirmance, or abandonment by a trustee of Lessee, or in the event that the Lease is terminated, rejected or modified in the course of any proceeding relating to an Event of Insolvency. To the extent necessary to effectuate the purpose of this Guaranty, Guarantor hereby assigns to Lessor any rights Guarantor may have to file a claim and proof of claim in any bankruptcy or similar proceeding of Lessee any awards or payments thereon to which Guarantor would otherwise be entitled, to the extent of any unsatisfied Lease Obligations.

8. **Waiver of Defenses.** Guarantor waives any defense Guarantor may acquire by reason of Lessor's election of any remedy against Guarantor or Lessee, or both. In addition, Guarantor waives any defense arising by reason of any disability or other defense of Lessee, including, without limitation, any defense based upon: (a) invalidity of the Lease (b) any lack of authority of the officers, directors, partners or agents acting or purporting to act on behalf of Lessee or any principal of Lessee; or (c) by reason of the cessation from any cause whatsoever of the liability of Lessee other than full performance and discharge of the Lease Obligations.

9. **Waiver of Rights.** Guarantor waives the right to require Lessor: (a) to proceed against Lessee or any successor of Lessee; and (b) to pursue any other remedy in Lessor's power. Guarantor expressly waives the provisions of the California and/or Arizona Civil Code, which grants a surety certain rights to require a creditor to pursue alternative remedies before proceeding against a surety.

10. **Subrogation.** Until the Lease Obligations shall have been performed in full, Guarantor shall have no right of subrogation and waive any right to enforce any remedy which Lessor now has or may hereafter have against Lessee. Guarantor waives any right to participate in any security now or hereafter held by Lessor.

11. **Successive Demands.** Guarantor's liability shall extend to each and every payment to be made by Lessee and any additional Lease Obligation to be performed or observed by Lessee. Successive demands may be made upon, and successive actions for the enforcement of such demands may be brought against Guarantor upon successive defaults by Lessee and the enforcement of this Guaranty against Guarantor with respect to any Lease Obligation shall not operate to exhaust this Guaranty or operate as a waiver of the right to proceed under this Guaranty with respect to any future default or defaults.

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12. General Provisions.

12.1 **Attorney's Fees.** Guarantor agrees to pay all costs and other expenses, including reasonable attorneys' fees and court costs, paid or incurred by Lessor in enforcing or attempting to enforce this Guaranty or the obligations guaranteed hereby. Guarantor is obligated as to attorney's fees and costs pursuant to Paragraphs 31 and 37.1 of the Lease, as to the obligations under the Lease and the Guaranty, and the provision in the Addendum as to attorneys fees made applicable here to the Lease and the Guaranty.

12.2 **Governing Law.** This Guaranty shall be enforceable by Lessor in accordance with the laws of the State of California and shall be construed in accordance therewith.

12.3 **Interest.** Interest shall accrue on all accounts which are not paid by Guarantor when due under the Lease, from the date due until due date paid by Guarantor, at the interest rate specified in the Lease, but not to exceed the maximum legal rate of interest.

12.4 **Joint and Several.** If Guarantor is more than one person, each person's obligations hereunder are joint and several and are independent of Lessee's obligations. Lessor may bring a separate action against any Guarantor whether the action is brought against any other Guarantor, or whether any other Guarantor is joined in the action.

12.5 **Modification.** This Guaranty may not be amended, modified, released, or terminated except by a written instrument executed by Guarantor and Lessor.

12.6 **Severability.** If any of Guarantor's obligations hereunder shall be held to be unenforceable, the remainder of this Guaranty and its application to all obligations other than those with respect to which is held unenforceable shall not be affected thereby and shall remain in full and effect.

12.7 **Successors.** The terms and provisions of this Guaranty shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto.

IN WITNESS WHEREOF, the undersigned has executed this guaranty of lease as of the date first written above.

GUARANTOR:

Res. Address: _____ By: _____
Phone: _____
Soc Sec#: _____
DL#: _____ DOB _____

Res. Address: _____ By: _____
Phone: _____
Soc Sec#: _____
DL#: _____ DOB _____

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*DELETED AS SPOUSE IS SIGNING THE LEASE

*EXHIBIT J-1

SPOUSAL CONSENT

To the Lease dated _____ 20___, by and between _____, as Lessor, and _____, as Lessee, for the premises known as _____.

The undersigned, being the spouse of the Guarantor to this Lease, hereby (a) consent to the Lease, (b) agree that all now owned and hereafter acquired community and quasi-community property of the undersigned and Guarantor shall be liable for the satisfaction of obligations imposed by the Lease, and (c) agree solely for purposes of subjecting any community or quasi-community property received pursuant to liability for satisfaction of the obligations imposed by the Lease, the undersigned have "incurred" the obligations of the Lease.

_____
Spouse

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*DELETED

*EXHIBIT K

MEMORANDUM
CERTIFICATE

This memorandum is made of _____, 20____ with reference to that certain Lease Agreement (hereinafter referred to as the "Lease") dated _____ by and between _____ as "Lessor" therein, and _____ as "Lessee."

The undersigned, as Lessee under said Lease, hereby confirms the following:

1. The Lessee accepted possession of the Demised Premises (as described in said Lease) on _____ and acknowledges that the premises are as represented by Lessor and in good order, condition and repair, and that the improvements, if any, required to be constructed for and/or furnished to Lessee by Lessor under said Lease have been so constructed and/or furnished and are satisfactorily completed in all respects.

2. That all conditions of said Lease to be performed by Lessor prerequisite to the full effectiveness of said Lease have been satisfied and that Lessor has fulfilled all of its duties of an inducement nature.

3. That in accordance with the provisions of Paragraph 4 of said Lease the Commencement Date (as the phrase "Commencement Date" is defined in said Lease) of the term is _____ and that, unless sooner terminated, the original term thereof expires on _____.

4. That said Lease (as amended, if amended) is in full force and effect and that the same represents the entire agreement between Lessor and Lessee concerning said Lease.

5. That there are no existing defenses which Lessee has against the enforcement of said Lease by Lessor, and no offsets or credits against rentals except as may be expressly provided in said Lease.

6. That the minimum rental obligation of said Lease is presently in effect and that all rentals, charges and other obligations on the part of Lessee under said Lease commenced to accrue on _____.

7. That the undersigned Lessee has no notice of any prior assignment, hypothecation or pledge of said Lease or of the rents thereunder.

LESSOR: _____ LESSEE:

BY: _____ BY: _____

ITS: _____ ITS: _____

This "Memorandum" is hereby approved in form and shall be completed (if necessary) pursuant with Paragraph 4.A of The Lease and incorporated as part of The Lease.

LESSOR'S INITIALS: _____ LESSEE'S INITIALS:

_____ _____

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EXHIBIT L

OPTION(S) TO EXTEND

ADDENDUM TO
STANDARD LEASE

Dated June 3, 2013

By and Between (Lessor) Strauss Family Trust UDT 6/5/92

(Lessee) Paul G. Konkle, Jr. and Belinda D. Shaffer, as husband and wife

Property Address: 3770 Hancock Street, Suite A, San Diego, CA 92110

Paragraph 39

A. **OPTION(S) TO EXTEND:**

Lessor hereby grants to Lessee the option to extend the term of this Lease for one (1) additional thirty-six (36) month period(s) commencing when the prior term expires upon each and all of the following terms and conditions:

(i) Lessee gives to Lessor, and Lessor actually receives on a date which is prior to the date that the option period would commence (if exercised) by at least six (6) months but not more than nine (9) months, a written notice of the exercise of the option(s) to extend this Lease for said additional term(s), time being of essence. If said notification of the exercise of said option(s) is (are) not so given and received, the option(s) shall automatically expire; said option(s) may (if more than one) only be exercised consecutively;

(ii) The provisions of paragraph 39, including the provision relating to default of Lessee set forth in paragraph 39.4 of this Lease are conditions of this Option;

(iii) All of the terms and conditions of this Lease except where specifically modified by this option shall apply;

(iv) The monthly rent for each month of the option period shall be calculated as follows, using the method(s) indicated below:

(Check Method(s) to be Used and Fill In Appropriately)

( ) I. **Cost of Living Adjustment(s) (COL)**

(a) On (Fill in COL Adjustment Date(s): _____ the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted by the change, if any, from the Base Month specified below, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for (select one): 0 CPI W (Urban Wage Earners and Clerical Workers) or q CPI U (All Urban Consumers), for (Fill in Urban Area): _____ All Items (1982–1984 = 100), herein referred to as "C.P.I."

(b) The monthly rent payable in accordance with paragraph AI(a) of this Addendum shall be calculated as follows: the Base Rent set forth in paragraph 1.5 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the C.P.I. of the calendar month 2 (two) months prior to the month(s) specified in paragraph AI(a) above during which the adjustment is to take effect, and the denominator of which shall be the C.P.I. of the calendar month which is two (2) months prior to (select one): 0 the first month of the term of this Lease as set forth in paragraph 1.3 ("Base Month") or 0 (Fill In Other "Base Month"): _____. The sum so calculated shall constitute the new monthly rent hereunder, but in no event, shall any such new monthly rent be less than the rent payable for the month immediately preceding the date for rent adjustment plus 5% increase and 5% for each option year rounded up to the next dollar figure.

(c) In the event the compilation and/or publication of the C.P.I. shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the C.P.I. shall be used to make such calculation. In the event that Lessor and Lessee cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid equally by Lessor and Lessee.

✓ II. **Market Rental Value Adjustment(s) (MRV)**

(a) On (Fill in MRV Adjustment Date(s): July 1, 2016 the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted to the "Market Rental Value" of the property as follows:

1) Four months prior to the Market Rental Value (MRV) Adjustment Date(s) described above, Lessor and Lessee shall meet to establish an agreed upon new MRV for the specified term. If agreement cannot be reached, then:

i) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the parties, or

ii) Both Lessor and Lessee shall each immediately select and pay the appraiser or broker of their choice to establish a MRV within the next 30 days. If, for any reason, either one of the appraisals is not completed within the next 30 days, as stipulated, then the appraisal that is completed at that time shall automatically become the new MRV. If both appraisals are completed and the two appraisers/brokers cannot agree on a reasonable average MRV then they shall immediately select a third mutually acceptable appraiser/broker to establish a third MRV within the next 30 days. The average of the two appraisals closest in value shall then become the new MRV. The costs of the third appraisal will be split equally between the parties.

2) In any event, the new MRV shall not be less than the rent payable for the month immediately preceding the date for rent adjustment plus five percent (5%, rounded up) and five percent (5%, rounded up) each succeeding option year.

(b) Upon the establishment of each New Market Rental Value as described in paragraph AII:

1) the monthly rental sum so calculated for each term as specified in paragraph AII(a) will become the new "Base Rent" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph AII(a) above and

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2) the first month at each Market Rental Value term as specified in paragraph AII(a) shall become the new "Base Month" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph AI(b).

0 **III. Fixed Rental Adjustment(s) (FRA)**

The monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be increased to the following amounts on the dates set forth below.

On (Fill in FRA Adjustment Date(s)):	The New Base Rental shall be:
_____	$_____
_____	$_____
_____	$_____
_____	$_____

B. **NOTICE:** Unless specified otherwise herein, notice at any escalations other than Fixed Rental Adjustment(s) shall be made as specified in paragraph 23 of the attached Lease.

*C. ~~**BROKER'S FEE:**~~ ***Deleted**

~~The Real Estate Brokers specified in paragraph 1.10 of the attached Lease shall be paid a Brokerage Fee for each adjustment specified above in accordance with paragraph 15 of the attached Lease.~~

D. **OPTION RIGHTS CONDITION:** Lessee's Option Rights are contingent upon Lessee not having previously breached or otherwise failed to perform under the Lease since its inception. Otherwise Landlord at its sole discretion may declare any option to extend null and void.

LESSOR'S INITIAL: _____

LESSEE'S INITIAL: _____

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EXHIBIT M

SPECIAL ADDENDUM

This Addendum to Lease ("Addendum") is made a part of the Lease dated June 3, 2013, by and between Strauss Family Trust UDT 6/5/92, dba: MC Strauss Company ("Lessor") and Paul G. Konkle, Jr. and Belinda D. Shaffer, as husband and wife, dba: British Auto Repair, ("Lessee") for the Demised Premises commonly known as 3770 Hancock Street, Suite A, San Diego, CA 92110. Should there be any conflicts between the terms and conditions of this Addendum and the Lease, this Addendum shall prevail.

1. LEASE CONTINGENCY:

This Lease is contingent upon Lessor obtaining approval by the City of San Diego of Lessee and its use.

LESSOR:

STRAUSS FAMILY TRUST UDT 6/5/92
DBA: MC STRAUSS COMPANY

By: _____

Its: _____

LESSEE:

PAUL G. KONKLE JR AND BELINDA D. SHAFFER,
AS HUSBAND AND WIFE, DBA: BRITISH AUTO REPAIR

By: _____
Paul G. Konkle, Jr.

By: _____
Belinda D. Shaffer

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Exhibit N

SPORTS ARENA BUSINESS PARK

RULES AND REGULATIONS

1. Use of Premises.

(a) All floor area, including vestibules, entrances and returns, doors, fixtures, windows and plate glass shall be maintained in a safe, neat and clean condition.

(b) All trash, refuse and waste material shall be regularly removed from the premises of each occupant and until removal shall be stored (i) in adequate containers, which containers shall be located so as not to be visible to the general public in the Center; and (ii) so as not to constitute any health or fire hazard or nuisance to any occupant.

(c) No portion of the Premises or Center shall be used for lodging purposes.

(d) Neither sidewalks nor walkways shall be used to display, store or place any merchandise, equipment or devices.

(e) No advertising medium, device, instrument or apparatus shall be utilized which can be heard or experienced outside the Premises including, without limiting the generality of the foregoing, flashing lights, searchlights, loudspeakers, phonographs, organs, radios, television or video monitors.

(f) No auction, fire, bankruptcy, or going-out-of-business sale shall be conducted in, at, or about the Center or any portion or portions thereof, except pursuant to court order.

(g) No use shall be made of the Center or any portion or portions thereof which would (i) violate any law, ordinance or regulation; (ii) constitute a nuisance; (iii) constitute a hazardous use; or (iv) violate, suspend; or void any policy or policies of insurance.

(h) All occupants of the Center shall use their best efforts to cause all trucks servicing retail facilities within the Center to load and unload prior to the hours of the Center opening for business to general public.

2. Conduct of Persons.

The following rules and regulations govern the use of roadways, walkways, the Center, parking areas and other common areas and facilities:

(a) No person shall use any roadway or walkway except as a means of egress from or ingress to any floor area or parking area within the Center or adjacent public streets. Such use shall be in an orderly manner and in accordance with directional or other signs or guides. Roadways shall not be used at a speed in excess of ten (10) miles per hour or any lesser posted speed limit and shall not be used for parking or stopping, except for the immediate loading or unloading of passengers. No walkways, hallways or corridors shall be used for other than pedestrian travel.

(b) No person shall use any parking area, except for ingress and egress to and from the Center and for the parking of motors vehicles during the period of time such person or the occupants of such vehicle are customers or business invitees of the establishments within the Center. All motor vehicles shall be parked in an orderly manner within the painted lines defining the individual parking places. During peak periods of business activity, limitations may be imposed as to the length of time for parking use. Such limitations may be made in specified areas.

(c) No person shall use any utility area, truck court or other area reserved for use in connection with the conduct of business, except for the specific purpose for which permission to use such area is given.

(d) No tenant, contractor, agent or employee of any business in the Center shall use any area for motor vehicle parking, except the area or areas specifically designated by Landlord for employee parking and for the particular period of time such use is to be made as determined, or as established by ordinance.

(e) Unless the following prohibitions are forbidden by law, no person shall, in or on any part of the common areas:

(i) Vend, peddle, store, display, place or solicit orders for sales or distribution of any merchandise, equipment, device, service, periodical, book, pamphlet or other matter whatsoever.

(ii) Exhibit any sign, placard, banner, notice or other written material; distribute any circular, booklet, handbill, placard, or other material; solicit signatures or registration for membership in any organization, group or association or contribution for any purpose; parade, rally, patrol, picket, demonstrate, or engage in any conduct that might tend to interfere with or impede the use of any of the common areas by any person entitled to use the same, create a disturbance, attract attention or harass, annoy, disparage or be detrimental to the interest of any of the retail establishments within the Center.

(iii) Throw, discard, or deposit any paper, glass or extraneous matter of any kind, except in designated receptacles, or create litter or hazards of any kind.

(iv) Use any sound-making device of any kind or create or produce in any manner noise or sound that is annoying, unpleasant, or distasteful to occupants or invitees.

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(vi) Deface, damage or demolish any sign, light standard or fixture, landscaping material or other improvements within the Center, or the property of customers, business invitees or employees situated within the Center.

The listing of specific items as being prohibited is not intended to be exclusive, but to indicate in general the manner in which the right to use the common areas solely as a means of access and convenience in shopping at the establishments in the Center is limited and controlled.

3. Prohibited Operations and Nuisances.

No use or operation will be made, conducted or permitted on any part of the Center site, which use or operation is clearly objectionable to the development or operation of the Center. Included among the uses or operations which are objectionable are uses or operations which produce or are accompanied by the following characteristics, which list is not intended to be all inclusive:

(a) Any noise, litter, dust, dirt, odor or other activity which may constitute a public or private nuisance;

(b) Any unusual firing, explosive or other damaging or dangerous hazards (including the storage, display or sale of explosives or fireworks);

(c) Any trailer court, mobile home park, labor camp, junkyard, stockyard or animal raising;

(d) The sale, distribution or growth of marijuana.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: _____

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3770 B

AMENDMENT TO LEASE #2

THIS AMENDMENT, made and entered into February 12, 2015, by and between Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company, as Lessor, and Arturo Canada, an individual, successor-in-interest to Arturo Canada, an individual and Amber DeGeorge, an individual, dba: Mighty Crossfit, as Lessee, does hereby supplement, modify, and amend that certain Amendment to Lease #1 dated May 12, 2014 and Lease Agreement made and entered into on the May 16, 2012 together with all modifications and amendments thereto (collectively, the "Lease"), by and between the above named parties for the premises located at 3770 Hancock Street, Suite B, San Diego, CA 92110.

The parties hereto agree as follows:

1. LEASE TERM. The Lease Term shall extend for three (3) years commencing June 1, 2015 and expiring May 31, 2018 ("Extended Term").

2. MONTHLY BASE RENT. The Monthly Base Rents for the Extended Term shall be as follows:

   June 1, 2015 – May 31, 2016: $1.20psf x 2,100sf = $2,520.00 per month

   June 1, 2016 – May 31, 2017: $1.25psf x 2,100sf = $2,625.00 per month

   June 1, 2017 – May 31, 2018: $1.30psf x 2,100 sf =$2,730.00 per month

   Monthly Water/Sewer Fee shall remain the same at $75.00 per month

3. CONFIDENTIALITY. Lessee shall keep the content and all copies of this Amendment and related documents now or hereafter entered into, and all proposals, materials, information and matters relating thereto, strictly confidential, and shall not disclose, disseminate or distribute any of the same, or permit the same to occur, except to the extent reasonably required for proper business purposes by Lessee's attorneys, insurers, auditors and lenders, and, in such event, Lessee shall obligate any such parties to whom disclosure is permitted to honor the confidentiality provisions hereto, except as may be required by Law or court proceedings.

4. COUNTERPARTS. This Amendment may be executed in one or more counterparts, each of which counterparts shall constitute an original and all of which counterparts together shall constitute one and the same Amendment. The delivery by Lessor or Lessee of a facsimile signature of this Amendment shall have the same legally binding effect as the delivery of an original signature.

5. ENFORCEABILITY. Lessor acknowledges and represents to Lessee that this Amendment is the binding obligation of Lessor enforceable in accordance with its terms and that Lessor has obtained the consent of its lender or any other third party from whom the Lessor is required to obtain consent for the execution and performance of this Amendment. Lessee acknowledges and represents to Lessor that this Amendment is the binding obligation of Lessee enforceable in accordance with its terms and that Lessee has obtained the consent of its lender, if any, or any other third party from whom the Lessee is required to obtain consent for the execution and performance of this Amendment.

6. CONFLICT OF PROVISIONS; RATIFICATION. In the event of a conflict between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall govern. Except as specifically referenced or addressed herein, all other terms, covenants, and provisions of the Lease are hereby ratified and confirmed and shall remain unchanged and in full force and effect throughout the Extended Term.

7. ENTIRE AGREEMENT; BINDING. This Amendment represents the entire agreement between

Lessor and Lessee regarding the subject matter contained in this Amendment and there are no other terms, obligations, covenants, representations, statements or conditions oral or otherwise of any kind whatsoever between the parties regarding the subject matter contained in this Amendment except as set forth in this Amendment. No amendment or modification to this Amendment shall be effective unless it is in writing and executed by both Lessor and Lessee. All references to the term "Lease" in this Amendment and the Lease shall mean the Lease as amended by this Amendment.

8. CAPTIONS. The captions and section numbers appearing in this Amendment are for convenience only and are not a part of this Amendment and do not in any way limit, amplify, define, construe or describe the scope or intent of the terms or provisions of this Amendment.

9. CAPITALIZED TERMS. All capitalized terms in this Amendment, unless specifically defined herein, shall have the same meaning as in the Lease

10. AUTHORITY TO EXECUTE. Lessor and Lessee represent and warrant to each other that the person executing this Amendment on behalf of such applicable party has the full right, power and authority to execute this Amendment and perform its obligations under this Amendment.

11. SEVERABILITY. If any provision of this Amendment is determined by a court having jurisdiction to be illegal, invalid or unenforceable under any present or future law, the remainder of this Amendment will not be affected thereby. It is the intention of the parties that if any provision is so held to be illegal, invalid or unenforceable, there will be added in lieu thereof a provision as similar in terms to such provision as is possible that is legal, valid and enforceable.

IN WITNESS WHEREOF, the parties have signed this Amendment effective on the date set forth above.

LESSEE:
ARTURO CANADA, AN INDIVIDUAL,
DBA: MIGHTY CROSSFIT

By: _____
Arturo Canada

LESSOR:
STRAUSS FAMILY TRUST UDT 6/5/92
DBA: MC STRAUSS COMPANY

By: _____

Its: M.C. Strauss, TTEE

AMENDMENT TO LEASE #1

THIS AMENDMENT, made and entered into May 12, 2014, by and between Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company, as Lessor, and Arturo Canada, an individual, successor-in-interest to Arturo Canada, an individual and Amber DeGeorge, an individual, dba: Mighty Crossfit, as Lessee, does hereby supplement, modify, and amend that certain Lease Agreement made and entered into on May 16, 2012, by and between the above named parties for the premises located at 3770 Hancock Street, Suite B, San Diego, CA 92110.

The parties hereto agree as follows:

1. LEASE TERM. The Lease Term shall extend for twelve (12) months commencing June 1, 2014 and expiring May 31, 2015 ("Extended Term").
2. MONTHLY BASE RENT. The Monthly Base Rents for the Extended Term shall be as follows:

   6/1/14 – 5/31/15: $1.15psf x 2,100sf = $2,415.00 per month

   Monthly Water/Sewer Fee shall remain the same at $75.00 per month

3. ADDITIONAL SECURITY DEPOSIT. The Security Deposit shall be increased from $2,280.00 to $3,280.00. The additional security deposit shall be paid in two installments. $500.00 shall be paid by Lessee upon execution of this Amendment and $500.00 shall be paid in addition with June's rent.

4. CONFIDENTIALITY. Lessee shall keep the content and all copies of this Amendment and related documents now or hereafter entered into, and all proposals, materials, information and matters relating thereto, strictly confidential, and shall not disclose, disseminate or distribute any of the same, or permit the same to occur, except to the extent reasonably required for proper business purposes by Lessee's attorneys, insurers, auditors and lenders, and, in such event, Lessee shall obligate any such parties to whom disclosure is permitted to honor the confidentiality provisions hereto, except as may be required by Law or court proceedings.

5. ACCESSIBILITY. The Premises has not undergone an inspection by a Certified Access Specialist (CASp).

6. COUNTERPARTS. This Amendment may be executed in one or more counterparts, each of which counterparts shall constitute an original and all of which counterparts together shall constitute one and the same Amendment. The delivery by Lessor or Lessee of a facsimile signature of this Amendment shall have the same legally binding effect as the delivery of an original signature.

7. ENFORCEABILITY. Lessor acknowledges and represents to Lessee that this Amendment is the binding obligation of Lessor enforceable in accordance with its terms and that Lessor has obtained the consent of its lender or any other third party from whom the Lessor is required to obtain consent for the execution and performance of this Amendment. Lessee acknowledges and represents to Lessor that this Amendment is the binding obligation of Lessee enforceable in accordance with its terms and that Lessee has obtained the consent of its lender, if any, or any other third party from whom the Lessee is required to obtain consent for the execution and performance of this Amendment.

8. CONFLICT OF PROVISIONS; RATIFICATION. In the event of a conflict between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall govern. Except as specifically referenced or addressed herein, all other terms, covenants, and provisions of the Lease are hereby ratified and confirmed and shall remain unchanged and in full force and effect throughout the Extended Term.

9. ENTIRE AGREEMENT; BINDING. This Amendment represents the entire agreement between Lessor and Lessee regarding the subject matter contained in this Amendment and there are no other terms, obligations, covenants, representations, statements or conditions oral or otherwise of any kind whatsoever between the parties regarding the subject matter contained in this Amendment except as set forth in this Amendment. No amendment or modification to this Amendment shall be effective unless it is in writing and executed by both Lessor and Lessee. All references to the term "Lease" in this Amendment and the Lease shall mean the Lease as amended by this Amendment.

10. CAPTIONS. The captions and section numbers appearing in this Amendment are for convenience only and are not a part of this Amendment and do not in any way limit, amplify, define, construe or describe the scope or intent of the terms or provisions of this Amendment.

11. CAPITALIZED TERMS. All capitalized terms in this Amendment, unless specifically defined herein, shall have the same meaning as in the Lease

12. AUTHORITY TO EXECUTE. Lessor and Lessee represent and warrant to each other that the person executing this Amendment on behalf of such applicable party has the full right, power and authority to execute this Amendment and perform its obligations under this Amendment.

13. SEVERABILITY. If any provision of this Amendment is determined by a court having jurisdiction to be illegal, invalid or unenforceable under any present or future law, the remainder of this Amendment will not be affected thereby. It is the intention of the parties that if any provision is so held to be illegal, invalid or unenforceable, there will be added in lieu thereof a provision as similar in terms to such provision as is possible that is legal, valid and enforceable.

IN WITNESS WHEREOF, the parties have signed this Amendment effective on the date set forth above.

LESSEE:
ARTURO CANADA, AN INDIVIDUAL,
DBA: MIGHTY CROSSFIT

By: _____
Arturo Canada

LESSOR:
STRAUSS FAMILY TRUST UDT 6/5/92
DBA: MC STRAUSS COMPANY

By: _____

Its: _____

By and Between

Strauss Family Trust UDT 6/5/92
dba. M.C. Strauss Company

as Lessor

and

Arturo Canada, an individual and Amber DeGeorge, an individual
dba: Mighty Crossfit

as Lessee

at Sports Arena Business Park
3770 Hancock Street, Suite B
San Diego, CA 92110

Dated for Reference Purposes
As of

May 16, 2012

Standard Commercial Multi-Tenant Lease

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Standard Commercial Multi-Tenant Lease

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Exhibit B:	Building & Demised Premises Plan
Exhibit C:	Addendum to Commercial/Industrial Multi-Tenant Lease
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STANDARD INDUSTRIAL/ COMMERCIAL
MULTI-TENANT LEASE—GROSS
AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

1. **Basic Provisions ("Basic Provisions").**

1.1 **Parties:** This Lease ("**Lease**"), dated for reference purposes only May 16, 2012, is made by and between Strauss Family Trust UDT 6/5/92, dba: M.C. Strauss Company ("**Lessor**")and Arturo Canada, an individual and Amber DeGeorge, an individual, dba: Mighty Crossfit ("**Lessee**"), (**collectively the "Parties"**, or individually a "**Party**").

1.2(a) **Premises:** That certain portion of the Project (as defined below), including all Improvements therein or to be provided by Lessor under the terms of this Lease, commonly known by the street address of 3770 Hancock Street, Suite B, located in the City of San Diego, County of San Diego, State of California, with zip code 92110, as outlined on Exhibit A & A-1 attached hereto ("**Premises**") and generally described as (describe briefly the nature of the Premises): Sport Arena Business Park. The demised premises consists of approx. 2,100 square feet. The property is further described on Exhibit A & A.1. In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Areas (as defined in Paragraph 2.7 below) as hereinafter specified, but shall not have any rights to the roof, exterior walls or utility raceways of the building containing the Premises ("**Building**") or to any other buildings in the Project. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the "**Project.**" (See also Paragraph 2.)

1.2(b) **Parking:** See Exhibit C item 14 unreserved vehicle parking spaces ("**Unreserved Parking Spaces**"); and (Not applicable) reserved vehicle parking spaces ("**Reserved Parking Spaces**"). (See also Paragraph 2.6)

1.3 **Term:** Two (2) years ("**Original Term**") commencing upon Lessor's delivery of the Premises to Lessee ("**Commencement Date**") and ending two (2) years from the Commencement Date ("**Expiration Date**"). (See also Paragraph 3.) (see Exhibit K)

1.4 **Early Possession:** upon mutual signing, payment in certified funds and certificate of insurance ("**Early Possession Date**").(See also Paragraphs 3.2 and 3.3.)

1.5 **Base Rent:** Year One= Months 1 thru 6: $0.85psf x 2,100sf = $1,785.00 per month; Months 7-12: $0.95psf x 2,100sf = $1,995.00 per month ("**Base Rent**"), payable on the first day of each month. **Base Rent shall commence thirty (30) days after Lessor delivers the Premises to Lessee.** (See also Paragraph 4.)

✓ If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted. See Exhibit F.

1.6 **Lessee's Share of Common Area Operating Expenses:** (Not applicable) percent (___%) ("**Lessee's Share**").

1.7 **Base Rent and Other Monies paid Upon Execution:**

(a) Base Rent: $ 1,785.00.

(b) Common Area Operating Expenses: $ *does not apply for the period *does not apply.

(c) Security Deposit: $ 2,280.00 ("**Security Deposit**"). (See also Paragraph 5.)

(d) Other: :$ 75.00 per month for monthly water/sewer fees (see Exhibit C, Item #4).

(e) Total Due Upon Execution of this Lease: $ 4,140.00.

1.8 **Agreed Use:** personal training for health and fitness and general office and for no other purpose or use only. See Exhibit H. (See also Paragraph 6.)

1.9 **Insuring Party:** Lessor is the "**Insuring Party**". (See also Paragraph 8.)

1.10 **Real Estate Brokers:** (See also Paragraph 5).

(a) **Representation:** The following real estate brokers (the "**Brokers**") and brokerage relationships exist in this transition (check applicable boxes):

0 (Not applicable) represents Lessor exclusively ("**Lessor's Broker**");

0 (Not applicable) represents Lessee exclusively ("**Lessee's Broker**"); or

0 (Not applicable) represents both Lessor and Lessee ("**Dual Agency**").

(b) **Payment to Brokers:** Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Brokers the brokerage fee agreed to in a separate written agreement (or if there is no such agreement, the sum of (N/A) or ____% of the total Base Rent for the brokerage services rendered by the Brokers).

1.11 **Guarantor.** The obligations of the Lessee under this Lease are to be guaranteed by (Lessee by signing is acting as a Guarantor) (See Exhibits J and J.1) ("**Guarantor**"). (See also Paragraph 37.)

1.12 **Addenda and Exhibits:** Attached hereto is an Addendum or Addenda consisting of Paragraphs ---- through ---- and Exhibits A through N, all of which constitute a part of this lease.

2. **Premises.**

2.1 **Letting.** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of size set forth in this Lease, or that may have been used in calculating Rent, is an approximation which the Parties agree is reasonable and any payments based thereon are not subject to revision whether or not the actual size is more or less.

2.2 **Condition.** Lessor shall deliver that portion of the Premises contained within the Building ("**Unit**") to Lessee broom clean and free of debris on the Commencement Date or the Early Possession Date, whichever first occurs ("**Start Date**"), and, so long as the required service contracts described in Paragraph 7.1(b) below are obtained by Lessee and in effect within thirty days following the Start Date, warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems ("**HVAC**"), loading doors, if any, and all other such elements in the Unit, other than those constructed by Lessee, shall be in good operating condition on said date and that the structural elements of the roof, bearing walls and foundation of the Unit shall be free of material defects. If a non-compliance with such warranty exists as of the Start Date, or if one of such systems or elements should malfunction or fail within the appropriate warranty period, Lessor shall, as Lessor's sole obligation with respect to such matter, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, malfunction or failure, rectify same at Lessor's expense. The warranty periods shall be as follows: (i) 6 months as to the HVAC systems, and (ii) 30 days as to the remaining systems and other elements of the Unit. If Lessee does not give Lessor the required notice within the appropriate warranty period, correction of any such non-compliance, malfunction or failure shall be the obligation of Lessee at Lessee's sole cost and expense (except for the repairs to the fire sprinkler systems, roof, foundations, and/or bearing walls—see Paragraph 7).

2.3 **Compliance.** Lessor warrants that the Improvements on the Premises and the Common Areas comply with the building codes that were in effect at the time that each such Improvement, or portion thereof and also with all applicable laws, covenants or restrictions of record, regulations, and ordinances in effect on the Start Date ("**Applicable Requirements**"). Said warranty does not apply to the use of which Lessee will put the Premises or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a).) made or to be made by Lessee. **NOTE: Lessee is responsible for determining whether or not the zoning is appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed.** If the Premises do not comply with said warranty; Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within 6 months following the Start Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense. If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Unit, Premises and/or Building, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Unit, Premises and/or Building ("**Capital Expenditure**"), Lessor and Lessee shall allocate the cost of such work as follows:

(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof, provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease and the cost thereof exceeds 6 months'

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Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within 10 days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and the amount equal to 6 months' Base Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least 90 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor and Lessee shall allocate the obligation to pay for the portion of such costs reasonably attributable to the Premises pursuant to the formula set out in Paragraph 7.1(d); provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor.

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to non-voluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall be fully responsible for the cost thereof, and Lessee shall not have any right to terminate this Lease.

2.4 **Acknowledgements.** Lessee acknowledges that: (a) it has been advised by Lessor and/or Brokers to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler Systems, security, environmental aspects, and compliance with Applicable Requirements and the Americans with Disabilities Act), and their suitability for Lessee's intended use, (b) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefore as the same relate to its occupancy of the Premises, and (c) neither Lessor, Lessor's Agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (ii) it is Lessor's sole responsibility to investigate the financial capability and/or suitability of all proposed tenants. (See Exhibit D)

2.5 **Lessee as Prior Owner/Occupant.** The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the Start Date Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.

2.6 **Vehicle Parking.** Lessee shall be entitled to use the number of Unreserved Parking Spaces and Reserved Parking Spaces specified in Paragraph 1.2(b) on those portions of the Common Areas designated from time to time by Lessor for parking. Lessee shall not use more parking spaces than said number. Said parking spaces shall be used for parking by vehicles no larger than full-size passenger automobiles or pick-up trucks, herein called **"Permitted Size Vehicles."** Lessor may regulate the loading and unloading of vehicles by adopting Rules and Regulations as provided in Paragraph 2.9. No vehicles other than Permitted Size Vehicles may be parked in the Common Area without the prior written permission of Lessor.

(a) Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, contractors or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.

(b) Lessee shall not service or store any vehicles in the Common Areas.

(c) If Lessee permits or allows any of the prohibited activities described in this Paragraph 2.6, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.7 **Common Areas—Definition.** The term **"Common Areas"** is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Project and interior utility raceways and installations within the Unit that are provided and designated by the Lessor from time to time for the general non-exclusive use of Lessor, Lessee and other tenants of the Project and their respective employees, suppliers, shippers, customers, contractors and invitees, including parking areas, loading and unloading areas, trash areas, roadways, walkways, driveways and landscaped areas.

2.8 **Common Areas—Lessee's Rights.** Lessor grants to Lessee, for the benefit of Lessee and its employees, suppliers, shippers, contractors, customers and invitees, during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Lessor under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Project. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Lessor or Lessor's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.9 **Common Areas—Rules and Regulations.** Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to establish, modify, amend and enforce reasonable rules and regulations (**"Rules and Regulations"**) for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Project and their invitees. Lessee agrees to abide by and conform to all such Rules and Regulations, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessor shall not be responsible to Lessee for the non-compliance with said Rules and Regulations by other tenants of the Project.

2.10 **Common Areas—Changes.** Lessor shall have the right, in Lessor's sole discretion, from time to time:

(a) To make changes to the Common Areas, including, without limitation, changes in the location, size, shape and number of driveways, entrances, parking spaces, Parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways;

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;

(c) To designate other land outside the boundaries of the Project to be a part of the Common Areas;

(d) To add additional buildings and improvements to the Common Areas;

(e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Project, or any portion thereof; and

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Project as Lessor may, in the exercise of sound business judgment, deem to be appropriate.

3. **Term.**

3.1 **Term.** The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3. (see Exhibit C #2)

3.2 **Early Possession.** If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early possession. All other terms of this Lease (including but not limited to the obligations to pay Lessee's Share of Common Area Operating Expenses, Real Property taxes and insurance premiums and to maintain the Premises) shall, however, be in effect during such period. Any such early possession shall not affect the Expiration Date. (See Exhibit C # 1)

3.3 **Delay In Possession.** Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession as agreed, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until it receives possession of the Premises. If possession is not delivered within 60 days after

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the Commencement Date, Lessee may, at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10 day period, Lessee's right to cancel shall terminate. Except as otherwise provided, if possession is not tendered to Lessee by the Start Date and Lessee does not terminate this Lease, as aforesaid, any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession of the Premises is not delivered within 4 months after the Commencement Date, this Lease shall terminate, unless other agreements are reached between Lessor and Lessee, in writing. (See Exhibit C #12)

3.4 **Lessee Compliance.** Lessor shall not be required to tender possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of insurance (Paragraph 8.5). Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.

4. **Rent.**

4.1 **Rent Defined.** All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit) are deemed to be rent (**"Rent"**).

4.2 **Common Area Operating Expenses.** INTENTIONALLY DELETED

(a) **"Common Area operating Expenses"** are defined, for purposes of this Lease, as all costs incurred by Lessor relating to the ownership and operation of the Project, including, but not limited to, the following:

(i) The operation, repair and maintenance, in neat, clean, good order and condition, but not the replacement (see subparagraph (e)), of the following:

(aa) The Common Areas and Common Area improvements, including parking areas, loading and unloading areas, trash areas, roadways, parkways, walkways, driveways, landscaped areas, bumpers, irrigation systems, Common Area lighting facilities, fences and gates, elevators, roofs, and roof drainage systems.

(bb) Exterior signs and any tenant directories.

(cc) Any fire sprinkler systems.

(ii) The cost of water, gas, electricity and telephone to service the Common Areas and any utilities not separately metered.

(iii) Trash disposal, pest control services, property management, security services, and the costs of any environmental inspections.

(iv) Reserves set aside for maintenance and repair of Common Areas.

(v) Any increase above the Base Real Property Taxes (as defined in Paragraph 10).

(vi) Any "Insurance Cost Increase" (as defined in Paragraph 8).

(vii) Any deductible portion of an insured loss concerning the Building or the Common Areas.

(viii) The cost of any Capital Expenditure to the Building or the Project not covered under the provisions of Paragraph 2.3 provided; however, that Lessor shall allocate the cost of any such Capital Expenditure over a 12 year period and Lessee shall not be required to pay more than Lessee's Share of 1/144th of the cost of such Capital Expenditure in any given month.

(ix) Any other services to be provided by Lessor that are stated elsewhere in this Lease to be a Common Area Operating Expense.

(b) Any Common Area Operating Expenses and Real Property Taxes that are specifically attributable to the Unit, the Building or to any other building in the Project or to the operation, repair and maintenance thereof, shall be allocated entirely to such Unit, Building, or other building. However, any Common Area Operating Expenses and Real Property Taxes, that are not specifically attributable to the Building or to any other building or to the operation, repair and maintenance thereof, shall be equitably allocated by Lessor to all buildings in the Project. (See Exhibit C, Items 3 & 4.)

(c) The inclusion of the improvements, facilities and services set forth in Subparagraph 4.2(a) shall not be deemed to impose an obligation upon Lessor to either have said improvements or facilities or to provide those services unless the Project already has the same, Lessor already provides the services, or Lessor has agreed elsewhere in this Lease to provide the same or some of them.

(d) INTENTIONALLY DELETED

(e) When a capital component such as the roof, foundations, exterior walls or a Common Area capital improvement, such as the parking lot paving, elevators, fences, etc. requires replacement, rather than repair or maintenance, Lessor shall, at Lessor's expense, be responsible for such replacement. Such expenses and/or costs are not Common Area Operating Expenses.

4.3 **Payment.** Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States, without offset or deduction (except as specifically permitted in this Lease), on or before the day on which it is due. Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a Waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating. In the event that any check, draft, or other instrument of payment given by Lessee to Lessor is dishonored for any reason, Lessee agrees to pay to Lessor the sum of $25.

5. **Security Deposit.** Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease, Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of the Security Deposit, Lessee shall within 10 days after written request therefor deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sub lessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, in Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within 14 days after the expiration or termination of this Lease, if Lessor elects to apply the Security Deposit only to unpaid Rent, and otherwise within 30 days after the Premises have been vacated pursuant to Paragraph 7.4(c) below, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease.

6. **Use.**

6.1 **Use.** Lessee shall use and occupy the Premises only for the Agreed Use and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties. (See Exhibit C, Item 5.)

6.2 **Hazardous Substances.**

(a) **Reportable Uses Require Consent.** The term **"Hazardous Substance"** as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, by-products or fractions thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee's expense) with all Applicable Requirements. **"Reportable Use"** shall mean (i) the installation or use of any above or

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below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability, including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit.

(b) **Duty to Inform Lessor.** If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(c) **Lessee Remediation.** Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) **Lessee Indemnification.** Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, or any Third party (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from areas outside of the Project). Lessee's obligations shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

(e) **Lessor Indemnification.** Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which existed as a result of Hazardous Substances on the Premises prior to the Start Date or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

(f) **Investigations and Remediations.** Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to the Start Date, unless such remediation measure is required as a result of Lessee's use (including "Alterations," as defined in Paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessor's investigative and remedial responsibilities.

(g) **Lessor Termination Option.** If a Hazardous Substance Condition (see Paragraph 9.1(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to remediate such condition exceeds 12 times the then monthly Base Rent or $100,000, whichever is greater, give written notice to Lessee, within 30 days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within 10 days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to 12 times the then monthly Base Rent or $100,000, whichever is greater. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation, as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

6.3 **Lessee's Compliance with Applicable Requirements.** Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the Premises, without regard to whether said requirements are now in effect or become effective after the Start Date. Lessee shall, within 10 days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements.

6.4 **Inspection Compliance.** Lessor and Lessor's **"Lender"** (as defined in Paragraph 30) and consultants shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a contamination is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination.

7. **Maintenance; Repairs, Utility Installations; Trade Fixtures and Alterations.**

7.1 **Lessee's Obligations.**

(a) **In General.** Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance), 6.3 (Lessee's Compliance with Applicable Requirements), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole expense, keep the Premises, Utility Installations (intended for Lessee's exclusive use, no matter where located), and Alterations in good order, condition and repair (whether or not the portion of the Premises requiring repairs, or the means or repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, but not limited to, all equipment or facilities, such as plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fixtures, interior walls, interior surfaces of exterior walls, ceilings, floors, windows, doors, plate glass, and skylights but excluding any items which are the responsibility of Lessor pursuant to Paragraph 7.2. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Paragraph 7.1(b) below. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair. (See Exhibit C, Item 6.)

(b) **Service Contracts.** Lessee shall, at Lessee's sole expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in the maintenance of the following equipment and improvements, if any, if and when installed on the Premises: (I) HVAC equipment, (ii) boiler and pressure vessels, (iii) clarifiers, and (iv) any other equipment, if reasonably required by Lessor. However, Lessor reserves the right, upon notice to Lessee, to procure and maintain any or all of such service contracts, and if Lessor so elects, Lessee shall reimburse Lessor, upon demand, for the cost thereof.

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(c) **Failure to Perform.** If Lessee fails to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after 10 days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, and Lessee shall promptly reimburse Lessor for the cost thereof.

(d) **Replacement.** Subject to Lessee's indemnification of Lessor as set forth in Paragraph 8.7 below, and without relieving Lessee of liability resulting from Lessee's failure to exercise and perform good maintenance practices, if an item described in Paragraph 7.1(b) cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such item, then such item shall be replaced by Lessor, and the cost thereof shall be prorated between the Parties and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease, on the date on which Base Rent is due, an amount equal to the product of multiplying the cost of such replacement by a fraction, the numerator of which is one, and the denominator of which is 144 (ie. 1/144th of the cost per month). Lessee shall pay interest on the unamortized balance at a rate that is commercially reasonable in the judgment of Lessor's accountants. Lessee may, however, prepay its obligation at any time.

7.2 **Lessor's Obligations.** Subject to the Provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 4.2 (Common Area Operating Expenses), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler system, Common Area fire alarm and/or smoke detection systems, fire hydrants, parking lots, walkways, parkways, driveways, landscaping, fences, signs and utility systems serving the Common Areas and all parts thereof, as well as providing the services for which there is a Common Area Operating Expense pursuant to Paragraph 4.2. Lessor shall not be obligated to paint the exterior or interior surfaces of exterior walls nor shall Lessor be obligated to maintain, repair or replace windows, doors or plate glass of the Premises. Lessee expressly waives the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease

7.3 **Utility Installations; Trade Fixtures; Alterations.**

(a) **Definitions.** The term **"Utility Installations"** refers to all floor and window coverings, air lines, power panels, electrical distribution, security and fire protection systems, communication systems, lighting fixtures, HVAC equipment, plumbing, and fencing in or on the Premises. The term **"Trade Fixtures"** shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term **"Alterations"** shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. **"Lessee Owned Alterations and/or Utility Installations"** are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a).

(b) **Consent.** Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, and the cumulative cost thereof during this Lease as extended does not exceed a sum equal to 3 month's Base Rent in the aggregate or a sum equal to one month's Base Rent in any one year. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor.

(c) **Indemnification.** Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or material men's lien against the Premises or any interest therein, Lessee shall give Lessor not less than 10 days notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to 150% of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys' fees and costs.

7.4 **Ownership; Removal; Surrender; and Restoration.**

(a) **Ownership.** Subject to Lessor's right to require removal or elect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

(b) **Removal.** By delivery to Lessee of written notice from Lessor not earlier than 90 and not later than 30 days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent.

(c) **Surrender; Restoration.** Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing, if this Lease is for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures. Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall also completely remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Project) even if such removal would require Lessee to perform or pay for work that exceeds statutory requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below. (See Exhibit C, Item 7.)

8. Insurance Indemnity.

8.1 **Payment of Premium Increases.**

(a) As used herein, the term **"Insurance Cost Increase"** is defined as any increase in the actual cost of the insurance applicable to the Building and/or the Project and required to be carried by Lessor, pursuant to Paragraphs 8.2(b), 8.3(a) and 8.3(b) (**"Required Insurance"**), over and above the Base Premium, as hereinafter defined, calculated on an annual basis. Insurance Cost Increase shall include, but not be limited to, requirements of the holder of a mortgage or deed of trust covering the Premises, Building and/or Project, increased valuation of the Premises, Building and/or Project, and/or a general premium rate increase. The term Insurance Cost Increase shall not, however, include any premium increases resulting from the nature of the occupancy of any other tenant of the Building. If the parties insert a dollar amount in Paragraph 1.9, such amount shall be considered the **"Base Premium."** The Base Premium shall be the annual premium applicable to the 12 month period immediately preceding the Start Date. If, however, the Project was not insured for the entirety of such 12 month period, then the Base Premium shall be the lowest annual premium reasonably obtainable for the Required Insurance as of the Start Date, assuming the most nominal use possible of the Building. In no event, however, shall Lessee be responsible for any portion of the premium cost attributable to liability insurance coverage in excess of $2,000,000 procured under Paragraph 8.2(b).

(b) INTENTIONALLY DELETED

8.2 **Liability Insurance.**

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(a) **Carried by Lessee.** Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $1,000,000 per occurrence with an annual aggregate of not less than $2,000,000, an "Additional Insured-Managers or Lessor's of Premises Endorsement" and contain the "Amendment of the Pollution Exclusion Endorsement" for damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "Insured Contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance carried by Lessee shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only. (See Exhibit C, Item 8.)

(b) **Carried by Lessor.** Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 **Property Insurance – Building, Improvements and Rental Value.**

(a) **Building and Improvements.** Lessor shall obtain and keep in force a policy or policies of insurance in the name of Lessor, with loss Payable to Lessor, any ground-lessor, and to any Lender insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full replacement cost of the Premises, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available insurable value thereof. Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee under Paragraph 8.4. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed $1,000 per occurrence.

(b) **Rental Value.** Lessor shall also obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one year with an extended period of indemnity for an additional 180 days ("Rental Value Insurance"). Said insurance shall contain an agreed valuation provision, in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next 12 month perio d.

(c) **Adjacent Premises.** Lessee shall pay for any increase in the premiums for the property insurance of the Building and for the Common Areas or other buildings in the Project if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(d) **Lessee's Improvements.** Since Lessor is the Insuring Party, Lessor shall not be required to insure Lessee Owned Alterations and Utility Installations unless the item in question has become the property of Lessor under the terms of this Lease.

8.4 **Lessee's Property; Business Interruption Insurance.**

(a) **Property Damage.** Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures, and Lessee Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed $1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of Personal Property, Trade Fixtures and Lessee Owned Alterations and Utility Installations. Lessee shall provide Lessor with written evidence that such insurance in force.

(b) **Business Interruption.** Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all Perils commonly insured against by prudent Lessee's in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

(c) **No Representation of Adequate Coverage.** Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.

8.5 **Insurance Policies.** Insurance required herein shall be by companies duly licensed or admitted to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B+, V, as set forth in the most current issue of "Best's Insurance Guide," or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates evidencing the existence and amounts of the required insurance. No such policy shall be cancelable or subject to modification except after 30 days prior written notice to Lessor. Lessee shall, at least 30 days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same.

8.6 **Waiver of Subrogation.** Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation, that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 **Indemnity.** Except for Lessor's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified.

8.8 **Exemption of Lessor from Liability.** Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the Building, or from other sources or places. Lessor shall not be liable for any damages arising from any act or neglect of any other tenant of Lessor nor from the failure of Lessor to enforce the provisions of any other lease in the Project. Notwithstanding Lessor's negligence or breach of this Lease, Lessor shall under no circumstances be liable for injury to Lessee's business or for any loss of income or profit there from.

9. **Damage or Destruction.**

9.1 Definitions.

(a) **"Premises Partial Damage"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which can reasonably be repaired in 3 months or less from the date of the damage or destruction, and the cost thereof does not exceed a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(b) **"Premises Total Destruction"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which cannot reasonably be repaired in 3 months or less from the date of the damage or destruction and/or the cost thereof exceeds a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) **"Insured Loss"** shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

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(d) **"Replacement Cost"** shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) **"Hazardous Substance Condition"** shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises.

9.2 **Partial Damage – Insured Loss.** If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is $5,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said 10 day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 **Partial Damage – Uninsured Loss.** If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective 60 days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 **Total Destruction.** Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate 60 days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6

9.5 **Damage Near End of Term.** If at any time during the last 6 months of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective 60 days following the date of occurrence of such damage by giving a written termination notice to Lessee within 30 days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is 10 days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished.

9.6 **Abatement of Rent; Lessee's Remedies.**

(a) **Abatement.** In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from the Rental Value Insurance. All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) **Remedies.** If Lessor shall be obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within 90 days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than 60 days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within 30 days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such 30 days, this Lease shall continue in full force and effect. "Commence" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 **Termination; Advance Payments.** Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

9.8 **Waive Statutes.** Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith.

10. **Real Property Taxes.**

10.1 **Definitions.**

(a) **"Real Property Taxes."** As used herein, the term **"Real Property Taxes"** shall include a form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Project, Lessor's right to other income there from, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Project address and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Project is located. The term "Real Property Taxes" shall also include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Project or any portion thereof or a change in the improvements thereon.

(b) **"Base Real Property Taxes."** As used herein, the term **"Base Real Property Taxes"** shall be the amount of Real Property Taxes, which are assessed against the Premises, Building, Project or Common Areas in the calendar year during which the Lease is executed. In calculating Real Property Taxes for any calendar year, the Real Property Taxes for any real estate tax year shall be included in the calculation of Real Property Taxes for such calendar year based upon the number of days which such calendar year and tax year have in common.

10.2 **Payment of Taxes.** Lessor shall pay the Real Property Taxes applicable to the Project, and except as otherwise provided in Paragraph 10.3, any increases in such amounts over the Base Real Property Taxes shall be included in the calculation of Common Area Operating Expenses in accordance with the provisions of Paragraph 4.2.

10.3 **Additional Improvements.** Common Area Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Project by other Lessee's or by Lessor for the exclusive enjoyment of such other lessees. Notwithstanding Paragraph 10.2 hereof, Lessee shall, however, pay to Lessor at the time

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Common Area Operating Expenses are payable under Paragraph 4.2, the entirety of any increase in Real Property Taxes if assessed solely by reason of Alterations, Trade Fixtures or Utility Installations placed upon the Premises by Lessee or at Lessee's request.

10.4 **Joint Assessment.** If the Building is not separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.5 **Personal Property Taxes.** Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within 10 days after receipt of a written statement getting forth the taxes applicable to Lessee's property.

11. **Utilities.** Lessee shall pay for all water, gas, heat, light, power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. Notwithstanding the provisions of Paragraph 4.2, if at any time in Lessor's sole judgment, Lessor determines that Lessee is using a disproportionate amount of water, electricity or other commonly metered utilities, or that Lessee is generating such a large volume of trash as to require an increase in the size of the dumpster and/or an increase in the number of times per month that the dumpster is emptied, then Lessor may increase Lessee's Base Rent by an amount equal to such increased costs.

12. **Assignment and Subletting.** (see Exhibit C #9)

12.1 **Lessor's Consent Required.**

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, **"assign or assignment"**) or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent.

(b) A change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of 25% or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than 25% of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. **"Net Worth of Lessee"** shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.

(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a noncurable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, (i) the Purchase Price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to 110% of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

12.2 **Terms and Conditions Applicable to Assignment and Subletting.**

(a) Regardless of Lessor's consent, any assignment or subletting shall not: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) after the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefore to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of $1,000 or 10% of the current monthly Base Rent applicable to the portion of the Premises which is the subject of the proposed assignment or sublease, whichever is greater, as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested.

(f) Any assignee of, or sublessee under, this lease shall, by reason of accepting such assignment or entering into such sublease, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

12.3 **Additional Terms and Conditions Applicable to Subletting.** The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. **Default; Breach; Remedies.**

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13.1 **Default; Breach.** A **"Default"** is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A **"Breach"** is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or Property, where such failure continues for a period of 3 business days following written notice to Lessee.

(c) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 41 (easements), or (viii) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Lessee.

(d) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 2.9 hereof, other than those described in subparagraphs 13.1(a), (b) or (c), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

(e) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a **"debtor"** as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(f) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.

(g) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 **Remedies.** If Lessee fails to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. The costs and expenses of any such performance by Lessor shall be due and payable by Lessee upon receipt of invoice therefor. If any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor, at its option, may require all future payments to be made by Lessee to be by cashier's check. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result there from, including but not limited to the cost of recovering possession of the Premises, expenses of relotting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover damages under Paragraph 12. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 **Inducement Recapture.** Any agreement for free or abated rent or other charges, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as **"Inducement Provisions,"** shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and condition, of this Lease. Upon Breach of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance. (See Exhibit C #16)

13.4 **Late Charges.** Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within 5 days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a one-time late charge equal to 10% of each such overdue amount or $100, whichever is greater. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment, acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late

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charge is payable hereunder, whether or not collected, for 3 consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 **Interest.** Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due as to scheduled payments (such as Base Rent) or within 30 days following the date on which it was due for non-scheduled payment, shall bear interest from the date when due, as to scheduled payments, or the 31st day after it was due as to non-scheduled payments. The interest ("**Interest**") charged shall be equal to the prime rate reported in the Wall Street Journal as published closest prior to the date when due plus 4%, but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 **Breach by Lessor.**

(a) **Notice of Breach.** Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than 30 days after receipt by Lessor, and any Lender whose name and address shall have been furnished Lessee in writing for such Purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than 30 days are reasonably required for its Performance, then Lessor shall not be in breach of Performance is commenced within such 30 day period and thereafter diligently pursued to completion.

(b) **Performance by Lessee on Behalf of Lessor.** In the event that neither Lessor nor Lender cures said breach within 30 days after receipt of said notice, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from Rent an amount equal to the greater of one Base Rent of the Security Deposit, and to pay an excess of such expense under protest, reserving Lessee's right to reimbursement from Lessor. Lessee shall document the cost of said cure and supply said documentation to Lessor.

14. **Condemnation.** If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively "**Condemnation**") this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs first. If more than 10% of the floor area of the Unit, or more than 25% of Lessee's Reserved Parking Spaces, is taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within 10 days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within 10 days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided however, that Lessee shall be entitled to any compensation for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefore. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation.

15. **Brokerage Fees.** (see Exhibit C #10)

15.1 **Additional Commission.** In addition to the payments owed pursuant to Paragraph 1.10 above, and unless Lessor and the Brokers Otherwise agree in writing, Lessor agrees that: (a) if Lessee exercises any Option, (b) if Lessee acquires from Lessor any rights to the Premises or other premises owned by Lessor and located within the Project, (c) if Lessee remains in Possession of the Premises, with the consent of Lessor, after the expiration of this Lease or (d) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then, Lessor shall pay Brokers a fee in accordance with the schedule of the Brokers in effect at the time of the execution of this Lease.

15.2 **Assumption of Obligations.** Any buyer or transferee of Lessor's interest in this Lease shall be deemed to have assumed Lessor's obligation hereunder. Brokers shall be third party beneficiaries of the provisions of Paragraphs 1.10, 15, 22 and 31. If Lessor fails to pay to Brokers any amounts due as and for brokerage fees pertaining to this Lease when due, then such amounts shall accrue Interest. In addition, if Lessor fails to pay any amounts to Lessee's Broker when due, Lessee's Broker may send written notice to Lessor and Lessee of such failure and if Lessor fails to pay such amounts within 10 days after said notice, Lessee shall pay said monies to its Broker and offset such amounts against Rent. In addition, Lessee's Broker shall be deemed to be a third party beneficiary of any commission agreement entered into by and/or between Lessor and Lessor's Broker for the limited purpose of collecting any brokerage fee owed.

15.3 **Representations and Indemnities of Broker Relationships.** Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any) in connection with this Lease, and that no one other than said named Brokers is entitled to any commission or finder's fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

16. **Estoppel Certificates.**

(a) Each Party (as "**Responding Party**") shall within 10 days after written notice from the other Party (the "**Requesting Party**") execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current "**Estoppel Certificate**" form published by the American Industrial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

(b) If the Responding Party shall fail to execute or deliver the Estoppel Certificate within such 10 day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance. Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate.

(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past 3 years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. **Definition of Lessor.** The term "**Lessor**" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Except as provided in Paragraph 15, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined. Notwithstanding the above, and subject to the provisions of Paragraph 20 below, the original Lessor under this Lease, and all subsequent holders of the Lessor's interest in this Lease shall remain liable and responsible with regard to the potential duties and liabilities of Lessor pertaining to Hazardous Substances as outlined in Paragraph 6.2 above.

18. **Severability.** The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. **Days.** Unless otherwise specifically indicated to the contrary, the word "**days**" as used in this Lease shall mean and refer to calendar days.

20. **Limitation on Liability.** Subject to the provisions of Paragraph 17 above, the obligations of Lessor under this Lease shall not constitute personal obligations of Lessor, the individual partners of Lessor or its or their individual partners, directors, officers or shareholders, and Lessee shall look to the Premises, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with

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respect to this Lease, and shall not seek recourse against the individual partners of Lessor, or its or their individual partners, directors, officers or shareholders, or any of their personal assets for such satisfaction.

21. **Time of Essence.** Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

22. **No Prior or Other Agreements; Broker Disclaimer.** This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the use, nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees), of any Broker with respect to negotiation, execution, delivery or performance by either Lessor or Lessee under this Lease or any amendment or modification hereto shall be limited to an amount up to the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

23. **Notices.**

23.1 **Notice Requirements.** All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may, by written notice to the other, specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing.

23.2 **Date of Notice.** Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 48 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices transmitted by facsimile transmission or similar means shall be deemed delivered upon telephone confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

24. **Waivers.** No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of monies or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

25. **Disclosures Regarding The Nature of a Real Estate Agency Relationship.**

(a) When entering into a discussion with a real estate agent regarding a real estate transaction, a Lessor or Lessee should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Lessor and Lessee acknowledge being advised by the Brokers in this transaction, as follows:

(i) Lessor's Agent. A Lessor's agent under a listing agreement with the Lessor acts as the agent for the Lessor only. A Lessor's agent or subagent has the following affirmative obligations: To the Lessor: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessor. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(ii) Lessee's Agent. An agent can agree to act as agent for the Lessee only. In these situations, the agent is not the Lessor's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Lessor. An agent acting only for a Lessee has the following affirmative obligations. To the Lessee: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessee. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that not known to, or within the diligent attention and observation of the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(iii) Agent Representing Both Lessor and Lessee. A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Lessor and the Lessee in a transaction, but only with the knowledge and consent of both the Lessor and the Lessee. In a dual agency situation, the agent has the following affirmative obligations to both the Lessor and the Lessee: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Lessor or the Lessee. b. Other duties to the Lessor and the Lessee as stated above in subparagraphs (i) or (ii). In representing both Lessor and Lessee, the agent may not without the express permission of the respective Party, disclose to the other Party that the Lessor will accept rent in an amount less than that indicated in the listing or that the Lessee is willing to pay a higher rent than that offered. The above duties of the agent in a real estate transaction do not relieve a Lessor or Lessee from the responsibility to protect their own interests. Lessor and Lessee should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

(b) Brokers have no responsibility with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees), of any Broker with respect to any breach of duty, error or omission relating to this Lease shall not exceed the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

(c) Buyer and Seller agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

26. **No Right To Holdover.** Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 150% of the Base Rent applicable immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

27. **Cumulative Remedies.** No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. **Covenants and Conditions; Construction of Agreement.** All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

29. **Binding Effect; Choice of Law.** This Lease shall be binding upon the parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. **Subordination; Attornment; Non-Disturbance.**

30.1 **Subordination.** This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, **"Security Device"**), now or hereafter placed upon the

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Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as **"Lender"**) shall have no liability or obligation to perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to Lessee, whereupon this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 **Attornment.** Subject to the non-disturbance provisions of Paragraph 30.3, Lessee agrees to attorn to a Lender or any other party who acquires ownership of the Premises by reason of a foreclosure of a Security Device, and that in the event of such foreclosure, such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (b) be subject to any offsets or defenses which Lessee might have against any prior lessor, (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor.

30.3 **Non-Disturbance.** With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a **"Non-Disturbance Agreement"**) from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within 60 days after the execution of this Lease, Lessor shall use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to provide the Non-Disturbance Agreement within said 60 days, then Lessee may, at Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 **Self-Executing.** The agreements contained in this Paragraph 30 shall be effective without the execution or any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

31. **Attorneys' Fees.** If any Party or Broker brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, **"Prevailing Party"** shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgement, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach ($200 is a reasonable minimum per occurrence for such services and consultation). (see Exhibit C #15)

32. **Lessor's Access; Showing Premises; Repairs.** Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times for the purpose of showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary. All such activities shall be without abatement of rent or liability to Lessee. Lessor may at any time place on the Premises any Ordinary **"For Sale"** signs and Lessor may during the last 6 months of the term hereof place on the Premises any ordinary **"For Lease"** signs. Lessee may at any time place on the Premises any ordinary **"For Sublease"** sign.

33. **Auctions.** Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessor's prior written consent. Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

34. **Signs.** Except for ordinary "For Sublease" signs which may be placed only on the Premises, Lessee shall not place any sign upon the Project without Lessor's prior written consent. All signs must comply with all Applicable Requirements. (see Exhibit G)

35. **Termination; Merger.** Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subtenancies. Lessor's failure within 10 days following any such event to elect to the contrary by written notice to the holder of any such lesser interest shall constitute Lessor's election to have such event constitute the termination of such interest.

36. **Consents.** Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an invoice and supporting documentation therefor. Lessor's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within 10 business days following such request.

37. **Guarantor.**

37.1 **Execution.** The Guarantors, if any, shall each execute a guaranty in the form most recently published by the American Industrial Real Estate Association, and each such Guarantor shall have the same obligations as Lessee under this Lease.

37.2 **Default.** It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantors behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect.

38. **Quiet Possession.** Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. **Options.** If Lessee is granted an option, as defined below, then the following provisions shall apply. (see Exhibit L, if any)

39.1 **Definition. "Option"** shall mean: (a) the right to extend the term of or renew this Lease or to extend or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Premises or other property of Lessor; (c) the right to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 **Options Personal To Original Lessee.** Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting

39.3 **Multiple Options.** In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised

39.4 **Effect of Default on Options.**

(a) Lessee shall have no right to exercise an Option; (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

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(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), (ii) Lessor gives to Lessee 3 or more notices of separate Default during any 12 month period, whether or not the Defaults are cured, or (iii) if Lessee commits a Breach of this Lease.

40. **Security Measures.** Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

41. **Reservations.** Lessor reserves the right, (i) to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, (ii) to cause the recordation of parcel maps and restrictions, and (iii) to create and/or install new utility raceways, so long as such easements, rights dedications, maps, restrictions, and utility raceways do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate such rights.

42. **Performance Under Protest.** If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make Payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay.

43. **Authority.** If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duty authorized to execute and deliver this Lease an its behalf. Each party shall, within 30 days after request, deliver to the other party satisfactory evidence of such authority.

44. **Conflict.** Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions. (see Exhibit C #13)

45. **Offer.** Preparation of this Lease by either party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

46. **Amendments.** This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

47. **Multiple Parties.** If more than one person or entity is named herein as either Lessor or Lessee, such multiple Parties shall have joint and several responsibility to comply with the terms of this Lease.

48. **Waiver of Jury Trial.** The Parties hereby waive their respective rights to trial by jury in any action or proceeding involving the Property or arising out of this Agreement.

49. **Mediation and Arbitration of Disputes.** An Addendum requiring the Mediation and/or the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease is not attached to this Lease.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL, AND TAX CONSEQUENCES OF THIS LEASE.
2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

WARNING: IF THE PREMISES ARE LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES ARE LOCATED.

The parties hereto have executed this lease at the place and on the dates specified above their respective signatures.

Executed at: Solana Beach, CA
on: May 21, 2012

By LESSOR:
Strauss Family Trust UDT 6/5/92 dba/ M.C. Strauss Company

By: M.C. Strauss
Name Printed: M.C. STRAUSS, TTEE
Title:
Address: 990 Highland Drive #200
Solana Beach, CA 92075
Telephone: (858) 792-7500
Facsimile: (858) 792-7834
Federal ID No.

Executed at:
on:

By LESSEE:
Arturo Canada, an individual and Amber DeGeorge, an individual, dba: Mighty Crossfit

By:
Name Printed: Arturo Canada
Title:
Address:

Telephone/Fax: ( )
SocSec#:

By:
Name Printed: Amber DeGeorge
Title:
Address:

Telephone/Fax:
SocSec#:

These forms are often modified to meet changing requirements of law and needs of the industry. Always write or call to make sure you are utilizing the most current form: American Industrial Real Estate Association, 700 South Flower Street, Suite 600, Los Angeles, CA 90017. (213) 687-8777.

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TENANTS SHALL FURNISH:

1. Its personal and corporate (if applicable) financial statements.
2. Completed Landlord furnished credit information forms.
3. Letter of reference from Tenant's bank.
4. If a corporation, its duly Authorized Corporate Resolution notifying the Lease. (SEE Exhibit C Item #11)

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EXHIBIT A

LEGAL DESCRIPTION & SITE PLAN

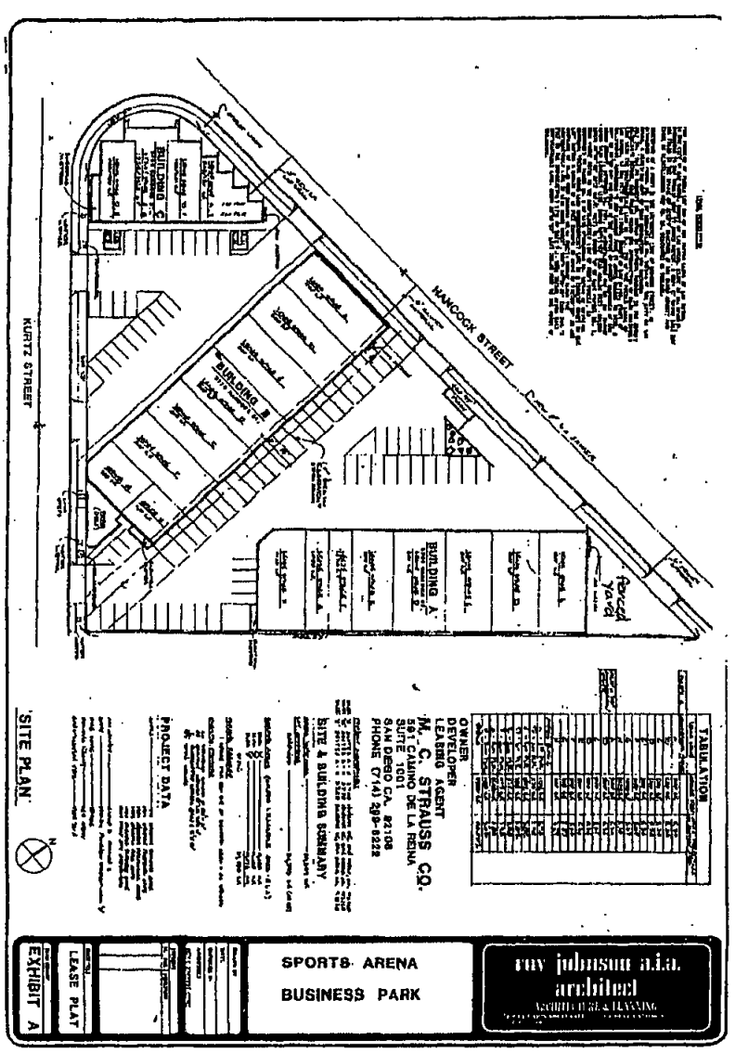


EXHIBIT A

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EXHIBIT A-1 TO LEASE (SUBLEASE)

MINIMUM STANDARD SUBLEASE CONDITIONS

(1) ASSIGNMENT AND SUBLEASING: Sublessee, shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and the City of San Diego, hereinafter, "City." An assignment by operation of law shall automatically terminate this lease.

(2) HOLD HARMLESS: Sublessee shall assume the defense of, indemnify and save harmless Lessee and City from all claims, expenses and liability of every nature, directly or indirectly arising from, or alleged to have arisen from the operations conducted on the leased premises or from any act or omission of Sublessee, its agents and invitees.

(3) INSURANCE: Sublessee shall be insured by an insurance carrier acceptable to the Lessee and City against loss from public liability arising from the use or condition of or operation conducted on the leased premises. Minimum coverage shall be as set forth in Paragraph 16-B hereof. A copy of the policy of insurance shall be filed with the City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or canceled without 30 days prior written notice to the. City by the insuranco company.

(4) LEGAL PROCEEDINGS: Should it become necessary to Lessee or City to commence legal Proceedings to collect rent, to recover possessions or enforce any other provision of this lease, Sublessee agrees that the prevailing party shall be entitled to all legal costs in connection therewith, including a reasonable sum as attorney's fees

(5) SUBORDINATION: This agreement is in effect a sublease of a portion of the premises covered by that certain Lease Agreement dated September 13, 1977, as amended between the sublessor herein and the City of San Diego- This sublease is subject and subordinated to the covenants and conditions of said Lease Agreement notwithstanding any provision hereto contrary to or in conflict with said agreement.

(6) The property is subject to a City of San Diego ground lease mentioned hereinabove and lies with in the recently formed North Bay Redevelopment Area. The property will be redeveloped sometime in the future- Accordingly, Landlord and or city at its sole option may terminate this lease at anytime aftor Dec 1, 2003 with 6 months notice in writing, and without invalidating or superceding any of the rights contained hero in this Addendum of tho lease or the city land lease agreements there under

LESSEE'S INITIALS

LESSEE'S INITIALS

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EXHIBIT B

DEMISED PREMISES PLAN (IF AVAILABLE)

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Addendum to Commercial/Industrial Multi-Tenant Lease

1. Early Possession: With early move-in of Lessee, Lessee may not interfere with any tenant improvements needed to be done by Lessor. Additionally, M.C. Strauss Company is not responsible for loss, theft, or damage of any of Lessee's property should Lessee desire to move-in prior to commencement of Lease Term.

2. Term Adjustment: If the Commencement Date is other than the first day of a calendar month, the Term shall be deemed to have commenced on the first day of the next succeeding month.

3. Modified Common Area Operating Expenses: Lessor shall pay Tenant's portion of common area maintenance, taxes,and insurance.
   a. "Operating Costs" means all costs reasonably incurred by Lessor in accordance with generally accepted accounting principles, and fairly allocable to the applicable Calendar Year which relate to, or are fairly allocable to, the ownership and operation of the Common Areas. Lessor shall pay tenant's portion of common area maintenance, axes and insurance
   b. Periodic painting of the building exterior and common areas shall be included as a common area operating expense. If Lessor undertakes a program of preventive maintenance for the HVAC systems for all of the Tenants per Paragraph 7.1(b), the cost thereby shall be included as a common area expense.
   c. The common area definition shall also include lighting facilities, sewer, water, gas, electric, phone and other utility lines, storm drains, roads and approaches servicing the Center generally; and any other items that Lessor deems necessary and appropriate.
   d. Replacement costs, defined as that which cannot be repaired other than at a cost which is in excess of fifty percent (50%) of the cost of replacing such item, then such item shall be replaced and the cost prorated over sixty (60) months and Tenant shall pay one sixtieth (1/60) of the cost each month of the Lease term and extension thereto.

4. Utilities: Lessee shall pay before delinquency all charges for water, sewer, gas heat, electricity, power, telephone service and all and any other services or utilities used in, upon or about the Demised Premises by Lessee or any of its subtenants, licensees or concessionaries, provided, however, if any such services or utilities shall be billed to Lessor and not separately metered to the Demised Premises the mount thereof shall be prorated and Lessee shall pay to Lessor upon demand as additional rental hereunder an amount equal to that proportion of the total charges therefore which the number of square feet of Gross Floor Area in the Demised Premises bears to the total number of square feet of gross floor area of stores then rented as of the date of the utility bill served in the area and/or buildings covered by such combined charges. With respect to gas and electric service, which is not separately metered, Lessor may, at Lessor's option, in lieu of prorating on the fore-going basis, determine the amount of use of such services by Lessee on the basis of Lessee's estimated usage as determined by the utility company servicing the Demised Premises, or, if such company ceases providing such service, by a qualified electrical contractor selected by Lessor. Water is furnished to the part of the Common Area via as is central meter. Accordingly, Lessee will pay Lessor a flat charge of ___(per Section 1.7 (d))___ a month for its share of the water for its premises. Water charges may be reevaluated and increased by Lessor based on the use of the premises especially due to the number of patrons of and Lessee's business use. Lessor may require a high water user such as a restaurant or beauty parlor to install a separate meter or if the cost is prohibitive, to install an inline meter at Lessee's expense to be able to determine Lessee's fair share for any excess use.

5. Continuous Operations: Lessee shall keep the Demised Premises open for business during all hours customarily maintained by business similar to Lessee's business in the trading area in which the Demised Premises are located. At all such times Lessee shall have upon the Demised Premises a sufficient number of employees and a sufficient stock of merchandise to adequately serve the patrons thereof or render the services offered. A business holiday of more than 30 days of consecutive closing in any one year shall be considered a default.

6. Locks: Should Lessee change the locks on their suite, Lessee must furnish Lessor with a copy of the new key which is for the protection of the Lessee and per the Lease.

7. Vacating Premises: The definition "ordinary wear and tear" shall NOT include such items as carpet cleaning, cleaning, patching and painting necessary to restore Premises to a releasable condition. Additionally, Tenant will be charged for repainting rear access doors, repairing store front doors, rekeying locks to the master system and removing alarm systems or personal property and/or debris, etc, upon Lease termination.

8. Insurance: Lessor's appropriate liability insurance coverage is $3,000,000. Therefore, Paragraph 8.1 and/or Paragraph 8.2 is amended to increase the ceiling to $3,000,000 and Lessee shall reimburse Lessor for its portion accordingly.

9. Assignment and Subletting:
(This is in addition to lease language and prevails in the event of conflict.)

a. Consent to Assignment or Subletting shall not be unreasonably withheld: Subject to a compatible and noncompetitive business use with respect to the other businesses in the Center and sufficient financial statement and credit record of assignee and reasonable experience in conducting the intended business, Lessor's consent to assign or sublet this Lease shall not be unreasonably withheld provided however, that Lease shall not be in default and/or if Lessee shall have, previously breached or otherwise failed to perform under this Lease since its inception, and Lessee did not cure that breach, Lessor, at its sole discretion, may declare this Sub-paragraph null and void. Any increase in rents shall become the property of the Lessor. Any such assignment or subleasing even with the approval of the Lessor, shall not relieve the Lessee from liability for payment of the rental herein provided or from the obligation to keep and be bound by the terms, conditions and covenants of this Lease.

b. Assignment or Transfer to a Corporation: Notwithstanding anything to the contrary set forth herein, Lessee may assign this Lease, without the consent of Lessor, to a corporation or other entity not less than fifty percent (50%) of the voting stock or controlling interest of which is owned by Lessee; provided that Lessee shall at all times remain liable for performance hereunder; and provided, further, that any transfer by Lessee of the controlling stock or interest in such corporation or other entity shall be a prohibited assignment hereunder.

c. Consent to be in writing: Lessee shall not assign, mortgage, pledge, hypothecate or encumber this lease or the leasehold interest created hereby or any interest herein or sublet the Demised Premises or any portion thereof, or license the use of all or any portion of the Demised Premises, without the written consent of Lessor first had and obtained. Without in any way limiting any other rights available to the Lessor at the time of any proposed assignment or subletting, Lessor expressly reserves the right to adjust the Guaranteed Minimum Monthly Rental to an amount derived by multiplying said guaranteed minimum monthly rental times a number equal to the percentage by which the Bureau of Labor Statistics, United States Department of Labor for Los Angeles-Riverside-Orange County under the heading of "All Items" for "All Urban Consumers" for the month in which the date of such assignment or subletting occurs has increased over the same Cost of Living Index figure for the month in which the Commencement Date under this Lease occurs (i.e., if the percentage of such increase is thirty percent (30%), then the guaranteed minimum monthly rental will be multiplied times 130%). Tenant agrees to pay Lessor an administrative fee of $500 and to reimburse Lessor for Lessor's reasonable attorney fees

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incurred in conjunction with the processing and documentation of any such requested transfer, assignment, subletting, licensing or concession agreement

10. Broker's Fee:
    a. All Broker's fees as referred to in the Lease and Lease addendums shall be by separate agreement pursuant to a schedule to be agreed upon by Owner and Broker.
    b. However, it is understood and agreed that no commissions shall be paid on option exercises, or renewals, or expansions that unless at the invitation of the Owner first had obtained in writing.

11. Lessee's Financial Information: Lessee will furnish a credit report and financial statement at its expense, subject to Lessor's approval or reimburse Lessor $35 if Lessor obtains a credit report. Lessee also agrees to deliver to Lessor a resume of its business experience, a copy of its income tax returns for the prior year, a letter of reference from Lessee's bank, and a completed Lessor's "Credit Information" form. The Lease is contingent upon Lessor's review and approval to its sole satisfaction of Lessee's qualifications to lease. Said credit application must include but not be limited to listing specifics of next of kin, closest living relative not living with you, closest non-relative and who to notify in case of emergency.

12. Dispute or Delay: In the event of any dispute between the parties concerning the time of actual completion of Lessor's Work or Lessee's Work or any claimed excuse for delay in performance or non-performance thereof or whether such work has been adequately performed in a good and workmanlike manner and is satisfactory for the use intended, such dispute shall be referred to Lessor's architect whose determination with regard thereto shall be final and conclusive upon the parties.

13. Deletion: Wherever in this Lease a Section or Subsection is preceded by the word "Deleted" or ""Deleted," such Section or Subsection is deleted from this Lease in its entirety and is of no force or effect.

14. Parking: Lessee shall have the right to N/A parking spaces on level N/A at no cost to Lessee for the term of the Lease and any Option Periods. The surface parking is designated for customers and retail tenants only, All employees, visitors, guests of Lessee are not Permitted to use surface parking, but shall park on lower levels A & B of the parking structure, if any.

15. Attorney's Fees: The Lessor is entitled to attorney's fees or costs for the enforcement of the lease regardless of whether an action is filed, said fees and costs to be considered additional rent.

16. Lease Incentives: If Tenant is in default under this Lease at any time during the Term and without limiting the foregoing, if Landlord has given Tenant any lease incentives or other inducements or consideration in connection with this Lease ("Incentives"), including without limitation, any abatement of rent, the unamortized portion of any Tenant Improvement Allowance and/or leasing commissions then the incentives will terminate and Landlord may recover from Tenant the value of all such Incentives received by Tenant in addition to all other damages recoverable by Landlord pursuant to the provisions of this Lease.

17. Confidentiality: Lessee shall keep the content and all copies of this Lease and related documents now or hereafter entered into, and all proposals, materials, information and matters relating thereto, strictly confidential, and shall not disclose, disseminate or distribute any of the same, or permit the same to occur, except to the extent reasonably required for proper business purposes by Lessee's attorneys, insurers, auditors and lenders, and, in such event, Lessee shall obligate any such parties to whom disclosure is permitted to honor the confidentiality provisions hereto, except as may be required by Law or court proceedings.

18. Substitute Premises: Lessor shall have the right from time to time during the term of this lease to relocate the Premises within the Project on the following terms and conditions: (i) the square footage of the substitute premise ("Substitute Premises") are equal to the square footage of the Premises (subject to a variation of up to fifteen percent (15%) in the square footage of the Substitute Premises, provided that the amount of rent payable under this lease is not thereby increased); (ii) Lessor shall pay the cost of providing Lessee Improvements (defined below) in the Substitute Premises substantially comparable to the Tenant Improvements in the Premises; (iii) Lessor shall pay the expenses directly related to and reasonably incurred by Lessee in connection with such relocation to the Substitute Premises; and (iv) Lessor shall not be liable for (a) any loss of business or good will, or (b) any damage to Lessee's Property or other personal property relocated, unless caused by Lessor or it's employees gross negligence or willful misconduct. Lessor shall deliver to Lessee written notices of Lessor's election to relocate the Premises specifying the new location at least thirty (30) days prior to the date the relocation is to be effective. If the relocation of the Premises is unacceptable to Lessee, then Lessee may terminate this lease during a period of thirty (30) days after receipt of Lessor's notice to relocate, by delivering written notice to Lessor within the thirty (30) day period. Such notice of termination shall be effective upon receipt thereof by Lessor. If Lessee elects to terminate this Lease pursuant to this Section, then the parties shall be discharged from all obligations hereunder, other than those that have accrued prior to the actual date of Lessee's termination of this Lease or which specifically survive the termination of this Lease and Lessee shall be granted a reasonable period of tenancy in order to relocate to suitable premises.

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A. Lessee is responsible for sending rent payments on the first of the month to:

MC Strauss Company
990 Highland Drive, Suite 200
Solana Beach, CA 92075

B. For any questions or building management problems, call:

MC Strauss Company
990 Highland Drive, Suite 200
Solana Beach, CA 92075
Phone: 858-792-7500; Fax: 858-792-7834

C. Required Personal Data:
Lessee's Home Address: 6423 Reflection Dr. Apt 101 SD CA 92124
Home Phone: 3472911466 Home Fax: _____

In case of emergency: A. DeGeorge
Address: same as above
Phone: 6195540849 Fax: _____
Next of Kin (Name): _____
Address: _____
Phone: _____ Fax: _____

D. Other: Lessor reserves the right to change the management company and the address to which rent payments shall be made by delivering notice to Lessee in accordance with this Lease.

LESSEE'S INITIALS:

LESSEE'S INITIALS:

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EXHIBIT D

TENANT IMPROVEMENTS AND ACCEPTANCE OF PREMISES

Scope of Lessor's Work

Lessor shall provide Lessee, at the sole cost and expense of Lessor, the following "standard" improvements as follows:

1. Lessee acknowledges that the Demised Premises are being leased in "as is" good working condition and that Lessee has inspected same and the Demised Promises are in satisfactory condition with the following exceptions:

(a) Lessor, at Lessor's sole cost and expense, shall make the following tenant improvements to the Premises as shown per the floor plan attached hereto. Additionally, Landlord shall remove carpet, ceiling and HVAC ducting in the front offices that are being removed. Landlord shall scrape the glue from under the carpeting that it is removing.

Scope of Lessee's Work

All improvements desired by Lessee, shall be considered "Non-standard" and shall be at the sole cost and expense of Lessee including, but not limited to :

1. Permits, Plans, and supervision for any Tenant improvements.

2. Lessor grants permission to Lessee to install necessary and/or required improvements or modifications, subject to Lessor's prior written approval, to accommodate Lessee's intended business use, at Lessee's sole cost and expense, and in accordance with any and all governmental requirements including the obtaining of any required permits for the Demised Premises and said business.

Perform any and all additional work required to complete the Premises to a condition customary and ready for the normal operation of Lessee's business. Lessee shall be responsible to pay for any additional water, and/or sewer impact fees if imposed due to the nature of Lessee's business or use of Premises.

Within thirty (30) days following the execution of the Lease, Lessee, at Lessee's sole cost and expense, shall deliver to Lessor a fully dimensioned 1/4-inch scale set of plans. Said plans shall show all storefronts, interior partitions, fixtures, lighting, electrical outlets, plumbing (including fixtures), floor coverings, ceiling and other improvements that Lessee wishes to construct and install upon Premises. Said plans shall be subject to Lessor's approval prior to start of any work by Lessee or his contractors, which shall not be unreasonably withheld, which shall thereafter be called "Lessee Plans Approved for Construction." Should Lessee fail to deliver to Lessor plans for "Lessee's Work" within thirty (30) days following execution of the Lease, Lessor may, at his option and with written notification to that effect to Lessee, terminate this Lease.

No changes, modifications or alterations to Lessee Plans Approved for Construction may be made without the written consent of Lessor. Any additional costs, including any increased fees which Lessor may be required to Pay for architectural, engineering and/or other similar services arising by reason of any subsequent change to Lessee Plans Approved for Construction made at the request of Lessee, shall be at the sole cost and expense of Lessee and shall be paid by Lessee to Lessor before the performance of the work requested by Lessee.

All of Lessee's work and improvements shall be performed by Lessee, at Lessee's sole cost and expense except as outlined above and pursuant to the plans and specifications approved by Lessor. It is understood that the approval of Lessor shall in no manner relieve Lessee of Lessee's obligation to obtain, at Lessee's sole cost and expense, all necessary and appropriate permits from all applicable governmental or public agencies for the construction of Lessee's improvements, installation of Lessee's personal property and the operation of Lessee's business at Premises.

Upon delivery of Premises to the Lessee, Lessee shall immediately and diligently proceed to install Lessee's Work as described in Lessee's Plans Approved for Construction at Lessee's sole cost and expense without interfering with other work being done, if any, in the building or shopping center.

All work done by Lessee shall be done by a licensed contractor and in compliance with all rules and regulations required by local building authorities, Lessor or his agents and in accordance with all uniform building codes as dictated by state, federal and local requirements.

Upon final completion of Lessee's Work, Lessee shall furnish Lessor with all certificates, approvals and permits "signed off" by local governmental building inspector, that were required to complete Lessee's Work. Lessor shall not be responsible for any loss or damage to Lessee's improvements/property that is installed or left on Premises.

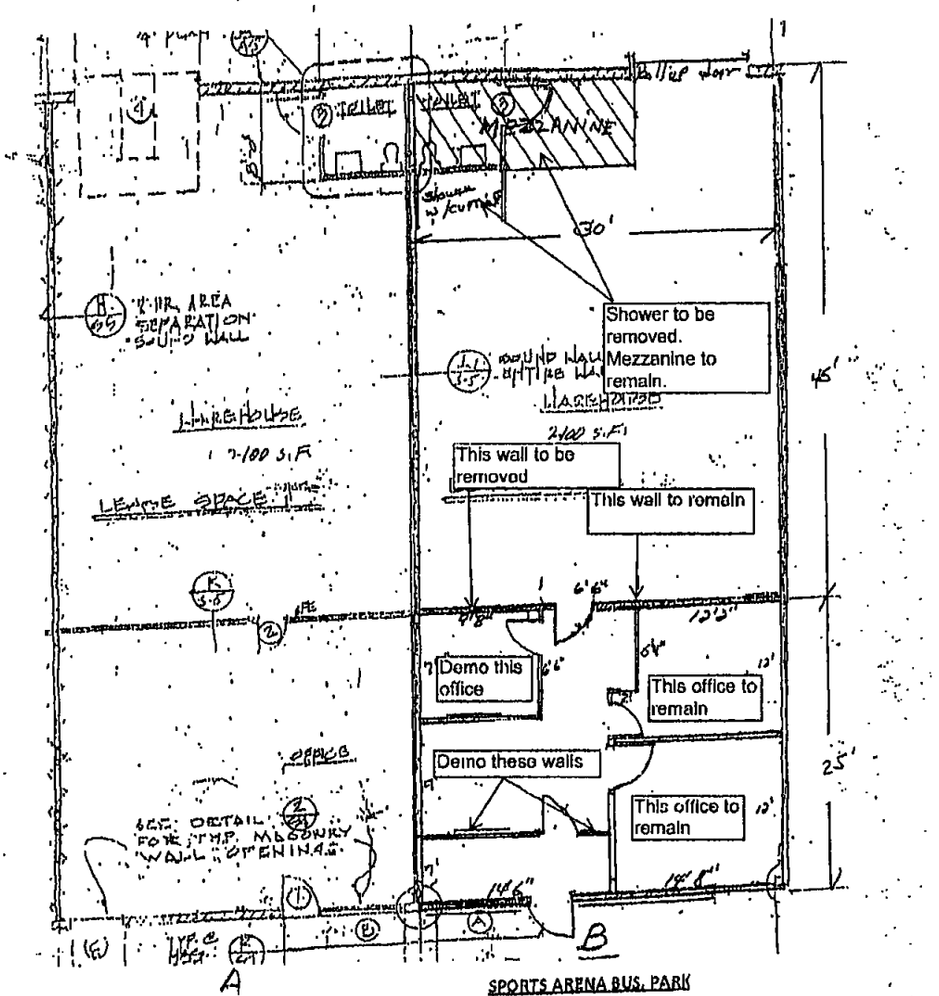
Lessee's entry upon Premises prior to commencement of the Term of this Lease shall be subject to all provisions of this Lease other than payment of rent. At all times after such entry, Lessee shall maintain an insurance policy that complies with the provisions of this Lease. The inability of Lessee to complete Lessee's Work in a timely manner and to a condition acceptable for conducting business, through no fault of Lessor, shall not delay the Term Commencement or payment of rent.

Lessee hereby indemnifies and holds Lessor free and harmless from and against any and all claims, demands and liabilities, including, but not limited to attorney costs, expenses and court costs, arising from or relating to Lessee's Work and improvements. It is the intent of the parties that this indemnification shall survive the expiration or soonor termination of this Lease.

LESSEE'S INITIALS:

LESSEE'S INITIALS:

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SPORTS ARENA BUS. PARK
3770 Hancock Street
Suite B - 2,100 SF
Combination Offices 780 SF
& Warehouse 1,950 SF.
Revised 4/25/12

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*DOES NOT APPLY

*EXHIBIT E

ESTIMATED OPERATING EXPENSES (GROSS LEASE)

The operating expenses are estimated at $_____ per square foot annually or _____
($_____ psf x _____ sq. ft. /12 = $_____) per month for the Demised Premises until adjusted per the Lease.

LESSEE'S INITIALS:

LESSEE'S INITIALS:

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EXHIBIT F

RENT ADJUSTMENT(S)

ADDENDUM TO
STANDARD LEASE

Dated May 16, 2012

By and Between (Lessor) Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company
(Lessee) Arturo Canada, an individual and Amber DeGeorge, an individual, dba: Mighty Crossfit

Property Address: 3770 Hancock Street, Suite #B
San Diego, CA 92110

Paragraph 1.5

A. **RENT ADJUSTMENTS:**

The monthly rent for each month of the adjustment period(s) specified below shall be increased using the method(s) indicated below:

(Check Method(s) to be Used and Fill in Appropriately)

θ **I. Cost of Living Adjustment(s) (COL)**

(a) On (Fill in COL Adjustment Date(s): _____
_____
the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted by the change, if any, from the Base Month specified below, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for (select one): θ CP1 W (Urban Wage Earners and Clerical Workers) or θ CPI U (All Urban Consumers), for (Fill in Urban Area):
_____,All Items
(1982-1984 = 100), herein referred to as "C.P.I."

(b) The monthly rent payable in accordance with paragraph AI(a) of this Addendum shall be calculated as follows: the Base Rent set forth in paragraph 1.5 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the C.P.I. of the calendar month 2 (two) months prior to the month(s) specified in paragraph AI(a) above during which the adjustment is to take effect, and the denominator of which shall be the C.P.I. of the calendar month which is two (2) months prior to (select one): θ the first month of the term of this Lease as set forth in paragraph 1.3 ("Base Month") or θ (Fill in Other "Base Month"): _____. The sum so calculated shall constitute the new monthly rent hereundor, but in no event, shall any such new monthly rent be less than the rent payable for the month immediately preceding the date for rent adjustment, plus _____rounded up to the next dollar figure.

(c) In the event the compilation and/or publication of the C.P.I. shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the C.P.I. shall be used to make such calculation. In the event that Lessor and Lessee cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid equally by Lessor and Lessee.

0 **II. Market Rental Value Adjustment(s) (MRV)**

(a) On (Fill in MRV Adjustment Date(s): _____
_____
the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted to the "Market Rental Value" of the property as follows:

1) Four months prior to the Market Rental Value (MRV) Adjustment Date(s) described above, Lessor and Lessee shall meet to establish an agreed upon new MRV for the specified term. If agreement cannot be reached, then:

i) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the parties, or

ii) Both Lessor and Lessee shall each immediately select and pay the appraiser or broker of their choice to establish a MRV within the next 30 days. If, for any reason, either one of the appraisals is not completed within the next 30 days, as stipulated, then the appraisal that is completed at that time shall automatically become the new MRV. If both appraisals are completed and the two appraisers/brokers cannot agree on a reasonable average MRV then they shall immediately select a third mutually acceptable appraiser/broker to establish a third MRV within the next 30 days. The average of the two appraisals closest in value shall then become the new MRV. The costs of the third appraisal will be split equally between the parties.

2) In any event, the new MRV shall not be less than the rent payable for the month immediately preceding the date for rent adjustment.

(b) Upon the establishment of each New Market Rental Value as described in paragraph AII:

1) the monthly rental sum so calculated for each term as specified in paragraph AII(a) will become the new "Base Rent" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph AII(a) above and

2) the first month at each Market Rental Value term as specified in paragraph AII(a) shall become the new "Base Month" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph AI(b).

✓ **III. Fixed Rental Adjustment(s) (FRA)**

The monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be increased to the following amounts on the dates set forth below.

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On (Fill in FRA Adjustment Date(s)):	The New Base Rental shall be:
Year 2 =	$1.05psf x 2,100sf = $2,205.00 per month +$75 water/sewer=$2,280.00 per month

B. **NOTICE:** Unless specified otherwise herein, notice at any escalations other than Fixed Rental Adjustment(s) shall be made as specified in paragraph 23 of the attached Lease.

*C. ~~**BROKER'S FEE:**~~ ***Deleted**

~~The Real Estate Brokers specified in paragraph 1.10 of the attached Lease shall be paid a Brokerage Fee for each adjustment specified above in accordance with paragraph 15 of the attached Lease.~~

LESSEE'S INITIAL:

LESSEE'S INITIAL:

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EXHIBIT G

CENTER SIGN CRITERIA

The purpose of this sign criteria has been established for the intent of assuring an outstanding shopping center and mutual benefit of all Lessee's. Conformance will be strictly enforced. Any installed non-conforming or unapproved signs will be brought into conformance at the expense of the Lessee.

A. Lessee shall be entitled to signage above the Premises. Signage shall be subject to City of San Diego and Lessors prior written approval. All costs associated with the design, construction, installation, as well as removal, shall be borne by Lessee. Lessee shall be required to remove all Lessee signage at the conclusion of Lessee's occupancy of the Premises. Ground level Lessee's shall be entitled to signage on the Center's pole sign at its expense and subject to availability.

B. General Requirements:

1. Lessee shall submit to the Lessor the exact sign specifications, copy and colors desired for Lessor's approval from a license and experienced sign company.

2. All approvals or disapprovals of sign submittals based on esthetics and design shall remain sole right of the Lessor and local governing authorities.

3. Selected sign company will be responsible for obtaining all permits and sign installation.

4. No exposed lamp, raceways, crossovers, conduit, conductors, transformers or similar devices shall be permitted.

5. All maintenance of signage shall be the responsibility of the Lessee.

6. All signs shall be individually illuminated.

7. No audible, flashing or animated signs will be permitted.

8. No projections above or below the sign will be permitted.

9. Electrical service to all signs will be connected to Lessee's meter.

10. Lessee's signs shall be designed and installed in a manner compatible with and complimentary to adjacent and facing storefronts and the overall design concept of the center.

11. All penetrations of the building structure required for sign installation shall be sealed in a watertight condition and shall be patched to match adjacent finish. At termination of lease when sign is removed, Lessee or its sign company shall patch and paint and restore to "as was" condition.

12. No advertising placards, banners, pennants, names, insignias or other descriptive material shall be affixed or maintained upon the glass pane supports of the show windows and doors or upon the exterior was of building without the prior written approval of Lessor.

13. Logos require prior approval of lessor unless nationally recognized logos of a franchise.

14. Letter height restrictions:

a. One line of copy with the letter and logo height not to exceed 24 inches or to be less than 10 inches. Allowable, sign fascia coverage not to exceed seventy-five percent (75) of store frontage.
b. Two lines of copy will be allowed with the overall height of the two lines of letters not to exceed 30 inches with a maximum height of the letters not to exceed 18 inches or to be less than 16 inches.

15. Designs submitted for the City/County approval must follow it following guidelines:

a. Drawings of elevations and sign with all measurements to scale.
b. Plot plan and legal description (plans to scale).
c. Sections drawings of sign and fascia showing construction and electrical details.
d. Color of plastic faces and logos.
e. Color of neon, size and intensity.
f. Letter style selection

16. Lessee is granted permission by Lessor to install a temporary sign banner at its expense above the premises while signs are being fabricated.

17. Lessee shall indemnify and hold harmless Lessor against any loss, cost, damages or liability caused to persons, property or otherwise caused by Lessee's sign installations.

LESSEE'S INITIALS:

LESSEE'S INITIALS:

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EXHIBIT 6-1

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EXHIBIT H

SPECIAL USE OF PREMISES CLAUSE

A. Uses Of Premises:

Lessee shall occupy and use the premises solely for the operation of personal training for health and fitness and general office and for no other purpose or use.

LESSEE'S INITIALS:

LESSEE'S INITIALS:

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EXHIBIT I
APPLICATION FOR LEASE AND CREDIT INFORMATION

The undersigned furnishes the following as a true and accurate statement of the financial condition of the undersigned. It is understood that the Landlord, in entering into a lease or other agreement, are doing so in reliance upon this financial statement and in consideration of such the undersigned agree that if any of the representations of the undersigned prove to be untrue, such shall be considered as a default under such lease or agreement.

NAME: _____ AGE: _____ SPOUSES NAME: _____

ADDRESS: _____ HOW LONG: _____

CITY, STATE, ZIP _____

Previous Address - if less than five years: _____

SOCIAL SECURITY NO: _____ SPOUSE'S SOCIAL SECURITY NO: _____

PHONE: _____ OWN OR RENT: _____ NO. OF DEPENDENTS: _____

PRESENT EMPLOYER: _____ HOW LONG: _____

ADDRESS: _____

PHONE: _____ POSITION: _____

SPOUSE'S EMPLOYER: _____ PHONE: _____

IN CASE OF EMERGENCY CONTACT: NAME: _____

ADDRESS: _____ PHONE: _____

_____ RELATIONSHIP: _____

NEXT OF KIN NOT LIVING WITH YOU: NAME: _____

ADDRESS: _____ PHONE: _____

_____ RELATIONSHIP: _____

CLOSEST NON RELATIVE CONTACT: NAME: _____

ADDRESS: _____ PHONE: _____

_____ RELATIONSHIP: _____

BALANCE SHEET

Cash:	$ _____	Notes Payable - Total Owed: (List on Back)	$ _____
Stocks & Bonds: (List on Back)	$ _____	Accounts Payable - Total Owed: (List on Back)	$ _____
Notes / Accounts Receivable:	$ _____		
Life Insurance: (Not full value, only surrender value)	$ _____	Mortgages - Total Owed: (List on Back)	$ _____
Real Estate - Total Value: (List on Back)	$ _____	Automobiles - Total Owed:	$ _____
		Income Taxes - Accrued to Date:	$ _____
Automobiles:	$ _____	Other:	$ _____
	$ _____		$ _____
			$ _____
Personal Possessions:		**TOTAL LIABILITIES:**	$ _____
	$ _____		
	$ _____	**NET WORTH:**	$ _____
TOTAL ASSETS:	$ _____	**(Assets minus Liabilities)**	

ANNUAL INCOME & EXPENSE

Income:		**Expense:**	
Annual Salary:	$ _____	Annual Rental/Mortgage Payments	$ _____
Annual Rentals:	$ _____		
Annual Dividends:	$ _____	Annual Payments:	$ _____

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Annual Interests:	$ _____ (Notes & Accounts)		
Other Annual Income:	$ _____	Annual Interest & Taxes:	$ _____
		Personal Living Expense:	$ _____
		Other Annual Expenses:	$ _____
TOTAL ANNUAL INCOME:	$ _____	**TOTAL ANNUAL EXPENSE:**	$ _____

BANK REFERENCES

BANK & ADDRESS: _____ ACCT. NO.: _____

BANK & ADDRESS: _____ ACCT. NO.: _____

STOCKS & BONDS

Description	No. of Shares	Cost	Market Value
		$	$
		$	$
		$	$
		$	$
		$	$
TOTALS		$	$

REAL ESTATE - MORTGAGES

Description & Address	Original Cost	Present Value	Trust Deed or Mortgage Unpaid Bal.	Mo. Pay.
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
TOTALS	$	$	$	$

NOTES & ACCOUNTS PAYABLE (Do not include Real Estate)

Description	Account Number	Total Amount Owed (DO NOT LIST PAYMENTS)
		$
		$
		$
		$
		$
		$
TOTAL		$

The undersigned further consent(s) to the addresses above making any inquires it deems necessary to reach a decision on this application, and consent(s) to the disclosure at any time of any credit information about me / us to any credit reporting agency or to any one with whom I/we have financial relations. The undersigned further understands that should a lease be entered into that the authorizing party will pay a $35.00 application credit check fee.

DATE: _____ SIGNATURE: _____

DATE: _____ SPOUSE'S SIGNATURE: _____

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*Lessee by signing Lease are acting as guarantors

*EXHIBIT J

GUARANTY OF LEASE

THIS GUARANTY OF LEASE ("Guaranty"), effective as of _____, 200____, is executed by _____ ("Guarantor"), with reference to the following facts:

RECITALS

A. M.C. Strauss Company ("Lessor"), and _____ ("Lessee") have agreed to enter into that certain Lease ("Lease"), dated the same date as this Guaranty, covering Premises described therein, located in the City of San Diego, County of San Diego, State of California.

B. Lessor requires, as a condition to its execution of the Lease, that Guarantor guarantee the full performance of the obligations of Lessee thereunder.

C. Guarantor is willing to execute this Guaranty for the benefit of Lessor and as a material inducement to Lessor to enter into the Lease.

GUARANTY

NOW, THEREFORE, in order to induce Lessor to enter into the Lease, Guarantor agrees as follows:

1. **Guarantor's Obligations.** Guarantor hereby unconditional guarantees the full and timely performance of each and every obligation to be kept and performed by the Lessee pursuant to the terms of the Lease ("Lease Obligations") in accordance with the terms of and at the time and place specified therein, including, but not limited to, the payment of all rents and other charges accruing pursuant thereto.

2. **Term.** This Guaranty shall continue for the term of the Lease and any extension or renewal thereof. If the Lease terminates and Lessor has any rights which Lessor may enforce against Lessee after termination, Lessor may also enforce such rights against Guarantor.

3. **Primary Liability.** The Lease Obligations guaranteed by Guarantor under this Guaranty shall be primary and independent of the obligations of Lessee under the Lease. Lessor may bring a separate action or actions against Guarantor hereon and such actions may be brought either in conjunction with actions against Lessee or against Lessee directly, regardless of whether Lessor has commenced any action or obtained any judgment against Lessee. If Lessee defaults under the Lease, Lessor may proceed directly against Guarantor, without having commenced any action or obtained any judgment against Lessee, and without applying any property of Lessee (or any other person), if any, held by Lessor as security for the performance of the Lease Obligations. The liability of Guarantor hereunder shall not be released, diminished, or extinguished by Lessor's failure or delay in enforcing any of its rights.

4. **Continuation; No Release.** This Guaranty shall continue in favor of Lessor notwithstanding any modification, alteration, extension or renewal of the Lease entered into by the parties thereto, or their successors or assigns, and notwithstanding any assignment of the Lease, with or without the consent of Lessor. No such modification, alteration, extension, renewal or assignment shall affect this Guaranty or in any way release, diminish, or extinguish the liability of Guarantor hereunder.

5. **Assignment.** Lessor may, with notice to Guarantor, assign this Guaranty in whole, or in part in connection with any transfer of any interest in the Lease or the Premises, and no such assignment or transfer shall release, diminish, or extinguish or otherwise affect the liability of Guarantor hereunder. In such event the benefits of this Guaranty shall inure to the benefit of Lessor's successors and assigns.

6. **Security.** Guarantor authorizes Lessor, without further notice or demand and without affecting the liability of Guarantor hereunder, from time to time, to: (a) take and hold security (including the Security Deposit and any security filing consented to by Lessee) (the "Security") (if any) for performance of the Lease Obligations and exchange, enforce, waive or release any such Security; (b) apply such Security in whole or in part and direct the order or manner of sale thereof as Lessor, in Lessor's discretion, may determine; and (c) proceed against Lessee or proceed against and exhaust such Security held from Lessee; the provisions of this paragraph shall constitute a waiver of Guarantor's right to claim exoneration from the Lease Obligations for the foregoing actions.

7. **Events of Insolvency.**

7.1. **Defined.** The term "Event of Insolvency" shall mean any of the following:

(a) Lessee becomes insolvent or is adjudicated a bankrupt;

(b) Lessee files a petition for reorganization, arrangement or similar relief under any present or future provisions of the Federal Bankruptcy Code, or any other state or federal statute for the relief of debtors or any similar law;

(c) A court approves a petition filed against Lessee by its creditors for reorganization, arrangement or similar relief under any present or future provision of the Federal Bankruptcy Code, or any other state or federal statute for the relief of debtors or any other similar law;

(d) Lessee seeks a judicial readjustment of the rights of its creditors under any present or future federal or state law; or

(e) A receiver of all or part of Lessee's property and assets is appointed by any state or federal court.

7.2 **Effect.** This Guaranty shall in full force and effect, notwithstanding the occurrence of any Event of Insolvency affecting Lessee, or any successor or assignee of Lessee, or in the event of any disaffirmance, or abandonment by a trustee of Lessee, or in the event that the Lease is terminated, rejected or modified in the course of any proceeding relating to an Event of Insolvency. To the extent necessary to effectuate the purpose of this Guaranty, Guarantor hereby assigns to Lessor any rights Guarantor may have to file a claim and proof of claim in any bankruptcy or similar proceeding of Lessee any awards or payments thereon to which Guarantor would otherwise be entitled, to the extent of any unsatisfied Lease Obligations.

8. **Waiver of Defenses.** Guarantor waives any defense Guarantor may acquire by reason of Lessor's election of any remedy against Guarantor or Lessee, or both. In addition, Guarantor waives any defense arising by reason of any disability or other defense of Lessee, including, without limitation, any defense based upon: (a) invalidity of the Lease (b) any lack of authority of the officers, directors, partners or agents acting or purporting to act on behalf of Lessee or any principal of Lessee; or (c) by reason of the cessation from any cause whatsoever of the liability of Lessee other than full performance and discharge of the Lease Obligations.

9. **Waiver of Rights.** Guarantor waives the right to require Lessor: (a) to proceed against Lessee or any successor of Lessee; and (b) to pursue any other remedy in Lessor's power. Guarantor expressly waives the provisions of the California and/or Arizona Civil Code, which grants a surety certain rights to require a creditor to pursue alternative remedies before proceeding against a surety.

10. **Subrogation.** Until the Lease Obligations shall have been performed in full, Guarantor shall have no right of subrogation and waive any right to enforce any remedy which Lessor now has or may hereafter have against Lessee. Guarantor waives any right to participate in any security now or hereafter held by Lessor.

11. **Successive Demands.** Guarantor's liability shall extend to each and every payment to be made by Lessee and any additional Lease Obligation to be performed or observed by Lessee. Successive demands may be made upon, and successive actions for the enforcement of such demands may be brought against Guarantor upon successive defaults by Lessee and the enforcement of this Guaranty against Guarantor with respect to any Lease Obligation shall not operate to exhaust this Guaranty or operate as a waiver of the right to proceed under this Guaranty with respect to any future default or defaults.

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~~12. General Provisions.~~

~~12.1 Attorney's Fees. Guarantor agrees to pay all costs and other expenses, including reasonable attorneys' fees and court costs, paid or incurred by Lessor in enforcing or attempting to enforce this Guaranty or the obligations guaranteed hereby. Guarantor is obligated as to attorney's fees and costs pursuant to Paragraphs 31 and 37.1 of the Lease, as to the obligations under the Lease and the Guaranty, and the provision in the Addendum as to attorneys fees made applicable here to the Lease and the Guaranty.~~

~~12.2 Governing Law. This Guaranty shall be enforceable by Lessor in accordance with the laws of the State of California and shall be construed in accordance therewith.~~

~~12.3 Interest. Interest shall accrue on all accounts which are not paid by Guarantor when due under the Lease, from the date due until due date paid by Guarantor, at the interest rate specified in the Lease, but not to exceed the maximum legal rate of interest.~~

~~12.4 Joint and Several. If Guarantor is more than one person, each person's obligations hereunder are joint and several and are independent of Lessee's obligations. Lessor may bring a separate action against any Guarantor whether the action is brought against any other Guarantor, or whether any other Guarantor is joined in the action.~~

~~12.5 Modification. This Guaranty may not be amended, modified, released, or terminated except by a written instrument executed by Guarantor and Lessor.~~

~~12.6 Severability. If any of Guarantor's obligations hereunder shall be held to be unenforceable, the remainder of this Guaranty and its application to all obligations other than those with respect to which is held unenforceable shall not be affected thereby and shall remain in full and effect.~~

~~12.7 Successors. The terms and provisions of this Guaranty shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto.~~

~~IN WITNESS WHEREOF, the undersigned has executed this guaranty of lease as of the date first written above.~~

GUARANTOR:

By: _____

Res. Address: _____
Phone: _____
Soc Sec#: _____
DL#: _____ DOB _____

By: _____

Res. Address: _____
Phone: _____
Soc Sec#: _____
DL#: _____ DOB _____

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*NOT APPLICABLE

*EXHIBIT J-1

SPOUSAL CONSENT

~~To the Lease dated _____, 20__, by and between _____, as Lessor, and _____, as Lessee, for the premises known as _____.~~

~~The undersigned, being the spouse of the Guarantor to this Lease, hereby (a) consent to the Lease, (b) agree that all now owned and hereafter acquired community and quasi-community property of the undersigned and Guarantor shall be liable for the satisfaction of obligations imposed by the Lease, and (c) agree solely for purposes of subjecting any community or quasi-community property received pursuant to liability for satisfaction of the obligations imposed by the Lease, the undersigned have "incurred" the obligations of the Lease.~~

Spouse

_____

_____

_____

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EXHIBIT K

MEMORANDUM
CERTIFICATE

This memorandum is made of _____,2012,with reference to that certain Lease Agreement (hereinafter referred to as the "Lease") dated _____ by and between_____ _____ as "Lessor" therein, and _____ as "Lessee."

The undersigned, as Lessee under said Lease, hereby confirms the following:

1. The Lessee accepted possession of the Demised Premises (as described in said Lease) on _____ and acknowledges that the premises are as represented by Lessor and in good order, condition and repair; and that the improvements, if any, required to be constructed for and/or furnished to Lessee by Lessor under said Lease have been so constructed and/or furnished and are satisfactorily completed in all respects.

2. That all conditions of said Lease to be performed by Lessor prerequisite to the full effectiveness of said Lease have been satisfied and that Lessor has fulfilled all of its duties of an inducement nature.

3. That in accordance with the provisions of Paragraph 4 of said Lease die Commencement Date (as the phrase "Commencemont Date" is defined in said Lease) of the term is_____ and that, unless sooner terminated, the original term thereof expires on _____ .

4. That said Lease (as amended, if amended) is in full force and effect and that the same represents the entire agreement between Lessor and Lessee concerning said Lease.

5. That there are no existing defenses which Lessee has against the enforcement of said Lease by Lessor, and no offsets or credits against rentals except as may be expressly provided in said Lease.

6. That the minimum rental obligation of said Lease is presently in effect and that all rentals, charges and other obligations on the part of Lessee undersaid Lease commenced to accrue on _____.

7. That the undersigned Lessee has no notice of any prior assignment, hypothecation or pledge of said Lease or of the rents thereunder.

LESSOR:

BY: _____

ITS: _____

LESSEE:

BY: _____

BY: _____

This "Memorandum" is hereby approved in form and shall be completed (if necessary) pursuant with Paragraph 4.A of The Lease and incorporated as part of The Lease.

LESSOR'S INITIALS:

LESSEE'S INITIALS:

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*DELETED

*EXHIBIT L

OPTION(S) TO EXTEND

ADDENDUM TO
STANDARD LEASE

Dated:

By and Between (Lessor): M.C. Strauss Company

(Lessee):

Property Address: Hancock Street, Suite , San Diego, CA

Paragraph:

A. OPTION(S) TO EXTEND:

Lessor hereby grants to Lessee the option to extend the term of this Lease for one (1) additional two (2) year period(s) commencing when the prior term expires upon each and all of the following terms and conditions:

(i) Lessee gives to Lessor, and Lessor actually receives on a date which is prior to the date that the option period would commence (if exercised) by at least six (6) months and not more than nine (9) months, a written notice of the exercise of the option(s) to extend this Lease for said additional term(s), time being of essence. If said notification of the exercise of said option(s) is (are) not so given and received, the option(s) shall automatically expire; said option(s) may (if more than one) only be exercised consecutively;

(ii) The provisions of paragraph 39, including the provision relating to default of Lessee set forth in paragraph 39.4 of this Lease are conditions of this Option;

(iii) All of the terms and conditions of this Lease except where specifically modified by this option shall apply;

(iv) The monthly rent for each month of the option period shall be calculated as follows, using the method(s) indicated below:

(Check Method(s) to be Used and Fill In Appropriately)

0 I. Cost of Living Adjustment(s) (COL)

(a) On (Fill In COL Adjustment Date(s): the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted by the change, if any, from the Base Month specified below, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for (select one): 0 CPI-W (Urban Wage Earners and Clerical Workers) or q CPI-U (All Urban Consumers), for (Fill in Urban Area): All Items (1982-1984 = 100), herein referred to as "C.P.I."

(b) The monthly rent payable in accordance with paragraph A(a) of this Addendum shall be calculated as follows: the Base Rent set forth in paragraph 1.5 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the C.P.I. of the calendar month 2 (two) months prior to the month(s) specified in paragraph A(a) above during which the adjustment is to take effect, and the denominator of which shall be the C.P.I. of the calendar month which is two (2) months prior to (select one): 0 the first month of the term of this Lease as set forth in paragraph 1.3 ("Base Month") or 0 (Fill In Other "Base Month"): . The sum so calculated shall constitute the new monthly rent hereunder, but in no event, shall any such new monthly rent be less than the rent payable for the month immediately preceding the date for rent adjustment plus 5% increase and 5% for each option year rounded up to the next dollar figure.

(c) In the event the compilation and/or publication of the C.P.I. shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the C.P.I. shall be used to make such calculation. In the event that Lessor and Lessee cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid equally by Lessor and Lessee.

0 II. Market Rental Value Adjustment(s) (MRV)

(a) On (Fill In MRV Adjustment Date(s): the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted to the "Market Rental Value" of the property as follows:

1.) Four months prior to the Market Rental Value (MRV) Adjustment Date(s) described above, Lessor and Lessee shall meet to establish an agreed upon new MRV for the specified term. If agreement cannot be reached, then:

i) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the parties, or

ii) Both Lessor and Lessee shall each immediately select and pay the appraiser or broker of their choice to establish a MRV within the next 30 days. If, for any reason, either one of the appraisals is not completed within the next 30 days, as stipulated, then the appraisal that is completed at that time shall automatically become the new MRV. If both appraisals are completed and the two appraisers/brokers cannot agree on a reasonable average MRV then they shall immediately select a third mutually acceptable appraiser/broker to establish a third MRV within the next 30 days. The average of the two appraisals closest in value shall then become the new MRV. The costs of the third appraisal will be split equally between the parties.

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2) In any event, the new MRV shall not be less than the rent payable for the month immediately preceding the date for rent adjustment plus five percent (5%, rounded up) and five percent (5%, rounded up) each succeeding option year.

(b) Upon the establishment of each New Market Rental Value as described in paragraph A II:

1) the monthly rental sum so calculated for each term as specified in paragraph A II(a) will become the new "Base Rent" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph A II(a) above and
2) the first month at each Market Rental Value term as specified in paragraph A II(a) shall become the new "Base Month" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph A I(b).

θ III. **Fixed Rental Adjustment(s) (FRA)**

The monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be increased to the following amounts on the dates set forth below:

On (Fill in FRA Adjustment Date(s)) The New Base Rental shall be:

_____ $_____
_____ $_____
_____ $_____
_____ $_____

B. **NOTICE:** Unless specified otherwise herein, notice of any escalations other than Fixed Rental Adjustment(s) shall be made as specified in paragraph 23 of the attached Lease.

*C. **BROKER'S FEE: *Deleted**

The Real Estate Brokers specified in paragraph 1.10 of the attached Lease shall be paid a Brokerage Fee for each adjustment specified above in accordance with paragraph 15 of the attached Lease.

D. **OPTION RIGHTS CONDITION:** Lessee's Option Rights are contingent upon Lessee not having previously breached or otherwise failed to perform under the Lease since its inception. Otherwise Landlord at its sole discretion may declare any option to extend null and void.

LESSEE'S INITIAL: _____

LESSEE'S INITIAL: _____

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EXHIBIT M

SPECIAL ADDENDUM

This Addendum to Lease ("Addendum") is made a part of the Lease dated May 16, 2012, by and between Strauss Family Trust UDT 6/5/92, dba: MC Strauss Company ("Lessor") and Arturo Canada, an individual and Amber DeGeorge, an individual, dba: Mighty Crossfit, ("Lessee") for the Demised Premises commonly known as 3770 Hancock Street, Suite B, San Diego, CA 92110. Should there be any conflicts between the terms and conditions of this Addendum and the Lease, this Addendum shall prevail.

1. LEASE CONTINGENCY:

This Lease is contingent upon Lessor obtaining approval by the City of San Diego of Lessee and its use.

LESSOR:

STRAUSS FAMILY TRUST UDT 6/5/92

By: _____

Its: _____

LESSEE:

ARTURO CANADA, AN INDIVIDUAL AND AMBER DEGEORGE, AN INDIVIDUAL, DBA: MIGHTY CROSSFIT

By: _____
Arturo Canada

By: _____
Amber DeGeorge

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Exhibit N

SPORTS ARENA BUSINESS PARK

RULES AND REGULATIONS

1. Use of Premises.

(a) All floor area, including vestibules, entrances and returns, doors, fixtures, windows and plate glass shall be maintained in a safe, neat and clean condition.

(b) All trash, refuse and waste material shall be regularly removed from the premises of each occupant and until removal shall be stored (i) in adequate containers, which containers shall be located so as not to be visible to the general public in the Center; and (ii) so as not to constitute any health or fire hazard or nuisance to any occupant.

(c) No portion of the Premises or Center shall be used for lodging purposes.

(d) Neither sidewalks nor walkways shall be used to display, store or place any merchandise, equipment or devices.

(e) No advertising medium, device, instrument or apparatus shall be utilized which can be heard or experienced outside the Premises including, without limiting the generality of the foregoing, flashing lights, searchlights, loudspeakers, phonographs, organs, radios, television or video monitors.

(f) No auction, fire, bankruptcy, or going-out-of-business sale shall be conducted in, at, or about the Center or any portion or portions thereof, except pursuant to court order.

(g) No use shall be made of the Center or any portion or portions thereof which would (i) violate any law, ordinance or regulation; (ii) constitute a nuisance; (iii) constitute a hazardous use; or (iv) violate, suspend; or void any policy or policies of insurance.

(h) All occupants of the Center shall use their best efforts to cause all trucks servicing retail facilities within the Center to load and unload prior to the hours of the Center opening for business to general public.

2. Conduct of Persons.

The following rules and regulations govern the use of roadways, walkways, the Center, parking areas and other common areas and facilities:

(a) No person shall use any roadway or walkway except as a means of egress from or ingress to any floor area or parking area within the Center or adjacent public streets. Such use shall be in an orderly manner and in accordance with directional or other signs or guides. Roadways shall not be used at a speed in excess of ten (10) miles per hour or any lesser posted speed limit and shall not be used for parking or stopping, except for the immediate loading or unloading of passengers. No walkways, hallways or corridors shall be used for other than pedestrian travel.

(b) No person shall use any parking area, except for ingress and egress to and from the Center and for the parking of motors vehicles during the period of time such person or the occupants of such vehicle are customers or business invitees of the establishments within the Center. All motor vehicles shall be parked in an orderly manner within the painted lines defining the individual parking places. During peak periods of business activity, limitations may be imposed as to the length of time for parking use. Such limitations may be made in specified areas.

(c) No person shall use any utility area, truck court or other area reserved for use in connection with the conduct of business, except for the specific purpose for which permission to use such area is given.

(d) No tenant, contractor, agent or employee of any business in the Center shall use any area for motor vehicle parking, except the area or areas specifically designated by Landlord for employee parking and for the particular period of time such use is to be made as determined, or as established by ordinance.

(e) Unless the following prohibitions are forbidden by law, no person shall, in or on any part of the common areas:

(i) Vend, peddle, store, display, place or solicit orders for sales or distribution of any merchandise, equipment, device, service, periodical, book, pamphlet or other matter whatsoever.

(ii) Exhibit any sign, placard, banner, notice or other written material; distribute any circular, booklet, handbill, placard, or other material; solicit signatures or registration for membership in any organization, group or association or contribution for any purpose; parade, rally, patrol, picket, demonstrate, or engage in any conduct that might tend to interfere with or impede the use of any of the common areas by any person entitled to use the same, create a disturbance, attract attention or harass, annoy, disparage or be detrimental to the interest of any of the retail establishments within the Center.

(iii) Throw, discard, or deposit any paper, glass or extraneous matter of any kind, except in designated receptacles, or create litter or hazards of any kind.

(iv) Use any sound-making device of any kind or create or produce in any manner noise or sound that is annoying, unpleasant, or distasteful to occupants or invitees.

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(vi) Deface, damage or demolish any sign, light standard or fixture, landscaping material or other improvements within the Center, or the property of customers, business invitees or employees situated within the Center.

The listing of specific items as being prohibited is not intended to be exclusive, but to indicate in general the manner in which the right to use the common areas solely as a means of access and convenience in shopping at the establishments in the Center is limited and controlled.

3. Prohibited Operations and Nuisances.

No use or operation will be made, conducted or permitted on any part of the Center site, which use or operation is clearly objectionable to the development or operation of the Center. Included among the uses or operations which are objectionable are uses or operations which produce or are accompanied by the following characteristics, which list is not intended to be all inclusive:

(a) Any noise, litter, dust, dirt, odor or other activity which may constitute a public or private nuisance;

(b) Any unusual firing, explosive or other damaging or dangerous hazards (including the storage, display or sale of explosives or fireworks);

(c) Any trailer court, mobile home park, labor camp, junkyard, stockyard or animal raising;

(d) The sale, distribution or growth of marijuana.

LESSEE'S INITIALS:

LESSEE'S INITIALS:

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3770C

AMENDMENT TO LEASE #1

THIS AMENDMENT, made and entered into Aug 25, 2014, by and between Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company, as Lessor, and Charles B. Middleton, a married man and Salvatore A. Peluso, a married man, as Lessee, does hereby supplement, modify, and amend that certain Lease Agreement made and entered into on July 25, 2012, by and between the above named parties for the premises located at 3770 Hancock Street, Suite C, San Diego, CA 92110.

The parties hereto agree as follows:

1. LEASE TERM. The Lease Term shall extend for two (2) years commencing September 1, 2014 and expiring August 31, 2016 ("Extended Term").

2. MONTHLY BASE RENT. The Monthly Base Rents for the Extended Term shall be as follows:

   9/1/14 – 8/31/16: $1.25psf x 2,100sf = $2,625.00 per month

   Monthly Water/Sewer Fee shall remain the same at $75.00 per month

3. PARKING. Exhibit C, Paragraph 14 of the Lease is hereby deleted in its entirety and Paragraph 1.2(b) shall be modified and changed to read as follows:

   "**Parking:** zero (0) unreserved vehicle parking spaces (**"Unreserved Parking Spaces"**); and two (2) reserved vehicle parking spaces, space #s 5 and 6 (**"Reserved Parking Spaces"**). (See also Paragraph 2.6)"

4. CONFIDENTIALITY. Lessee shall keep the content and all copies of this Amendment and related documents now or hereafter entered into, and all proposals, materials, information and matters relating thereto, strictly confidential, and shall not disclose, disseminate or distribute any of the same, or permit the same to occur, except to the extent reasonably required for proper business purposes by Lessee's attorneys, insurers, auditors and lenders, and, in such event, Lessee shall obligate any such parties to whom disclosure is permitted to honor the confidentiality provisions hereto, except as may be required by Law or court proceedings.

5. ACCESSIBILITY. The Premises has not undergone an inspection by a Certified Access Specialist (CASp).

6. COUNTERPARTS. This Amendment may be executed in one or more counterparts, each of which counterparts shall constitute an original and all of which counterparts together shall constitute one and the same Amendment. The delivery by Lessor or Lessee of a facsimile signature of this Amendment shall have the same legally binding effect as the delivery of an original signature.

7. ENFORCEABILITY. Lessor acknowledges and represents to Lessee that this Amendment is the binding obligation of Lessor enforceable in accordance with its terms and that Lessor has obtained the consent of its lender or any other third party from whom the Lessor is required to obtain consent for the execution and performance of this Amendment. Lessee acknowledges and represents to Lessor that this Amendment is the binding obligation of Lessee enforceable in accordance with its terms and that Lessee has obtained the consent of its lender, if any, or any other third party from whom the Lessee is required to obtain consent for the execution and

performance of this Amendment.

8. CONFLICT OF PROVISIONS; RATIFICATION. In the event of a conflict between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall govern. Except as specifically referenced or addressed herein, all other terms, covenants, and provisions of the Lease are hereby ratified and confirmed and shall remain unchanged and in full force and effect throughout the Extended Term.

9. ENTIRE AGREEMENT; BINDING. This Amendment represents the entire agreement between Lessor and Lessee regarding the subject matter contained in this Amendment and there are no other terms, obligations, covenants, representations, statements or conditions oral or otherwise of any kind whatsoever between the parties regarding the subject matter contained in this Amendment except as set forth in this Amendment. No amendment or modification to this Amendment shall be effective unless it is in writing and executed by both Lessor and Lessee. All references to the term "Lease" in this Amendment and the Lease shall mean the Lease as amended by this Amendment.

10. CAPTIONS. The captions and section numbers appearing in this Amendment are for convenience only and are not a part of this Amendment and do not in any way limit, amplify, define, construe or describe the scope or intent of the terms or provisions of this Amendment.

11. CAPITALIZED TERMS. All capitalized terms in this Amendment, unless specifically defined herein, shall have the same meaning as in the Lease

12. AUTHORITY TO EXECUTE. Lessor and Lessee represent and warrant to each other that the person executing this Amendment on behalf of such applicable party has the full right, power and authority to execute this Amendment and perform its obligations under this Amendment.

13. SEVERABILITY. If any provision of this Amendment is determined by a court having jurisdiction to be illegal, invalid or unenforceable under any present or future law, the remainder of this Amendment will not be affected thereby. It is the intention of the parties that if any provision is so held to be illegal, invalid or unenforceable, there will be added in lieu thereof a provision as similar in terms to such provision as is possible that is legal, valid and enforceable.

IN WITNESS WHEREOF, the parties have signed this Amendment effective on the date set forth above.

LESSEE:

CHARLES B. MIDDLETON, A MARRIED MAN, AND SALVATORE A. PELUSO, A MARRIED MAN

By: _____
Charles B. Middleton

By: _____
Salvatore A. Peluso

LESSOR:

STRAUSS FAMILY TRUST UDT 6/5/92
DBA: MC STRAUSS COMPANY

By: _____

Its: _____

By and Between

Strauss Family Trust UDT 6/5/92
dba. M.C. Strauss Company

as Lessor

and

Charles B. Middleton, a married man and Salvatore A. Peluso, a married man

as Lessee

at Sports Arena Business Park
3770 Hancock Street, Suite C
San Diego, CA 92110

Dated for Reference Purposes
As of
July 25, 2012

Standard Commercial Multi-Tenant Lease

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Standard Commercial Multi-Tenant Lease

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STANDARD INDUSTRIAL/ COMMERCIAL
MULTI-TENANT LEASE—GROSS
AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

1. **Basic Provisions ("Basic Provisions").**

1.1 **Parties:** This Lease (**"Lease"**), dated for reference purposes only July 25, 2012, is made by and between Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company (**"Lessor"**)and Charles B. Middleton, a married man and Salvatore A. Peluso, a married man (**"Lessee"**), (**collectively the "Parties"**, or individually a **"Party"**).

1.2(a) **Premises:** That certain portion of the Project (as defined below), Including all Improvements therein or to be provided by Lessor under the terms of this Lease, commonly known by the street address of 3770 Hancock Street, Suite C, located In the City of San Diego, County of San Diego, State of California, with zip code 92110, as outlined on Exhibit A & A-1 attached hereto (**"Premises"**) and generally described as (describe briefly the nature of the Premises): Sport Arena Business Park, The demised premises consists of approx. 2,100 quare feet. The property is further described on Exhibit A & A.1. In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Areas (as defined in Paragraph 2.7 below) as hereinafter specified, but shall not have any rights to the roof, exterior walls or utility raceways of the building containing the Premises (**"Building"**) or to any other buildings In the Project. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the **"Project."** (See also Paragraph 2.)

1.2(b) **Parking:** See Exhibit C item 14 unreserved vehicle parking spaces (**"Unreserved Parking Spaces"**); and (Not applicable) reserved vehicle parking spaces (**"Reserved Parking Spaces"**). (See also Paragraph 2.6)

1.3 **Term:** Twenty-Five (25) months(**"Original Term"**) commencing August 1, 2012 (**"Commencement Date"**) and ending August 31, 2014(**"Expiration Date"**). (See also Paragraph 3.) (see Exhibit K)

1.4 **Early Possession:** upon lease signing, payment in certified funds and certificate of insurance (**"Early Possession Date"**).(See also Paragraphs 3.2 and 3.3.)

1.5 **Base Rent:** $1.00psf x 2,100sf or $2,100.00 per month (**"Base Rent"**), payable on the first day of each month commencing August 1, 2012. (See also Paragraph 4.) **Lessor shall grant Lessee one month of free rent to be given in the first month of the lease term.**

✓ If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted. See Exhibit F.

1.6 **Lessee's Share of Common Area Operating Expenses:** (Not applicable) percent (___%) (**"Lessee's Share"**).

1.7 **Base Rent and Other Monies paid Upon Execution:**

(a) Base Rent: $ 2,100.00 for the period September 1 thru September 30, 2012.

(b) Common Area Operating Expenses: $ *does not apply for the period *does not apply.

(c) Security Deposit: $ 2,280.00 (**"Security Deposit"**). (See also Paragraph 5.)

(d) Other:$ 75.00 per month for monthly water/sewer fees (see Exhibit C, Item #4).

(e) Other: $70.00 for credit report.

(f) Total Due Upon Execution of this Lease: $ 4,525.00.

1.8 **Agreed Use:** light welding and manufacturing services and for no other purpose or use. See Exhibit H. (See also Paragraph 6.)

1.9 **Insuring Party:** Lessor is the **"Insuring Party"**. (See also Paragraph 8.)

1.10 **Real Estate Brokers:** (See also Paragraph 5).

(a) **Representation:** The following real estate brokers (the **"Brokers"**) and brokerage relationships exist in this transition (check applicable boxes):

() (Not applicable) represents Lessor exclusively (**"Lessor's Broker"**);

() (per separate agreement) represents Lessee exclusively (**"Lessee's Broker"**); or

() (Not applicable) represents both Lessor and Lessee (**"Dual Agency"**).

(b) **Payment to Brokers:** Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Brokers the brokerage fee agreed to in a separate written agreement (or if there is no such agreement, the sum of (per separate agreement) of the total Base Rent for the brokerage services rendered by the Brokers).

1.11 **Guarantor.** The obligations of the Lessee under this Lease are to be guaranteed by (Lessee by signing are acting as Guarantors) (See Exhibits J and J.1) (**"Guarantor"**). (See also Paragraph 37.)

1.12 **Addenda and Exhibits:** Attached hereto is an Addendum or Addenda consisting of Paragraphs ----- through ----- and Exhibits A through N, all of which constitute a part of this lease.

2. **Premises.**

2.1 **Letting.** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of size set forth in this Lease, or that may have been used in calculating Rent, is an approximation which the Parties agree is reasonable and any payments based thereon are not subject to revision whether or not the actual size is more or less.

2.2 **Condition.** Lessor shall deliver that portion of the Premises contained within the Building (**"Unit"**) to Lessee broom clean and free of debris on the Commencement Date or the Early Possession Date, whichever first occurs (**"Start Date"**), and, so long as the required service contracts described in Paragraph 7.1(b) below are obtained by Lessee and in effect within thirty days following the Start Date, warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems (**"HVAC"**), loading doors, if any, and all other such elements in the Unit, other than those constructed by Lessee, shall be in good operating condition on said date and that the structural elements of the roof, bearing walls and foundation of the Unit shall be free of material defects. If a non-compliance with such warranty exists as of the Start Date, or if one of such systems or elements should malfunction or fail within the appropriate warranty period, Lessor shall, as Lessor's sole obligation with respect to such matter, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, malfunction or failure, rectify same at Lessor's expense. The warranty periods shall be as follows: (i) 6 months as to the HVAC systems, and (ii) 30 days as to the remaining systems and other elements of the Unit. If Lessee does not give Lessor the required notice within the appropriate warranty period, correction of any such non-compliance, malfunction or failure shall be the obligation of Lessee at Lessee's sole cost and expense (except for the repairs to the fire sprinkler systems, roof, foundations, and/or bearing walls—see Paragraph 7).

2.3 **Compliance.** Lessor warrants that the Improvements on the Premises and the Common Areas comply with the building codes that were in effect at the time that each such Improvement, or portion thereof and also with all applicable laws, covenants or restrictions of record, regulations, and ordinances in effect on the Start Date (**"Applicable Requirements"**). Said warranty does not apply to the use of which Lessee will put the Premises or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a).) made or to be made by Lessee. **NOTE: Lessee is responsible for determining whether or not the zoning is appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed.** If the Premises do not comply with said warranty; Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within 6 months following the Start Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense. If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Unit, Premises and/or Building, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Unit, Premises and/or Building **("Capital Expenditure")**, Lessor and Lessee shall allocate the cost of such work as follows:

(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof, provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease and the cost thereof exceeds 6 months' Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within 10 days after receipt of Lessee's

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termination notice that Lessor has elected to pay the difference between the actual cost thereof and the amount equal to 6 months' Base Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least 90 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor and Lessee shall allocate the obligation to pay for the portion of such costs reasonably attributable to the Premises pursuant to the formula set out in Paragraph 7.1(d); provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with Interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor.

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to non-voluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall be fully responsible for the cost thereof, and Lessee shall not have any right to terminate this Lease.

2.4 **Acknowledgements.** Lessee acknowledges that: (a) it has been advised by Lessor and/or Brokers to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler Systems, security, environmental aspects, and compliance with Applicable Requirements and the Americans with Disabilities Act), and their suitability for Lessee's intended use, (b) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefore as the same relate to its occupancy of the Premises, and (c) neither Lessor, Lessor's Agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (ii) it is Lessor's solo responsibility to investigate the financial capability and/or suitability of all proposed tenants. (See Exhibit D)

2.5 **Lessee as Prior Owner/Occupant.** The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the Start Date Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.

2.6 **Vehicle Parking.** Lessee shall be entitled to use the number of Unreserved Parking Spaces and Reserved Parking Spaces specified in Paragraph 1.2(b) on those portions of the Common Areas designated from time to time by Lessor for parking. Lessee shall not use more parking spaces than said number. Said parking spaces shall be used for parking by vehicles no larger than full-size passenger automobiles or pick-up trucks, herein called **"Permitted Size Vehicles."** Lessor may regulate the loading and unloading of vehicles by adopting Rules and Regulations as provided in Paragraph 2.9. No vehicles other than Permitted Size Vehicles may be parked in the Common Area without the prior written permission of Lessor.

(a) Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, contractors or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.

(b) Lessee shall not service or store any vehicles in the Common Areas.

(c) If Lessee permits or allows any of the prohibited activities described in this Paragraph 2.6, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.7 **Common Areas—Definition.** The term **"Common Areas"** is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Project and interior utility raceways and installations within the Unit that are provided and designated by the Lessor from time to time for the general non-exclusive use of Lessor, Lessee and other tenants of the Project and their respective employees, suppliers, shippers, customers, contractors and invitees, including parking areas, loading and unloading areas, trash areas, roadways, walkways, driveways and landscaped areas.

2.8 **Common Areas—Lessee's Rights.** Lessor grants to Lessee, for the benefit of Lessee and its employees, suppliers, shippers, contractors, customers and invitees, during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Lessor under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Project. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Lessor or Lessor's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.9 **Common Areas—Rules and Regulations.** Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to establish, modify, amend and enforce reasonable rules and regulations **("Rules and Regulations")** for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Project and their invitees. Lessee agrees to abide by and conform to all such Rules and Regulations, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessor shall not be responsible to Lessee for the non-compliance with said Rules and Regulations by other tenants of the Project.

2.10 **Common Areas—Changes.** Lessor shall have the right, in Lessor's sole discretion, from time to time:

(a) To make changes to the Common Areas, including, without limitation, changes in the location, size, shape and number of driveways, entrances, parking spaces, Parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways;

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;

(c) To designate other land outside the boundaries of the Project to be a part of the Common Areas;

(d) To add additional buildings and improvements to the Common Areas;

(e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Project, or any portion thereof; and

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Project as Lessor may, in the exercise of sound business judgment, deem to be appropriate.

3. **Term.**

3.1 **Term.** The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3. (see Exhibit C #2)

3.2 **Early Possession.** If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early possession. All other terms of this Lease (including but not limited to the obligations to pay Lessee's Share of Common Area Operating Expenses, Real Property taxes and insurance premiums and to maintain the Premises) shall, however, be in effect during such period. Any such early possession shall not affect the Expiration Date. (See Exhibit C # 1)

3.3 **Delay In Possession.** Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession as agreed, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until it receives possession of the Premises. If possession is not delivered within 60 days after the Commencement Date, Lessee may, at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this

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Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10 day period, Lessee's right to cancel shall terminate. Except as otherwise provided, if possession is not tendered to Lessee by the Start Date and Lessee does not terminate this Lease, as aforesaid, any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession of the Premises is not delivered within 4 months after the Commencement Date, this Lease shall terminate, unless other agreements are reached between Lessor and Lessee, in writing. (See Exhibit C #12)

3.4 **Lessee Compliance.** Lessor shall not be required to tender possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of Insurance (Paragraph 8.5). Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.

4. **Rent.**

4.1 **Rent Defined.** All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit) are deemed to be rent (**"Rent"**).

4.2 **Common Area Operating Expenses.** INTENTIONALLY DELETED

(a) **"Common Area operating Expenses"** are defined, for purposes of this Lease, as all costs incurred by Lessor relating to the ownership and operation of the Project, including, but not limited to, the following:

(i) The operation, repair and maintenance, in neat, clean, good order and condition, but not the replacement (see subparagraph (e)), of the following:

(aa) The Common Areas and Common Area improvements, including parking areas, loading and unloading areas, trash areas, roadways, parkways, walkways, driveways. landscaped areas, bumpers, irrigation systems, Common Area lighting facilities, fences and gates, elevators, roots, and roof drainage systems.

(bb) Exterior signs and any tenant directories.

(cc) Any fire sprinkler systems.

(ii) The cost of water, gas, electricity and telephone to service the Common Areas and any utilities not separately metered.

(iii) Trash disposal, pest control services, property management, security services, and the costs of any environmental inspections.

(iv) Reserves set aside for maintenance and repair of Common Areas.

(v) Any increase above the Base Real Property Taxes (as defined in Paragraph 10).

(vi) Any "Insurance Cost Increase" (as defined in Paragraph 8).

(vii) Any deductible portion of an insured loss concerning the Building or the Common Areas.

(viii) The cost of any Capital Expenditure to the Building or the Project not covered under the provisions of Paragraph 2.3 provided; however, that Lessor shall allocate the cost of any such Capital Expenditure over a 12 year period and Lessee shall not be required to pay more than Lessee's Share of 1/144th of the cost of such Capital Expenditure in any given month.

(ix) Any other services to be provided by Lessor that are stated elsewhere in this Lease to be a Common Area Operating Expense.

(b) Any Common Area Operating Expenses and Real Property Taxes that are specifically attributable to the Unit, the Building or to any other building in the Project or to the operation, repair and maintenance thereof, shall be allocated entirely to such Unit, Building, or other building. However, any Common Area Operating Expenses and Real Property Taxes, that are not specifically attributable to the Building or to any other building or to the operation, repair and maintenance thereof, shall be equitably allocated by Lessor to all buildings in the Project. (See Exhibit C, Items 3 & 4.)

(c) The inclusion of the improvements, facilities and services set forth in Subparagraph 4.2(a) shall not be deemed to impose an obligation upon Lessor to either have said improvements or facilities or to provide those services unless the Project already has the same, Lessor already provides the services, or Lessor has agreed elsewhere in this Lease to provide the same or some of them.

(d) INTENTIONALLY DELETED

(e) When a capital component such as the roof, foundations, exterior walls or a Common Area capital improvement, such as the parking lot paving, elevators, fences, etc. requires replacement, rather than repair or maintenance, Lessor shall, at Lessor's expense, be responsible for such replacement. Such expenses and/or costs are not Common Area Operating Expenses.

4.3 **Payment.** Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States, without offset or deduction (except as specifically permitted in this Lease), on or before the day on which it is due. Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a Waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating. In the event that any check, draft, or other instrument of payment given by Lessee to Lessor is dishonored for any reason, Lessee agrees to pay to Lessor the sum of $25.

5. **Security Deposit.** Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease. Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of the Security Deposit, Lessee shall within 10 days after written request therefor deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sub lessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, In Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within 14 days after the expiration or termination of this Lease, if Lessor elects to apply the Security Deposit only to unpaid Rent, and otherwise within 30 days after the Premises have been vacated pursuant to Paragraph 7.4(c) below, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease.

6. Use.

6.1 **Use.** Lessee shall use and occupy the Premises only for the Agreed Use and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties. (See Exhibit C, Item 5.)

6.2 **Hazardous Substances,**

(a) **Reportable Uses Require Consent.** The term **"Hazardous Substance"** as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either; (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, by-products or fractions thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee's expense) with all Applicable Requirements. **"Reportable Use"** shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a

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permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability; including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit.

(b) **Duty to Inform Lessor.** If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(c) **Lessee Remediation.** Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) **Lessee Indemnification.** Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, or any Third party (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from areas outside of the Project). Lessee's obligations shall Include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

(e) **Lessor Indemnification.** Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which existed as a result of Hazardous Substances on the Premises prior to the Start Date or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

(f) **Investigations and Remediations.** Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to the Start Date, unless such remediation measure is required as a result of Lessee's use (including "Alterations," as defined in Paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessor's investigative and remedial responsibilities.

(g) **Lessor Termination Option.** If a Hazardous Substance Condition (see Paragraph 9.1(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and affect, or (ii) if the estimated cost to remediate such condition exceeds 12 times the then monthly Base Rent or $100,000, whichever is greater, give written notice to Lessee, within 30 days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within 10 days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to 12 times the then monthly Base Rent or $100.000, whichever is greater. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation, as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

6.3 **Lessee's Compliance with Applicable Requirements.** Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the Premises, without regard to whether said requirements are now in effect or become effective after the Start Date. Lessee shall, within 10 days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements.

6.4 **Inspection Compliance.** Lessor and Lessor's **"Lender"** (as defined in Paragraph 30) and consultants shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a contamination is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination.

7. **Maintenance; Repairs, Utility Installations; Trade Fixtures and Alterations.**

7.1 **Lessee's Obligations.**

(a) **In General.** Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance), 6.3 (Lessee's Compliance with Applicable Requirements), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole expense, keep the Premises, Utility Installations (intended for Lessee's exclusive use, no matter where located), and Alterations in good order, condition and repair (whether or not the portion of the Premises requiring repairs, or the means or repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, but not limited to, all equipment or facilities, such as plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fixtures, interior walls, interior surfaces of exterior walls, ceilings, floors, windows, doors, plate glass, and skylights but excluding any items which are the responsibility of Lessor pursuant to Paragraph 7.2. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Paragraph 7.1(b) below. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair. (See Exhibit C, Item 6.)

(b) **Service Contracts.** Lessee shall, at Lessee's sole expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in the maintenance of the following equipment and improvements, if any, if and when installed on the Premises: (I) HVAC equipment, (ii) boiler and pressure vessels, (iii) clarifiers, and (iv) any other equipment, if reasonably required by Lessor. However, Lessor reserves the right, upon notice to Lessee, to procure and maintain any or all of such service contracts, and if Lessor so elects, Lessee shall reimburse Lessor, upon demand, for the cost thereof.

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(c) **Failure to Perform.** If Lessee fails to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after 10 days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, and Lessee shall promptly reimburse Lessor for the cost thereof.

(d) **Replacement.** Subject to Lessee's indemnification of Lessor as set forth in Paragraph 8.7 below, and without relieving Lessee of liability resulting from Lessee's failure to exercise and perform good maintenance practices, if an item described in Paragraph 7.1(b) cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such item, then such item shall be replaced by Lessor, and the cost thereof shall be prorated between the Parties and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease, on the date on which Base Rent is due, an amount equal to the product of multiplying the cost of such replacement by a fraction, the numerator of which is one, and the denominator of which is 144 (ie. 1/144th of the cost per month). Lessee shall pay interest on the unamortized balance at a rate that is commercially reasonable in the judgment of Lessor's accountants. Lessee may, however, prepay its obligation at any time.

7.2 **Lessor's Obligations.** Subject to the Provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 4.2 (Common Area Operating Expenses), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler system, Common Area fire alarm and/or smoke detection systems, fire hydrants, parking lots, walkways, parkways, driveways, landscaping, fences, signs and utility systems serving the Common Areas and all parts thereof, as well as providing the services for which there is a Common Area Operating Expense pursuant to Paragraph 4.2. Lessor shall not be obligated to paint the exterior or interior surfaces of exterior walls nor shall Lessor be obligated to maintain, repair or replace windows, doors or plate glass of the Premises. Lessee expressly waives the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease

7.3 **Utility Installations; Trade Fixtures; Alterations.**

(a) **Definitions.** The term **"Utility Installations"** refers to all floor and window coverings, air lines, power panels, electrical distribution, security and fire protection systems, communication systems, lighting fixtures, HVAC equipment, plumbing, and fencing in or on the Premises. The term **"Trade Fixtures"** shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term **"Alterations"** shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. **"Lessee Owned Alterations and/or Utility Installations"** are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a).

(b) **Consent.** Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, and the cumulative cost thereof during this Lease as extended does not exceed a sum equal to 3 month's Base Rent in the aggregate or a sum equal to one month's Base Rent in any one year. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor.

(c) **Indemnification.** Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or material men's lien against the Premises or any interest therein, Lessee shall give Lessor not less than 10 days notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to 150% of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys' fees and costs.

7.4 **Ownership; Removal; Surrender; and Restoration.**

(a) **Ownership.** Subject to Lessor's right to require removal or elect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

(b) **Removal.** By delivery to Lessee of written notice from Lessor not earlier than 90 and not later than 30 days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent.

(c) **Surrender; Restoration.** Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris, and in good operating order. condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing, if this Lease is for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures. Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall also completely remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Project) even if such removal would require Lessee to perform or pay for work that exceeds statutory requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below. (See Exhibit C, Item 7.)

8. Insurance Indemnity.

8.1 **Payment of Premium Increases.**

(a) As used herein, the term **"Insurance Cost Increase"** is defined as any increase in the actual cost of the insurance applicable to the Building and/or the Project and required to be carried by Lessor, pursuant to Paragraphs 8.2(b), 8.3(a) and 8.3(b) (**"Required Insurance"**), over and above the Base Premium, as hereinafter defined, calculated on an annual basis. Insurance Cost Increase shall include, but not be limited to, requirements of the holder of a mortgage or deed of trust covering the Premises, Building and/or Project, increased valuation of the Premises, Building and/or Project, and/or a general premium rate increase. The term Insurance Cost Increase shall not, however, include any premium increases resulting from the nature of the occupancy of any other tenant of the Building. If the parties insert a dollar amount in Paragraph 1.9, such amount shall be considered the **"Base Premium."** The Base Premium shall be the annual premium applicable to the 12 month period immediately preceding the Start Date. If, however, the Project was not insured for the entirety of such 12 month period, then the Base Premium shall be the lowest annual premium reasonably obtainable for the Required Insurance as of the Start Date, assuming the most nominal use possible of the Building. In no event, however, shall Lessee be responsible for any portion of the premium cost attributable to liability insurance coverage in excess of $2,000,000 procured under Paragraph 8.2(b).

(b) INTENTIONALLY DELETED

8.2 **Liability Insurance.**

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(a) **Carried by Lessee.** Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $1,000,000 per occurrence with an annual aggregate of not less than $2,000,000, an "Additional Insured-Managers or Lessor's of Premises Endorsement" and contain the "Amendment of the Pollution Exclusion Endorsement" for damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "Insured Contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance carried by Lessee shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only. (See Exhibit C, Item 8.)

(b) **Carried by Lessor.** Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 **Property Insurance – Building, Improvements and Rental Value.**

(a) **Building and Improvements.** Lessor shall obtain and keep in force a policy or policies of insurance in the name of Lessor, with loss Payable to Lessor, any ground-lessor, and to any Lender insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full replacement cost of the Premises, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available insurable value thereof. Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee under Paragraph 8.4. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed $1,000 per occurrence.

(b) **Rental Value.** Lessor shall also obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one year with an extended period of indemnity for an additional 180 days ("Rental Value Insurance"). Said insurance shall contain an agreed valuation provision, in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next 12 month perio d.

(c) **Adjacent Premises.** Lessee shall pay for any increase in the premiums for the property insurance of the Building and for the Common Areas or other buildings in the Project if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(d) **Lessee's Improvements.** Since Lessor is the Insuring Party, Lessor shall not be required to insure Lessee Owned Alterations and Utility Installations unless the item in question has become the property of Lessor under the terms of this Lease.

8.4 **Lessee's Property; Business Interruption Insurance.**

(a) **Property Damage.** Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures, and Lessee Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed $1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of Personal Property, Trade Fixtures and Lessee Owned Alterations and Utility Installations. Lessee shall provide Lessor with written evidence that such insurance in force.

(b) **Business Interruption.** Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all Perils commonly insured against by prudent Lessee's in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

(c) **No Representation of Adequate Coverage.** Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.

8.5 **Insurance Policies.** Insurance required herein shall be by companies duty licensed or admitted to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B+, V, as set forth in the most current issue of "Best's Insurance Guide," or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required Insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates evidencing the existence and amounts of the required Insurance. No such policy shall be cancelable or subject to modification except after 30 days prior written notice to Lessor. Lessee shall, at least 30 days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same.

8.6 **Waiver of Subrogation.** Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of Insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation, that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 **Indemnity.** Except for Lessor's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified.

8.8 **Exemption of Lessor from Liability.** Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the Building, or from other sources or places. Lessor shall not be liable for any damages arising from any act or neglect of any other tenant of Lessor nor from the failure of Lessor to enforce the provisions of any other lease in the Project. Notwithstanding Lessor's negligence or breach of this Lease, Lessor shall under no circumstances be liable for injury to Lessee's business or for any loss of income or profit there from.

9. **Damage or Destruction.**

9.1 Definitions.

(a) **"Premises Partial Damage"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which can reasonably be repaired in 3 months or less from the date of the damage or destruction, and the cost thereof does not exceed a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(b) **"Premises Total Destruction"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility installations and Trade Fixtures, which cannot reasonably be repaired in 3 months or less from the date of the damage or destruction and/or the cost thereof exceeds a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) **"Insured Loss"** shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

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(d) **"Replacement Cost"** shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) **"Hazardous Substance Condition"** shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises.

9.2 **Partial Damage – Insured Loss.** If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force end effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is $5,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said 10 day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 **Partial Damage – Uninsured Loss.** If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective 60 days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 **Total Destruction.** Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate 60 days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6

9.5 **Damage Near End of Term.** If at any time during the last 6 months of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective 60 days following the date of occurrence of such damage by giving a written termination notice to Lessee within 30 days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is 10 days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished.

9.6 **Abatement of Rent; Lessee's Remedies.**

(a) **Abatement.** In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from the Rental Value Insurance. All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) **Remedies.** If Lessor shall be obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within 90 days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than 60 days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within 30 days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such 30 days, this Lease shall continue in full force and effect. "Commence" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 **Termination; Advance Payments.** Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

9.8 **Waive Statutes.** Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith.

10. Real Property Taxes.

10.1 **Definitions.**

(a) **"Real Property Taxes."** As used herein, the term **"Real Property Taxes"** shall include a form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Project, Lessor's right to other income there from, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Project address and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Project is located. The term "Real Property Taxes" shall also include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Project or any portion thereof or a change in the improvements thereon.

(b) **"Base Real Property Taxes."** As used herein, the term **"Base Real Property Taxes"** shall be the amount of Real Property Taxes, which are assessed against the Premises, Building, Project or Common Areas in the calendar year during which the Lease is executed. In calculating Real Property Taxes for any calendar year, the Real Property Taxes for any real estate tax year shall be included in the calculation of Real Property Taxes for such calendar year based upon the number of days which such calendar year and tax year have in common.

10.2 **Payment of Taxes.** Lessor shall pay the Real Property Taxes applicable to the Project, and except as otherwise provided in Paragraph 10.3, any increases in such amounts over the Base Real Property Taxes shall be included in the calculation of Common Area Operating Expenses in accordance with the provisions of Paragraph 4.2.

10.3 **Additional Improvements.** Common Area Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Project by other Lessee's or by Lessor for the exclusive enjoyment of such other lessees. Notwithstanding Paragraph 10.2 hereof, Lessee shall, however, pay to Lessor at the time

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Common Area Operating Expenses are payable under Paragraph 4.2, the entirety of any increase in Real Property Taxes if assessed solely by reason of Alterations, Trade Fixtures or Utility Installations placed upon the Premises by Lessee or at Lessee's request.

10.4 **Joint Assessment.** If the Building is not separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.5 **Personal Property Taxes.** Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within 10 days after receipt of a written statement getting forth the taxes applicable to Lessee's property.

11. **Utilities.** Lessee shall pay for all water, gas, heat, light, power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. Notwithstanding the provisions of Paragraph 4.2, if at any time in Lessor's sole judgment, Lessor determines that Lessee is using a disproportionate amount of water, electricity or other commonly metered utilities, or that Lessee is generating such a large volume of trash as to require an increase in the size of the dumpster and/or an increase in the number of times per month that the dumpster is emptied, then Lessor may increase Lessee's Base Rent by an amount equal to such increased costs.

12. **Assignment and Subletting.** (see Exhibit C #9)

12.1 **Lessor's Consent Required.**

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, **"assign or assignment"**) or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent.

(b) A change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of 25% or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than 25% of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. **"Net Worth of Lessee"** shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.

(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a noncurable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, (i) the Purchase Price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to 110% of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

12.2 **Terms and Conditions Applicable to Assignment and Subletting.**

(a) Regardless of Lessor's consent, any assignment or subletting shall not: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) after the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefore to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of $1,000 or 10% of the current monthly Base Rent applicable to the portion of the Premises which is the subject of the proposed assignment or sublease, whichever is greater, as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested.

(f) Any assignee of, or sublessee under, this lease shall, by reason of accepting such assignment or entering into such sublease, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

12.3 **Additional Terms and Conditions Applicable to Subletting.** The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. **Default; Breach; Remedies.**

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13.1 **Default; Breach.** A **"Default"** is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A **"Breach"** is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or Property, where such failure continues for a period of 3 business days following written notice to Lessee.

(c) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 41 (easements), or (viii) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Lessee.

(d) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 2.9 hereof, other than those described in subparagraphs 13.1(a), (b) or (c), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

(e) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a **"debtor"** as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(f) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.

(g) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 **Remedies.** If Lessee fails to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. The costs and expenses of any such performance by Lessor shall be due and payable by Lessee upon receipt of invoice therefor. If any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor, at its option, may require all future payments to be made by Lessee to be by cashier's check. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result there from, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover damages under Paragraph 12. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 **Inducement Recapture.** Any agreement for free or abated rent or other charges, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as **"Inducement Provisions,"** shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and condition, of this Lease. Upon Breach of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance. (See Exhibit C #16)

13.4 **Late Charges.** Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within 5 days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a one-time late charge equal to 10% of each such overdue amount or $100, whichever is greater. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment, acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late

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charge is payable hereunder, whether or not collected, for 3 consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 **Interest.** Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due as to scheduled payments (such as Base Rent) or within 30 days following the date on which it was due for non-scheduled payment, shall bear interest from the date when due, as to scheduled payments, or the 31st day after it was due as to non-scheduled payments. The interest (**"Interest"**) charged shall be equal to the prime rate reported in the Wall Street Journal as published closest prior to the date when due plus 4%, but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 **Breach by Lessor.**

(a) **Notice of Breach.** Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than 30 days after receipt by Lessor, and any Lender whose name and address shall have been furnished Lessee in writing for such Purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than 30 days are reasonably required for its Performance, then Lessor shall not be in breach of Performance is commenced within such 30 day period and thereafter diligently pursued to completion.

(b) **Performance by Lessee on Behalf of Lessor.** In the event that neither Lessor nor Lender cures said breach within 30 days after receipt of said notice, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from Rent an amount equal to the greater of one Base Rent of the Security Deposit, and to pay an excess of such expense under protest, reserving Lessee's right to reimbursement from Lessor. Lessee shall document the cost of said cure and supply said documentation to Lessor.

14. **Condemnation.** If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively **"Condemnation"**) this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs first. If more than 10% of the floor area of the Unit, or more then 25% of Lessee's Reserved Parking Spaces, is taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within 10 days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within 10 days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided however, that Lessee shall be entitled to any compensation for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefore. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation.

15. **Brokerage Fees.** (see Exhibit C #10)

15.1 **Additional Commission.** In addition to the payments owed pursuant to Paragraph 1.10 above, and unless Lessor and the Brokers Otherwise agree in writing, Lessor agrees that: (a) if Lessee exercises any Option, (b) if Lessee acquires from Lessor any rights to the Premises or other premises owned by Lessor and located within the Project, (c) if Lessee remains in Possession of the Premises, with the consent of Lessor, after the expiration of this Lease or (d) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then, Lessor shall pay Brokers a fee in accordance with the schedule of the Brokers in effect at the time of the execution of this Lease.

15.2 **Assumption of Obligations.** Any buyer or transferee of Lessor's interest in this Lease shall be deemed to have assumed Lessor's obligation hereunder. Brokers shall be third party beneficiaries of the provisions of Paragraphs 1.10, 15, 22 and 31. If Lessor fails to pay to Brokers any amounts due as and for brokerage fees pertaining to this Lease when due, then such amounts shall accrue Interest. In addition, if Lessor fails to pay any amounts to Lessee's Broker when due, Lessee's Broker may send written notice to Lessor and Lessee of such failure and if Lessor fails to pay such amounts within 10 days after said notice, Lessee shall pay said monies to its Broker and offset such amounts against Rent. In addition, Lessee's Broker shall be deemed to be a third party beneficiary of any commission agreement entered into by and/or between Lessor and Lessor's Broker for the limited purpose of collecting any brokerage fee owed.

15.3 **Representations and Indemnities of Broker Relationships.** Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any) in connection with this Lease, and that no one other than said named Brokers is entitled to any commission or finder's fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

16. **Estoppel Certificates.**

(a) Each Party (as **"Responding Party"**) shall within 10 days after written notice from the other Party (the **"Requesting Party"**) execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current **"Estoppel Certificate"** form published by the American Industrial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

(b) It the Responding Party shall fail to execute or deliver the Estoppel Certificate within such 10 day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance. Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate.

(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past 3 years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. **Definition of Lessor.** The term **"Lessor"** as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Except as provided in Paragraph 15, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined. Notwithstanding the above, and subject to the provisions of Paragraph 20 below, the original Lessor under this Lease, and all subsequent holders of the Lessor's interest in this Lease shall remain liable and responsible with regard to the potential duties and liabilities of Lessor pertaining to Hazardous Substances as outlined in Paragraph 6.2 above.

18. **Severability.** The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. **Days.** Unless otherwise specifically indicated to the contrary, the word **"days"** as used in this Lease shall mean and refer to calendar days.

20. **Limitation on Liability.** Subject to the provisions of Paragraph 17 above, the obligations of Lessor under this Lease shall not constitute personal obligations of Lessor, the individual partners of Lessor or its or their individual partners, directors, officers or shareholders, and Lessee shall look to the Premises, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with

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respect to this Lease, and shall not seek recourse against the individual partners of Lessor, or its or their individual partners, directors, officers or shareholders, or any of their personal assets for such satisfaction.

21. **Time of Essence.** Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

22. **No Prior or Other Agreements; Broker Disclaimer.** This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the use, nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees), of any Broker with respect to negotiation, execution, delivery or performance by either Lessor or Lessee under this Lease or any amendment or modification hereto shall be limited to an amount up to the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

23. **Notices.**

23.1 **Notice Requirements.** All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may, by written notice to the other, specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing.

23.2 **Date of Notice.** Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery dale is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 48 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices transmitted by facsimile transmission or similar means shall be deemed delivered upon telephone confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

24. **Waivers.** No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of monies or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

25. **Disclosures Regarding The Nature of a Real Estate Agency Relationship.**

(a) When entering into a discussion with a real estate agent regarding a real estate transaction, a Lessor or Lessee should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Lessor and Lessee acknowledge being advised by the Brokers in this transaction, as follows:

(i) Lessor's Agent. A Lessor's agent under a listing agreement with the Lessor acts as the agent for the Lessor only. A Lessor's agent or subagent has the following affirmative obligations: To the Lessor: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessor. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(ii) Lessee's Agent. An agent can agree to act as agent for the Lessee only. In these situations, the agent is not the Lessor's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Lessor. An agent acting only for a Lessee has the following affirmative obligations. To the Lessee: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessee. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that not known to, or within the diligent attention and observation of the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not Involve the affirmative duties set forth above.

(iii) Agent Representing Both Lessor and Lessee. A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Lessor and the Lessee in a transaction, but only with the knowledge and consent of both the Lessor and the Lessee. In a dual agency situation, the agent has the following affirmative obligations to both the Lessor and the Lessee: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Lessor or the Lessee. b. Other duties to the Lessor and the Lessee as stated above in subparagraphs (i) or (ii). In representing both Lessor and Lessee, the agent may not without the express permission of the respective Party, disclose to the other Party that the Lessor will accept rent in an amount less than that indicated in the listing or that the Lessee is willing to pay a higher rent than that offered. The above duties of the agent in a real estate transaction do not relieve a Lessor or Lessee from the responsibility to protect their own interests. Lessor and Lessee should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

(b) Brokers have no responsibility with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees), of any Broker with respect to any breach of duty, error or omission relating to this Lease shall not exceed the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

(c) Buyer and Seller agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

26. **No Right To Holdover.** Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 150% of the Base Rent applicable immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

27. **Cumulative Remedies.** No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. **Covenants and Conditions; Construction of Agreement.** All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

29. **Binding Effect; Choice of Law.** This Lease shall be binding upon the parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. **Subordination; Attornment; Non-Disturbance.**

30.1 **Subordination.** This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, **"Security Device"**), now or hereafter placed upon the

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Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as **"Lender"**) shall have no liability or obligation to perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to Lessee, whereupon this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 **Attornment.** Subject to the non-disturbance provisions of Paragraph 30.3, Lessee agrees to attorn to a Lender or any other party who acquires ownership of the Premises by reason of a foreclosure of a Security Device, and that in the event of such foreclosure, such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (b) be subject to any offsets or defenses which Lessee might have against any prior lessor, (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor.

30.3 **Non-Disturbance.** With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a **"Non-Disturbance Agreement"**) from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within 60 days after the execution of this Lease, Lessor shall use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to provide the Non-Disturbance Agreement within said 60 days, then Lessee may, at Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 **Self-Executing.** The agreements contained in this Paragraph 30 shall be affective without the execution or any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

31. **Attorneys' Fees.** If any Party or Broker brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, **"Prevailing Party"** shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgement, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach ($200 is a reasonable minimum per occurrence for such services and consultation). (see Exhibit C #15)

32. **Lessor's Access; Showing Premises; Repairs.** Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times for the purpose of showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary. All such activities shall be without abatement of rent or liability to Lessee. Lessor may at any time place on the Premises any Ordinary **"For Sale"** signs and Lessor may during the last 6 months of the term hereof place on the Premises any ordinary **"For Lease"** signs. Lessee may at any time place on the Premises any ordinary **"For Sublease"** sign.

33. **Auctions.** Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessor's prior written consent. Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

34. **Signs.** Except for ordinary "For Sublease" signs which may be placed only on the Premises, Lessee shall not place any sign upon the Project without Lessor's prior written consent. All signs must comply with all Applicable Requirements. (see Exhibit G)

35. **Termination; Merger.** Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subtenancies. Lessor's failure within 10 days following any such event to elect to the contrary by written notice to the holder of any such lesser interest shall constitute Lessor's election to have such event constitute the termination of such interest.

36. **Consents.** Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an Invoice and supporting documentation therefor. Lessor's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within 10 business days following such request.

37. **Guarantor.**

37.1 **Execution.** The Guarantors, if any, shall each execute a guaranty in the form most recently published by the American Industrial Real Estate Association, and each such Guarantor shall have the same obligations as Lessee under this Lease.

37.2 **Default.** It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantors behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect.

38. **Quiet Possession.** Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. **Options.** If Lessee is granted an option, as defined below, then the following provisions shall apply. (see Exhibit L, if any)

39.1 **Definition. "Option"** shall mean: (a) the right to extend the term of or renew this Lease or to extend or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Promises or other property of Lessor; (c) the right to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 **Options Personal To Original Lessee.** Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting.

39.3 **Multiple Options.** In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised

39.4 **Effect of Default on Options.**

(a) Lessee shall have no right to exercise an Option; (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

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(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), (ii) Lessor gives to Lessee 3 or more notices of separate Default during any 12 month period, whether or not the Defaults are cured, or (iii) if Lessee commits a Breach of this Lease.

40. **Security Measures.** Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

41. **Reservations.** Lessor reserves the right, (i) to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, (ii) to cause the recordation of parcel maps and restrictions, and (iii) to create and/or install new utility raceways, so long as such easements, rights dedications, maps, restrictions, and utility raceways do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate such rights.

42. **Performance Under Protest.** If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make Payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay.

43. **Authority.** If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duty authorized to execute and deliver this Lease an its behalf. Each party shall, within 30 days after request, deliver to the other party satisfactory evidence of such authority.

44. **Conflict.** Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions. (see Exhibit C #13)

45. **Offer.** Preparation of this Lease by either party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

46. **Amendments.** This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

47. **Multiple Parties.** If more than one person or entity is named herein as either Lessor or Lessee, such multiple Parties shall have joint and several responsibility to comply with the terms of this Lease.

48. **Waiver of Jury Trial.** The Parties hereby waive their respective rights to trial by jury in any action or proceeding involving the Property or arising out of this Agreement.

49. **Mediation and Arbitration of Disputes.** An Addendum requiring the Mediation and/or the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease is not attached to this Lease.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL, AND TAX CONSEQUENCES OF THIS LEASE.
2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

WARNING: IF THE PREMISES ARE LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES ARE LOCATED.
The parties hereto have executed this lease at the place and on the dates specified above their respective signatures.

Executed at: _____
on: _____

By LESSOR:
Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company

By: _____
Name Printed: _____
Title: _____

Address: 990 Highland Drive #200, Solana Beach, CA 92075
Telephone: (858) 792-7500: Fax: 858-792-7834

Executed at: _____
on: _____

By LESSEE:
Charles B. Middleton, a married man, and Salvatore A. Peluso, a married man

By: _____
Name Printed: Charles B. Middleton
Title: OWNER
Address: 5825 RIANCA AVE
SAN DIEGO CA 92110
Telephone/Fax: (619) 507-1042
SocSec#: 6[illegible]-09-6830

By: _____
Name Printed: Salvatore A. Peluso
Title: Owner
Address: 7689 Deermark Dr.
San Diego, CA 92110
Telephone/Fax: (619) 972-2687
SocSec#: 553-86-7019

These forms are often modified to meet changing requirements of law and needs of the industry. Always write or call to make sure you are utilizing the most current form: American Industrial Real Estate Association, 700 South Flower Street, Suite 600, Los Angeles, CA 90017. (213) 687-8777.

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(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), (ii) Lessor gives to Lessee 3 or more notices of separate Default during any 12 month period, whether or not the Defaults are cured, or (iii) if Lessee commits a Breach of this Lease.

40. **Security Measures.** Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

41. **Reservations.** Lessor reserves the right, (i) to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, (ii) to cause the recordation of parcel maps and restrictions, and (iii) to create and/or install new utility raceways, so long as such easements, rights dedications, maps, restrictions, and utility raceways do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate such rights.

42. **Performance Under Protest.** If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make Payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay.

43. **Authority.** If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duty authorized to execute and deliver this Lease an its behalf. Each party shall, within 30 days after request, deliver to the other party satisfactory evidence of such authority.

44. **Conflict**. Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions. (see Exhibit C #13)

45. **Offer.** Preparation of this Lease by either party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

46. **Amendments.** This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

47. **Multiple Parties.** If more than one person or entity is named herein as either Lessor or Lessee, such multiple Parties shall have joint and several responsibility to comply with the terms of this Lease.

48. **Waiver of Jury Trial.** The Parties hereby waive their respective rights to trial by jury in any action or proceeding involving the Property or arising out of this Agreement.

49. **Mediation and Arbitration of Disputes.** An Addendum requiring the Mediation and/or the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease is not attached to this Lease.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL, AND TAX CONSEQUENCES OF THIS LEASE.
2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

WARNING: IF THE PREMISES ARE LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES ARE LOCATED.

The parties hereto have executed this lease at the place and on the dates specified above their respective signatures.

Executed at: Solana Beach, CA
on: July 31, 2012

By LESSOR:
Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company

By: _____
Name Printed: M.C. Strauss
Title: TTEE

Address: 990 Highland Drive #200, Solana Beach, CA 92075
Telephone: (858) 792-7500: Fax: 858-792-7834

Executed at: _____
on: _____

By LESSEE:
Charles B. Middleton, a married man, and Salvatore A. Peluso, a married man

By: _____
Name Printed: Charles B. Middleton
Title: OWNER
Address: 5635 BIANCA AVE
SAN DIEGO CA 92110
Telephone/Fax: (H) 507-1042
SocSec#: 604-09-6830

By: _____
Name Printed: Salvatore A. Peluso
Title: Owner
Address: 2689 Deerpark Dr.
San Diego CA. 92110
Telephone/Fax: (H) 972-2687
SocSec#: 555-80-7014

These forms are often modified to meet changing requirements of law and needs of the industry. Always write or call to make sure you are utilizing the most current form: American Industrial Real Estate Association, 700 South Flower Street, Suite 600, Los Angeles, CA 90017. (213) 687-8777.

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TENANTS SHALL FURNISH:

1. Its personal and corporate (if applicable) financial statements.
2. Completed Landlord furnished credit information forms.
3. Letter of reference from Tenant's bank.
4. If a corporation, its duly Authorized Corporate Resolution notifying the Lease. (SEE Exhibit C Item #11)

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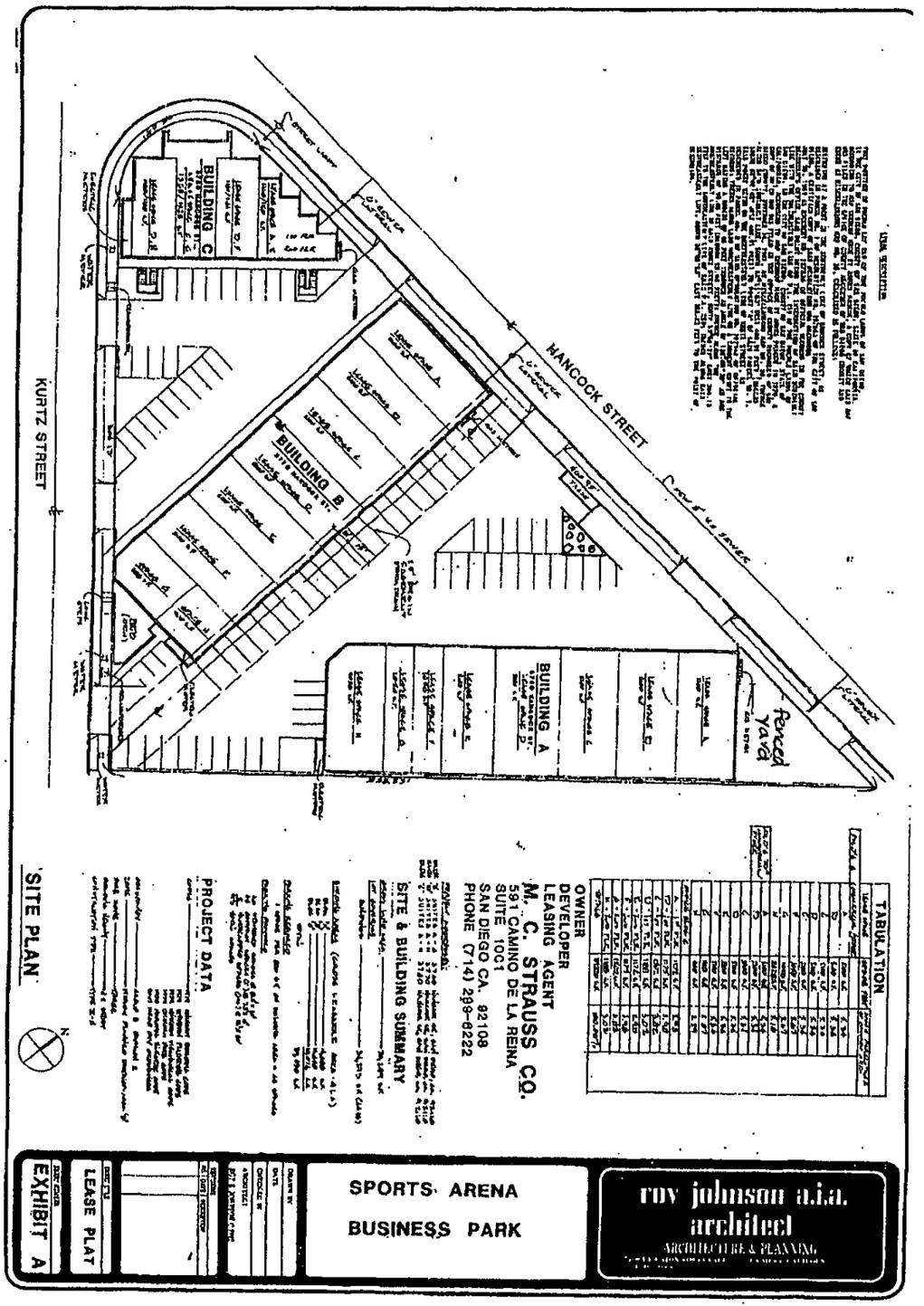


EXHIBIT A

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EXHIBIT A-1 TO LEASE (SUBLEASE)
MINIMUM STANDARD SUBLEASE CONDITIONS

(1) ASSIGNMENT AND SUBLEASING: Sublessee, shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and the City of San Diego, hereinafter, "City." An assignment by operation of law shall automatically terminate this lease.

(2) HOLD HARMLESS: Sublessee shall assume the defense of, indemnify and save harmless Lessee and City from all claims, expenses and liability of every nature, directly or indirectly arising from, or alleged to have arisen from the operations conducted on the leased premises or from any act or omission of Sublessee, its agents and invitees.

(3) INSURANCE: Sublessee shall be insured by an insurance carrier acceptable to the Lessee and City against loss from public liability arising from the use or condition of or operation conducted on the leased premises. Minimum coverage shall be as set forth in Paragraph 16-B hereof. A copy of the policy of insurance shall be filed with the City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or canceled without 30 days prior written notice to the. City by the insurance company,

(4) LEGAL PROCEEDINGS: Should it become necessary to Lessee or City to commence legal Proceedings to collect rent, to recover possessions or enforce any other provision of this lease, Sublessee agrees that the prevailing party shall be entitled to all legal costs in connection therewith, including a reasonable sum as attorney's fees

(5) SUBORDINATION: This agreement is in effect a sublease of a portion of the premises covered by that certain Lease Agreement dated September 13, 1977, as amended between the sublessor herein and the City of San Diego- This sublease is subject and subordinated to the covenants and conditions of said Lease Agreement notwithstanding any provision hereto contrary to or in conflict with said agreement.

(6) The property is subject to a City of San Diego ground lease mentioned hereinabove and lies with in the recently formed North Bay Redevelopment Area, The property will be redeveloped sometime in the future- Accordingly, Landlord and or city at its sole option may terminate this lease at anytime after Dec 1, 2003 with 6 months notice in writing, and without invalidating or superceding any of the rights contained here in this Addendum of the lease or the city land lease agreements there under

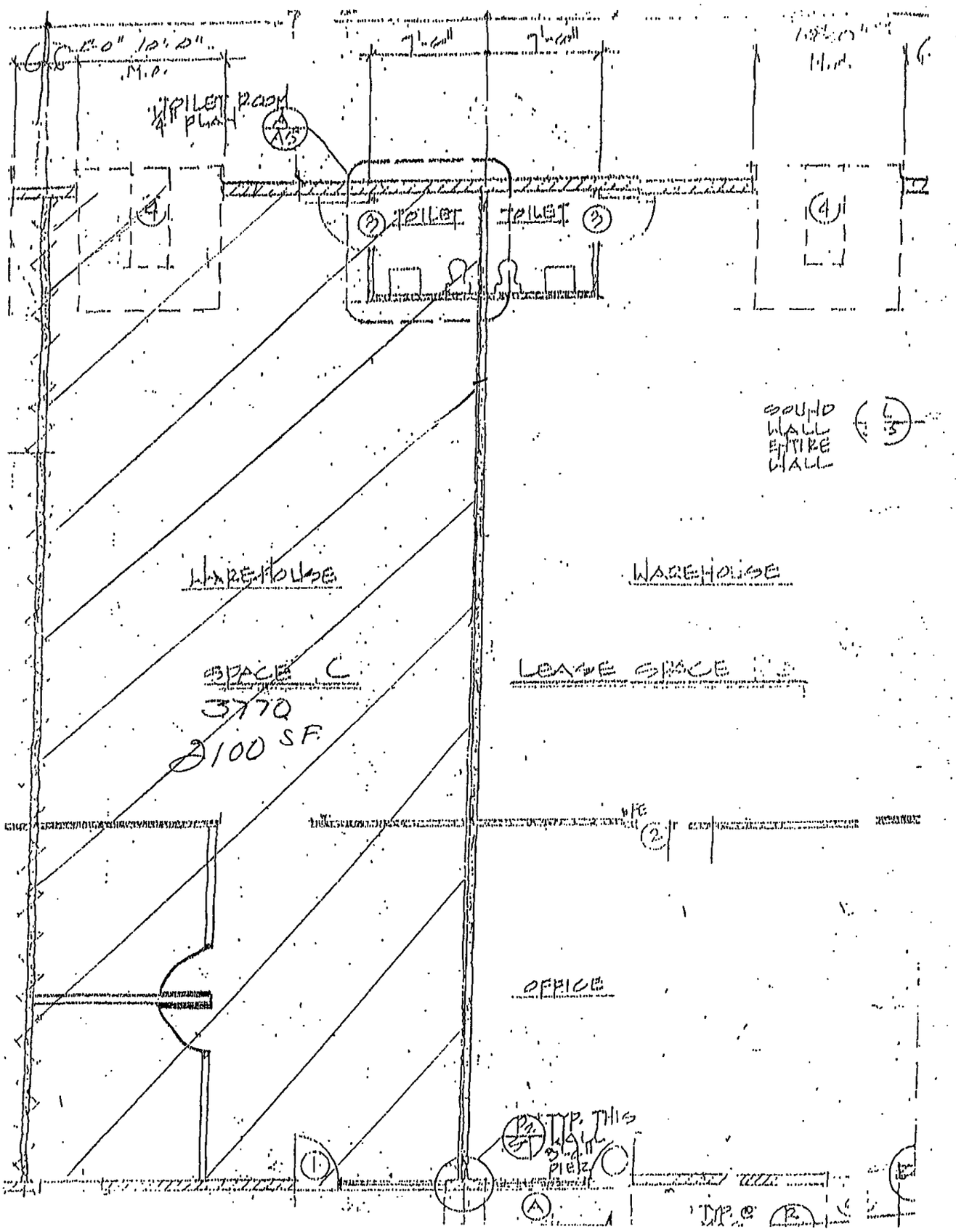
LESSOR'S INITIALS

LESSEE'S INITIALS

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EXHIBIT B

DEMISED PREMISES PLAN (IF AVAILABLE)



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Addendum to Commercial/Industrial Multi-Tenant Lease

1. Early Possession: With early move-in of Lessee, Lessee may not interfere with any tenant improvements needed to be done by Lessor. Additionally, M.C. Strauss Company is not responsible for loss, theft, or damage of any of Lessee's property should Lessee desire to move-in prior to commencement of Lease Term.

2. Term Adjustment: If the Commencement Date is other than the first day of a calendar month, the Term shall be deemed to have commenced on the first day of the next succeeding month.

3. Modified Common Area Operating Expenses: Lessor shall pay Tenant's portion of common area maintenance, taxes,and insurance.
   a. "Operating Costs" means all costs reasonably incurred by Lessor in accordance with generally accepted accounting principles, and fairly allocable to the applicable Calendar Year which relate to, or are fairly allocable to, the ownership and operation of the Common Areas. Lessor shall pay tenant's portion of common area maintenance, axes and insurance
   b. Periodic painting of the building exterior and common areas shall be included as a common area operating expense. If Lessor undertakes a program of preventive maintenance for the HVAC systems for all of the Tenants per Paragraph 7.1(b), the cost thereby shall be included as a common area expense.
   c, The common area definition shall also include lighting facilities, sewer, water, gas, electric, phone and other utility lines, storm drains, roads and approaches servicing the Center generally; and any other items that Lessor deems necessary and appropriate.
   d. Replacement costs, defined as that which cannot be repaired other than at a cost which is in excess of fifty percent (50%) of the cost of replacing such item, then such item shall be replaced and the cost prorated over sixty (60) months and Tenant shall pay one sixtieth ($^{1}/_{60}$) of the cost each month of the Lease term and extension thereto.

4. Utilities: Lessee shall pay before delinquency all charges for water, sewer, gas heat, electricity, power, telephone service and all and any other services or utilities used in, upon or about the Demised Premises by Lessee or any of its subtenants, licensees or concessionaries, provided, however, if any such services or utilities shall be billed to Lessor and not separately metered to the Demised Premises the mount thereof shall be prorated and Lessee shall pay to Lessor upon demand as additional rental hereunder an amount equal to that proportion of the total charges therefore which the number of square feet of Gross Floor Area in the Demised Premises bears to the total number of square feet of gross floor area of stores then rented as of the date of the utility bill served in the area and/or buildings covered by such combined charges. With respect to gas and electric service, which is not separately metered, Lessor may, at Lessor's option, in lieu of prorating on the fore-going basis, determine the amount of use of such services by Lessee on the basis of Lessee's estimated usage as determined by the utility company servicing the Demised Premises, or, if such company ceases providing such service, by a qualified electrical contractor selected by Lessor. Water is furnished to the part of the Common Area via as is central meter. Accordingly, Lessee will pay Lessor a flat charge of ___(per Section 1.7 (d))___ a month for its share of the water for its premises. Water charges may be reevaluated and increased by Lessor based on the use of the premises especially due to the number of patrons of and Lessee's business use. Lessor may require a high water user such as a restaurant or beauty parlor to install a separate meter or if the cost is prohibitive, to install an inline meter at Lessee's expense to be able to determine Lessee's fair share for any excess use.

5. Continuous Operations: Lessee shall keep the Demised Premises open for business during all hours customarily maintained by business similar to Lessee's business in the trading area in which the Demised Premises are located. At all such times Lessee shall have upon the Demised Premises a sufficient number of employees and a sufficient stock of merchandise to adequately serve the patrons thereof or render the services offered. A business holiday of more than 30 days of consecutive closing in any one year shall be considered a default.

6. Locks: Should Lessee change the locks on their suite, Lessee must furnish Lessor with a copy of the new key which is for the protection of the Lessee and per the Lease.

7. Vacating Premises: The definition "ordinary wear and tear" shall NOT include such items as carpet cleaning, cleaning, patching and painting necessary to restore Premises to a releasable condition. Additionally, Tenant will be charged for repainting rear access doors, repairing store front doors, rekeying locks to the master system and removing alarm systems or personal property and/or debris, etc, upon Lease termination,

8. Insurance: Lessor's appropriate liability insurance coverage is $3,000,000. Therefore, Paragraph 8.1 and/or Paragraph 8.2 is amended to increase the ceiling to $3,000,000 and Lessee shall reimburse Lessor for its portion accordingly.

9. Assignment and Subletting:
(This is in addition to lease language and prevails in the event of conflict.)

a. Consent to Assignment or Subletting shall not be unreasonably withheld: Subject to a compatible and noncompetitive business use with respect to the other businesses in the Center and sufficient financial statement and credit record of assignee and reasonable experience in conducting the intended business, Lessor's consent to assign or sublet this Lease shall not be unreasonably withheld provided however, that Lease shall not be in default and/or if Lessee shall have, previously breached or otherwise failed to perform under this Lease since its inception, and Lessee did not cure that breach, Lessor, at its sole discretion, may declare this Sub-paragraph null and void. Any increase in rents shall become the property of the Lessor. Any such assignment or subleasing even with the approval of the Lessor, shall not relieve the Lessee from liability for payment of the rental herein provided or from the obligation to keep and be bound by the terms, conditions and covenants of this Lease.

b. Assignment or Transfer to a Corporation: Notwithstanding anything to the contrary set forth herein, Lessee may assign this Lease, without the consent of Lessor, to a corporation or other entity not less than fifty percent (50%) of the voting stock or controlling interest of which is owned by Lessee; provided that Lessee shall at all times remain liable for performance hereunder; and provided, further, that any transfer by Lessee of the controlling stock or interest in such corporation or other entity shall be a prohibited assignment hereunder.

c. Consent to be in writing: Lessee shall not assign, mortgage, pledge, hypothecate or encumber this lease or the leasehold interest created hereby or any interest herein or sublet the Demised Premises or any portion thereof, or license the use of all or any portion of the Demised Premises, without the written consent of Lessor first had and obtained. Without in any way limiting any other rights available to the Lessor at the time of any proposed assignment or subletting, Lessor expressly reserves the right to adjust the Guaranteed Minimum Monthly Rental to an amount derived by multiplying said guaranteed minimum monthly rental times a number equal to the percentage by which the Bureau of Labor Statistics, United States Department of Labor for Los Angeles-Riverside-Orange County under the heading of "All Items" for "All Urban Consumers" for the month in which the date of such assignment or subletting occurs has increased over the same Cost of Living Index figure for the month in which the Commencement Date under this Lease occurs (i.e., if the percentage of such increase is thirty percent (30%), then the guaranteed minimum monthly rental will be multiplied times 130%). Tenant agrees to pay Lessor an administrative fee of $500 and to reimburse Lessor for Lessor's reasonable attorney fees

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incurred in conjunction with the processing and documentation of any such requested transfer, assignment, subletting, licensing or concession agreement

10. Broker's Fee:
    a. All Broker's fees as referred to in the Lease and Lease addendums shall be by separate agreement pursuant to a schedule to be agreed upon by Owner and Broker.
    b. However, it is understood and agreed that no commissions shall be paid on option exercises, or renewals, or expansions that unless at the invitation of the Owner first had obtained in writing.

11. Lessee's Financial Information: Lessee will furnish a credit report and financial statement at its expense, subject to Lessor's approval or reimburse Lessor $35 if Lessor obtains a credit report. Lessee also agrees to deliver to Lessor a resume of its business experience, a copy of its income tax returns for the prior year, a letter of reference from Lessee's bank, and a completed Lessor's "Credit Information" form. The Lease is contingent upon Lessor's review and approval to its sole satisfaction of Lessee's qualifications to lease. Said credit application must include but not be limited to listing specifics of next of kin, closest living relative not living with you, closest non-relative and who to notify in case of emergency.

12. Dispute or Delay: In the event of any dispute between the parties concerning the time of actual completion of Lessor's Work or Lessee's Work or any claimed excuse for delay in performance or non-performance thereof or whether such work has been adequately performed in a good and workmanlike manner and is satisfactory for the use intended, such dispute shall be referred to Lessor's architect whose determination with regard thereto shall be final and conclusive upon the parties.

13. Deletion: Wherever in this Lease a Section or Subsection is preceded by the word "Deleted" or "*Deleted," such Section or Subsection is deleted from this Lease in its entirety and is of no force or effect.

14. Parking: Lessee shall have the right to N/A parking spaces on level N/A at no cost to Lessee for the term of the Lease and any Option Periods. The surface parking is designated for customers and retail tenants only, All employees, visitors, guests of Lessee are not Permitted to use surface parking, but shall park on lower levels A & B of the parking structure, if any.

15. Attorney's Fees: The Lessor is entitled to attorney's fees or costs for the enforcement of the lease regardless of whether an action is filed, said fees and costs to be considered additional rent.

16. Lease Incentives: If Tenant is in default under this Lease at any time during the Term and without limiting the foregoing, if Landlord has given Tenant any lease incentives or other inducements or consideration in connection with this Lease ("Incentives"), including without limitation, any abatement of rent, the unamortized portion of any Tenant Improvement Allowance and/or leasing commissions then the incentives will terminate and Landlord may recover from Tenant the value of all such Incentives received by Tenant in addition to all other damages recoverable by Landlord pursuant to the provisions of this Lease.

17. Confidentiality: Lessee shall keep the content and all copies of this Lease and related documents now or hereafter entered into, and all proposals, materials, information and matters relating thereto, strictly confidential, and shall not disclose, disseminate or distribute any of the same, or permit the same to occur, except to the extent reasonably required for proper business purposes by Lessee's attorneys, insurers, auditors and lenders, and, in such event, Lessee shall obligate any such parties to whom disclosure is permitted to honor the confidentiality provisions hereto, except as may be required by Law or court proceedings.

18. Substitute Premises: Lessor shall have the right from time to time during the term of this lease to relocate the Premises within the Project on the following terms and conditions: (i) the square footage of the substitute premise ("Substitute Premises") are equal to the square footage of the Premises (subject to a variation of up to fifteen percent (15%) in the square footage of the Substitute Premises, provided that the amount of rent payable under this lease is not thereby increased); (ii) Lessor shall pay the cost of providing Lessee Improvements (defined below) in the Substitute Premises substantially comparable to the Tenant Improvements in the Premises; (iii) Lessor shall pay the expenses directly related to and reasonably incurred by Lessee in connection with such relocation to the Substitute Premises; and (iv) Lessor shall not be liable for (a) any loss of business or good will, or (b) any damage to Lessee's Property or other personal property relocated, unless caused by Lessor or it's employees gross negligence or willful misconduct. Lessor shall deliver to Lessee written notices of Lessor's election to relocate the Premises specifying the new location at least thirty (30) days prior to the date the relocation is to be effective. If the relocation of the Premises is unacceptable to Lessee, then Lessee may terminate this lease during a period of thirty (30) days after receipt of Lessor's notice to relocate, by delivering written notice to Lessor within the thirty (30) day period. Such notice of termination shall be effective upon receipt thereof by Lessor. If Lessee elects to terminate this Lease pursuant to this Section, then the parties shall be discharged from all obligations hereunder, other than those that have accrued prior to the actual date of Lessee's termination of this Lease or which specifically survive the termination of this Lease and Lessee shall be granted a reasonable period of tenancy in order to relocate to suitable premises.

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A. Lessee is responsible for sending rent payments on the first of the month to:

MC Strauss Company
990 Highland Drive, Suite 200
Solana Beach, CA 92075

B. For any questions or building management problems, call:

MC Strauss Company
990 Highland Drive, Suite 200
Solana Beach, CA 92075
Phone: 858-792-7500; Fax: 858-792-7834

C. Required Personal Data:
Lessee's Home Address: _____
Home Phone: _____ Home Fax: _____

In case of emergency: _____
Address: _____
Phone: _____ Fax: _____

Next of Kin (Name): _____
Address: _____
Phone: _____ Fax: _____

D. Other: Lessor reserves the right to change the management company and the address to which rent payments shall be made by delivering notice to Lessee in accordance with this Lease.

LESSOR'S INITIALS:

LESSEE'S INITIALS:

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EXHIBIT D

TENANT IMPROVEMENTS AND ACCEPTANCE OF PREMISES

Scope of Lessor's Work

Lessor shall provide Lessee, at the sole cost and expense of Lessor, the following "standard" improvements as follows:

1. Lessor has completed construction of the Demised Premises and Lessee acknowledges that the Demised Premises are being leased in "as is" condition with HVAC, plumbing, electrical and mechanical systems all in proper working order and that Lessee has inspected some and the Demised Promises are in satisfactory condition.

Scope of Lessee's Work

All improvements desired by Lessee, shall be considered "Non-standard" and shall be at the sole cost and expense of Lessee including, but not limited to :

1. Permits, Plans, and supervision for any Tenant improvements.

2. Lessor grants permission to Lessee to install necessary and/or required improvements or modifications, subject to Lessor's prior written approval, to accommodate Lessee's intended business use, at Lessee's sole cost and expense, and in accordance with any and all governmental requirements including the obtaining of any required permits for the Demised Premises and said business.

3. Lessee, at Lessee's sole cost and expense, shall be allowed to upgrade the electrical power to 220 volts, utilizing a licensed electrician.

Perform any and all additional work required to complete the Premises to a condition customary and ready for the normal operation of Lessee's business. Lessee shall be responsible to pay for any additional water, and/or sewer impact fees if imposed due to the nature of Lessee's business or use of Premises.

Within thirty (30) days following the execution of the Lease, Lessee, at Lessee's sole cost and expense, shall deliver to Lessor a fully dimensioned 1/4-inch scale set of plans. Said plans shall show all storefronts, interior partitions, fixtures, lighting, electrical outlets, plumbing (including fixtures), floor coverings, ceiling and other improvements that Lessee wishes to construct and install upon Premises. Said plans shall be subject to Lessor's approval prior to start of any work by Lessee or his contractors, which shall not be unreasonably withheld, which shall thereafter be called "Lessee Plans Approved for Construction." Should Lessee fail to deliver to Lessor plans for "Lessee's Work" within thirty (30) days following execution of the Lease, Lessor may, at his option and with written notification to that effect to Lessee, terminate this Lease.

No changes, modifications or alterations to Lessee Plans Approved for Construction may be made without the written consent of Lessor. Any additional costs, including any increased fees which Lessor may be required to Pay for architectural, engineering and/or other similar services arising by reason of any subsequent change to Lessee Plans Approved for Construction made at the request of Lessee, shall be at the sole cost and expense of Lessee and shall be paid by Lessee to Lessor before the performance of the work requested by Lessee.

All of Lessee's work and improvements shall be performed by Lessee, at Lessee's sole cost and expense except as outlined above and pursuant to the plans and specifications approved by Lessor. It is understood that the approval of Lessor shall in no manner relieve Lessee of Lessee's obligation to obtain, at Lessee's sole cost and expense, all necessary and appropriate permits from all applicable governmental or public agencies for the construction of Lessee's improvements, installation of Lessee's personal property and the operation of Lessee's business at Premises.

Upon delivery of Premises to the Lessee, Lessee shall immediately and diligently proceed to install Lessee's Work as described in Lessee's Plans Approved for Construction at Lessee's sole cost and expense without interfering with other work being done, if any, in the building or shopping center.

All work done by Lessee shall be done by a licensed contractor and in compliance with all rules and regulations required by local building authorities, Lessor or his agents and in accordance with all uniform building codes as dictated by state, federal and local requirements.

Upon final completion of Lessee's Work, Lessee shall furnish Lessor with all certificates, approvals and permits "signed off" by local governmental building inspector, that were required to complete Lessee's Work. Lessor shall not be responsible for any loss or damage to Lessee's improvements/property that is installed or left on Premises.

Lessee's entry upon Premises prior to commencement of the Term of this Lease shall be subject to all provisions of this Lease other than payment of rent, At all times after such entry, Lessee shall maintain an insurance policy that complies with the provisions of this Lease. The inability of Lessee to complete Lessee's Work in a timely manner and to a condition acceptable for conducting business, through no fault of Lessor, shall not delay the Term Commencement or payment of rent.

Lessee hereby indemnifies and holds Lessor free and harmless from and against any and all claims, demands and liabilities, including, but not limited to attorney costs, expenses and court costs, arising from or relating to Lessee's Work and improvements. It is the intent of the parties that this indemnification shall survive the expiration or sooner termination of this Lease.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: _____

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*DOES NOT APPLY

*EXHIBIT E

ESTIMATED OPERATING EXPENSES (GROSS LEASE)

The operating expenses are estimated at $_____ per square foot annually or _____
($_____ psf x _____ sq. ft. /12 = $_____) per month for the Demised Premises until adjusted per the Lease.

LESSOR'S INITIALS:

LESSEE'S INITIALS:

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EXHIBIT F

RENT ADJUSTMENT(S)

ADDENDUM TO
STANDARD LEASE

Dated July 25, 2012

By and Between (Lessor) Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company
(Lessee) Charles Middleton, a married man and, Salvatore A. Peluso, a married man

Property Address: 3770 Hancock Street, Suite #C
San Diego, CA 92110

Paragraph 1.5

A. **RENT ADJUSTMENTS:**

The monthly rent for each month of the adjustment period(s) specified below shall be Increased using the method(s) indicated below:

(Check Method(s) to be Used and Fill in Appropriately)

θ **I. Cost of Living Adjustment(s) (COL)**

(a) On (Fill in COL Adjustment Dale(s): _____
the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted by the change, if any, from the Base Month specified below, In the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for (select one): 0 CP1 W (Urban Wage Earners and Clerical Workers) or 0 CPI U (All Urban Consumers), for (Fill in Urban Area): _____ ,All Items (1982–1984 = 100), herein referred to as "C.P.I."

(b) The monthly rent payable in accordance with paragraph AI(a) of this Addendum shall be calculated as follows: the Base Rent set forth in paragraph 1.5 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the C.P.I. of the calendar month 2 (two) months prior to the month(s) specified In paragraph AI(a) above during which the adjustment is to take effect, and the denominator of which shall be the C.P.I. of the calendar month which Is two (2) months prior to (select one): 0 the first month of the term of this Lease as set forth in paragraph 1.3 ("Base Month") or 0 (Fill in Other "Base Month"): _____. The sum so calculated shall constitute the new monthly rent hereundor, but in no event, shall any such new monthly rent be less than the rent payable for the month immediately preceding the date for rent adjustment, plus _____rounded up to the next dollar figure.

(c) In the event the compilation and/or publication of the C.P.I. shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the C.P.I. shall be used to make such calculation. In the event that Lessor and Lessee cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid equally by Lessor and Lessee.

θ **II. Market Rental Value Adjustment(s) (MRV)**

(a) On (Fill in MRV Adjustment Dale(s): _____
the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted to the "Market Rental Value" of the property as follows:

1) Four months prior to the Market Rental Value (MRV) Adjustment Date(s) described above, Lessor and Lessee shall meet to establish an agreed upon new MRV for the specified term. If agreement cannot be reached, then:

i) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the parties, or

ii) Both Lessor and Lessee shall each immediately select and pay the appraiser or broker of their choice to establish a MRV within the next 30 days. If, for any reason, either one of the appraisals is not completed within the next 30 days, as stipulated, then the appraisal that is completed at that time shall automatically become the new MRV. If both appraisals are completed and the two appraisers/brokers cannot agree on a reasonable average MRV then they shall Immediately select a third mutually acceptable appraiser/broker to establish a third MRV within the next 30 days. The average of the two appraisals closest in value shall then become the new MRV. The costs of the third appraisal will be split equally between the parties.

2) In any event, the now MRV shall not be less than the rent payable for the month Immediately preceding the date for rent adjustment.

(b) Upon the establishment of each New Market Rental Value as described In paragraph AII:

1) the monthly rental sum so calculated for each term as specified in paragraph AII(a) will become the new "Base Rent" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph AII(a) above and

2) the first month at each Market Rental Value term as specified in paragraph AII(a) shall become the new "Base Month" for the purpose of calculating any further Cost of Living Adjustments as specified In paragraph AI(b).

✓ **III. Fixed Rental Adjustment(s) (FRA)**

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The monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be increased to the following amounts on the dates set forth below.

On (Fill in FRA Adjustment Date(s)):	The New Base Rental shall be:
Year 2	$1.05psf x 2,100sf = $2,205.00 per month +$75 water/sewer=$2,280.00 per month

B. **NOTICE:** Unless specified otherwise herein, notice at any escalations other than Fixed Rental Adjustment(s) shall be made as specified in paragraph 23 of the attached Lease.

*C. ~~**BROKER'S FEE:**~~ ***Deleted**

~~The Real Estate Brokers specified in paragraph 1.10 of the attached Lease shall be paid a Brokerage Fee for each adjustement specified above in accordance with paragraph 15 of the attached Lease.~~

LESSOR'S INITIAL:

LESSEE'S INITIAL:

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EXHIBIT G

CENTER SIGN CRITERIA

The purpose of this sign criteria has been established for the intent of assuring an outstanding shopping center and mutual benefit of all Lessee's. Conformance will be strictly enforced. Any Installed non-conforming or unapproved signs will be brought into conformance at the expense of the Lessee.

A. Lessee shall be entitled to signage above the Premises. Signage shall be subject to City of San Diego and Lessors prior written approval. All costs associated with the design, construction, installation, as well as removal, shall be borne by Lessee. Lessee shall be required to remove all Lessee signage at the conclusion of Lessee's occupancy of the Premises. Ground level Lessee's shall be entitled to signage on the Center's pole sign at its expense and subject to availability.

B. General Requirements:

1. Lessee shall submit to the Lessor the exact sign specifications, copy and colors desired for Lessor's approval from a license and experienced sign company.

2. All approvals or disapprovals of sign submittals based on esthetics and design shall remain sole right of the Lessor and local governing authorities.

3. Selected sign company will be responsible for obtaining all permits and sign Installation.

4. No exposed lamp, raceways, crossovers, conduit, conductors, transformers or similar devices shall be permitted.

5. All maintenance of signage shall be the responsibility of the Lessee.

6. All signs shall be individually illuminated.

7. No audible, flashing or animated signs will be permitted.

8. No projections above or below the sign will be permitted.

9. Electrical service to all signs will be connected to Lessee's meter.

10. Lessee's signs shall be designed and installed in a manner compatible with and complimentary to adjacent and facing storefronts and the overall design concept of the center.

11. All penetrations of the building structure required for sign installation shall be sealed in a watertight condition and shall be patched to match adjacent finish. At termination of lease when sign is removed, Lessee or its sign company shall patch and paint and restore to "as was" condition.

12. No advertising placards, banners, pennants, names, insignias or other descriptive material shall be affixed or maintained upon the glass pane supports of the show windows and doors or upon the exterior was of building without the prior written approval of Lessor.

13. Logos require prior approval of lessor unless nationally recognized logos of a franchise.

14. Letter height restrictions:

a. One line of copy with the letter and logo height not to exceed 24 inches or to be less than 10 inches. Allowable, sign fascia coverage not to exceed seventy-five percent (75) of store frontage.

b. Two lines of copy will be allowed with the overall height of the two lines of letters not to exceed 30 inches with a maximum height of the letters not to exceed 18 inches or to be less than 16 inches.

15. Designs submitted for the City/County approval must follow ft following guidelines:

a. Drawings of elevations and sign with all measurements to scale.
b. Plot plan and legal description (plans to scale).
c. Sections drawings of sign and fascia showing construction and electrical details.
d. Color of plastic faces and logos.
e. Color of neon, size and intensity.
f. Letter style selection

16. Lessee is granted permission by Lessor to install a temporary sign banner at its expense above the premises while signs are being fabricated.

17. Lessee shall indemnify and hold harmless Lessor against any loss, cost, damages or liability caused to persons, property or otherwise caused by Lessee's sign Installations.

LESSOR'S INITIALS:

LESSEE'S INITIALS:

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EXHIBIT 6-1

BLDG. A&B FRONT ELEVATION

TYPICAL TENANT DISPLAY

TYPICAL DISPLAY SIGN 10ft.X 24in.X 9in. depth

TYPICAL TENANT DISPLAYS

EXHIBIT H

SPECIAL USE OF PREMISES CLAUSE

A. Uses Of Premises:

Lessee shall occupy and use the premises solely for the operation of light welding and manufacturing services and for no other purpose or use.

LESSOR'S INITIALS:

LESSEE'S INITIALS:

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EXHIBIT I
APPLICATION FOR LEASE AND CREDIT INFORMATION

The undersigned furnishes the following as a true and accurate statement of the financial condition of the undersigned. It is understood that the Landlord, in entering into a lease or other agreement, are doing so in reliance upon this financial statement and in consideration of such the undersigned agree that if any of the representations of the undersigned prove to be untrue, such shall be considered as a default under such lease or agreement.

NAME: _____ AGE: _____ SPOUSES NAME: _____

ADDRESS: _____ HOW LONG: _____

CITY, STATE, ZIP _____

Previous Address - if less than five years: _____

SOCIAL SECURITY NO: _____ SPOUSE'S SOCIAL SECURITY NO: _____

PHONE: _____ OWN OR RENT: _____ NO. OF DEPENDENTS: _____

PRESENT EMPLOYER: _____ HOW LONG: _____

ADDRESS: _____

PHONE: _____ POSITION: _____

SPOUSE'S EMPLOYER: _____ PHONE: _____

IN CASE OF EMERGENCY CONTACT: NAME: _____

ADDRESS: _____ PHONE: _____

_____ RELATIONSHIP: _____

NEXT OF KIN NOT LIVING WITH YOU: NAME: _____

ADDRESS: _____ PHONE: _____

_____ RELATIONSHIP: _____

CLOSEST NON RELATIVE CONTACT: NAME: _____

ADDRESS: _____ PHONE: _____

_____ RELATIONSHIP: _____

BALANCE SHEET

Cash:	$ _____	Notes Payable - Total Owed: (List on Back)	$ _____
Stocks & Bonds: (List on Back)	$ _____		
		Accounts Payable - Total Owed: (List on Back)	$ _____
Notes / Accounts Receivable:	$ _____		
Life Insurance: (Not full value, only surrender value)	$ _____	Mortgages - Total Owed: (List on Back)	$ _____
Real Estate - Total Value: (List on Back)	$ _____	Automobiles - Total Owed:	$ _____
		Income Taxes - Accrued to Date:	$ _____
Automobiles:	$ _____	Other: _____	$ _____
	$ _____	_____	$ _____
		_____	$ _____
Personal Possessions:		**TOTAL LIABILITIES:**	$ _____
	$ _____		
	$ _____	**NET WORTH:**	$ _____
TOTAL ASSETS:	$ _____	**(Assets minus Liabilities)**	

ANNUAL INCOME & EXPENSE

Income:		**Expense:**	
Annual Salary:	$ _____	Annual Rental/Mortgage Payments	$ _____
Annual Rentals:	$ _____		
Annual Dividends:	$ _____	Annual Payments:	$ _____

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Annual Interests:	$	(Notes & Accounts)	
Other Annual Income:	$	Annual Interest & Taxes:	$
		Personal Living Expense:	$
		Other Annual Expenses:	$
TOTAL ANNUAL INCOME:	$	**TOTAL ANNUAL EXPENSE:**	$

BANK REFERENCES

BANK & ADDRESS: _____ ACCT. NO.: _____

BANK & ADDRESS: _____ ACCT. NO.: _____

STOCKS & BONDS

Description	No. of Shares	Cost	Market Value
		$	$
		$	$
		$	$
		$	$
		$	$
TOTALS		$	$

REAL ESTATE - MORTGAGES

Description & Address	Original Cost	Present Value	Trust Deed or Mortgage Unpaid Bal.	Mo. Pay.
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
TOTALS	$	$	$	$

NOTES & ACCOUNTS PAYABLE (Do not include Real Estate)

Description	Account Number	Total Amount Owed (DO NOT LIST PAYMENTS)
		$
		$
		$
		$
		$
		$
TOTAL		$

The undersigned further consent(s) to the addresses above making any inquires it deems necessary to reach a decision on this application, and consent(s) to the disclosure at any time of any credit information about me / us to any credit reporting agency or to any one with whom I/we have financial relations. The undersigned further understands that should a lease be entered into that the authorizing party will pay a $35.00 application credit check fee.

DATE: _____ SIGNATURE: _____

DATE: _____ SPOUSE'S SIGNATURE: _____

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*Lessee by signing Lease are acting as guarantors

*EXHIBIT J

GUARANTY OF LEASE

THIS GUARANTY OF LEASE ("Guaranty"), effective as of _____, 200____, is executed by _____ ("Guarantor"), with reference to the following facts:

RECITALS

A. M.C. Strauss Company ("Lessor"), and _____ ("Lessee") have agreed to enter into that certain Lease ("Lease"), dated the same date as this Guaranty, covering Premises described therein, located in the City of San Diego, County of San Diego, State of California.

B. Lessor requires, as a condition to its execution of the Lease, that Guarantor guarantee the full performance of the obligations of Lessee thereunder.

C. Guarantor is willing to execute this Guaranty for the benefit of Lessor and as a material inducement to Lessor to enter into the Lease.

GUARANTY

NOW, THEREFORE, in order to induce Lessor to enter into the Lease, Guarantor agrees as follows:

1. **Guarantor's Obligations.** Guarantor hereby unconditional guarantees the full and timely performance of each and every obligation to be kept and performed by the Lessee pursuant to the terms of the Lease ("Lease Obligations") in accordance with the terms of and at the time and place specified therein, including, but not limited to, the payment of all rents and other charges accruing pursuant thereto.

2. **Term.** This Guaranty shall continue for the term of the Lease and any extension or renewal thereof. If the Lease terminates and Lessor has any rights which Lessor may enforce against Lessee after termination, Lessor may also enforce such rights against Guarantor.

3. **Primary Liability.** The Lease Obligations guaranteed by Guarantor under this Guaranty shall be primary and independent of the obligations of Lessee under the Lease. Lessor may bring a separate action or actions against Guarantor hereon and such actions may be brought either in conjunction with actions against Lessee or against Lessee directly, regardless of whether Lessor has commenced any action or obtained any judgment against Lessee. If Lessee defaults under the Lease, Lessor may proceed directly against Guarantor, without having commenced any action or obtained any judgment against Lessee, and without applying any property of Lessee (or any other person), if any, held by Lessor as security for the performance of the Lease Obligations. The liability of Guarantor hereunder shall not be released, diminished, or extinguished by Lessor's failure or delay in enforcing any of its rights.

4. **Continuation; No Release.** This Guaranty shall continue in favor of Lessor notwithstanding any modification, alteration, extension or renewal of the Lease entered into by the parties thereto, or their successors or assigns, and notwithstanding any assignment of the Lease, with or without the consent of Lessor. No such modification, alteration, extension, renewal or assignment shall affect this Guaranty or in any way release, diminish, or extinguish the liability of Guarantor hereunder.

5. **Assignment.** Lessor may, with notice to Guarantor, assign this Guaranty in whole, or in part in connection with any transfer of any interest in the Lease or the Premises, and no such assignment or transfer shall release, diminish, or extinguish or otherwise affect the liability of Guarantor hereunder. In such event the benefits of this Guaranty shall inure to the benefit of Lessor's successors and assigns.

6. **Security.** Guarantor authorizes Lessor, without further notice or demand and without affecting the liability of Guarantor hereunder, from time to time, to: (a) take and hold security (including the Security Deposit and any security filing consented to by Lessee) (the "Security") (if any) for performance of the Lease Obligations and exchange, enforce, waive or release any such Security; (b) apply such Security in whole or in part and direct the order or manner of sale thereof as Lessor, in Lessor's discretion, may determine; and (c) proceed against Lessee or proceed against and exhaust such Security held from Lessee; the provisions of this paragraph shall constitute a waiver of Guarantor's right to claim exoneration from the Lease Obligations for the foregoing actions.

7. **Events of Insolvency.**

7.1. **Defined.** The term "Event of Insolvency" shall mean any of the following:

(a) Lessee becomes insolvent or is adjudicated a bankrupt;

(b) Lessee files a petition for reorganization, arrangement or similar relief under any present or future provisions of the Federal Bankruptcy Code, or any other state or federal statute for tile relief of debtors or any similar law;

(c) A court approves a petition filed against Lessee by its creditors for reorganization, arrangement or similar relief under any present or future provision of tile Federal Bankruptcy Code, or any other state or federal statute for the relief of debtors or any other similar law;

(d) Lessee seeks a judicial readjustment of the rights of its creditors under any present or future federal or state law; or

(e) A receiver of all or part of Lessee's property and assets is appointed by any state or federal court.

7.2 **Effect.** This Guaranty shall in full force and effect, notwithstanding the occurrence of any Event of Insolvency affecting Lessee, or any successor or assignee of Lessee, or in the event of any disaffirmance, or abandonment by a trustee of Lessee, or in the event that the Lease is terminated, rejected or modified in the course of any proceeding relating to an Event of Insolvency. To the extent necessary to effectuate the purpose of this Guaranty, Guarantor hereby assigns to Lessor any rights Guarantor may have to file a claim and proof of claim in any bankruptcy or similar proceeding of Lessee any awards or payments thereon to which Guarantor would otherwise be entitled, to the extent of any unsatisfied Lease Obligations.

8. **Waiver of Defenses.** Guarantor waives any defense Guarantor may acquire by reason of Lessor's election of any remedy against Guarantor or Lessee, or both. In addition, Guarantor waives any defense arising by reason of any disability or other defense of Lessee, including, without limitation, any defense based upon: (a) invalidity of the Lease (b) any lack of authority of the officers, directors, partners or agents acting or purporting to act on behalf of Lessee or any principal of Lessee; or (c) by reason of the cessation from any cause whatsoever of the liability of Lessee other than full performance and discharge of the Lease Obligations.

9. **Waiver of Rights.** Guarantor waives the right to require Lessor: (a) to proceed against Lessee or any successor of Lessee; and (b) to pursue any other remedy in Lessor's power. Guarantor expressly waives the provisions of the California and/or Arizona Civil Code, which grants a surety certain rights to require a creditor to pursue alternative remedies before proceeding against a surety.

10. **Subrogation.** Until the Lease Obligations shall have been performed in full, Guarantor shall have no right of subrogation and waive any right to enforce any remedy which Lessor now has or may hereafter have against Lessee. Guarantor waives any right to participate in any security now or hereafter held by Lessor.

11. **Successive Demands.** Guarantor's liability shall extend to each and every payment to be made by Lessee and any additional Lease Obligation to be performed or observed by Lessee. Successive demands may be made upon, and successive actions for the enforcement of such demands may be brought against Guarantor upon successive defaults by Lessee and the enforcement of this Guaranty against Guarantor with respect to any Lease Obligation shall not operate to exhaust this Guaranty or operate as a waiver of the right to proceed under this Guaranty with respect to any future default or defaults.

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12. **General Provisions.**

12.1 **Attorney's Fees.** Guarantor agrees to pay all costs and other expenses, including reasonable attorneys' fees and court costs, paid or incurred by Lessor in enforcing or attempting to enforce this Guaranty or the obligations guaranteed hereby. Guarantor is obligated as to attorney's fees and costs pursuant to Paragraphs 31 and 37.1 of the Lease, as to the obligations under the Lease and the Guaranty, and the provision in the Addendum as to attorneys fees made applicable here to the Lease and the Guaranty.

12.2 **Governing Law.** This Guaranty shall be enforceable by Lessor in accordance with the laws of the State of California and shall be construed in accordance therewith.

12.3 **Interest.** Interest shall accrue on all accounts which are not paid by Guarantor when due under the Lease, from the date due until due date paid by Guarantor, at the interest rate specified in the Lease, but not to exceed the maximum legal rate of interest.

12.4 **Joint and Several.** If Guarantor is more than one person, each person's obligations hereunder are joint and several and are independent of Lessee's obligations. Lessor may bring a separate action against any Guarantor whether the action is brought against any other Guarantor, or whether any other Guarantor is joined in the action.

12.5 **Modification.** This Guaranty may not be amended, modified, released, or terminated except by a written instrument executed by Guarantor and Lessor.

12.6 **Severability.** If any of Guarantor's obligations hereunder shall be held to be unenforceable, the remainder of this Guaranty and its application to all obligations other than those with respect to which is held unenforceable shall not be affected thereby and shall remain in full and effect.

12.7 **Successors.** The terms and provisions of this Guaranty shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto.

IN WITNESS WHEREOF, the undersigned has executed this guaranty of lease as of the date first written above.

GUARANTOR:

Res. Address: _____ By: _____
Phone: _____
Soc Sec#: _____
DL#: _____ DOB _____

Res. Address: _____ By: _____
Phone: _____
Soc Sec#: _____
DL#: _____ DOB _____

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EXHIBIT J-1

SPOUSAL CONSENT

To the Lease dated July 25, 2012, by and between Strauss Family Trust UDT 6/5/92, dba: MC Strauss Company, as Lessor, and Charles B. Middleton, a married man and Salvatore A. Peluso, a married man, as Lessee, for the premises known as 3770 Hancock Street, Suite C, San Diego, CA 92110.

The undersigned, being the spouse of the Tenant or Guarantor to this Lease, hereby (a) consent to the Lease, (b) agree that all now owned and hereafter acquired community and quasi-community property of the undersigned and Tenant or Guarantor shall be liable for the satisfaction of obligations imposed by the Lease, and (c) agree solely for purposes of subjecting any community or quasi-community property received pursuant to liability for satisfaction of the obligations imposed by the Lease, the undersigned have "incurred" the obligations of the Lease.

Spouse: Michelle Middleton

Michelle P Middleton

Michelle Middleton

337-616-7287

SSN

B4605141e3 6-8-67

DriverLic# Date of Birth

Spouse: Deborah Peluso

Deborah Peluso

Deborah Peluso

551 96 7205

SSN

F0273391 2-7-1953

DriverLic# Date of Birth

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*NOT APPLICABLE

*EXHIBIT K

MEMORANDUM
CERTIFICATE

This memorandum is made of _____, 20____ with reference to that certain Lease Agreement (hereinafter referred to as the "Lease") dated _____ by and between _____ as "Lessor" therein, and _____ as "Lessee."

The undersigned, as Lessee under said Lease, hereby confirms the following:

1. The Lessee accepted possession of the Demised Premises (as described in said Lease) on _____ and acknowledges that the premises are as represented by Lessor and in good order, condition and repair; and that the improvements, if any, required to be constructed for and/or furnished to Lessee by Lessor under said Lease have been so constructed and/or furnished and are satisfactorily completed in all respects.

2. That all conditions of said Lease to be performed by Lessor prerequisite to the full effectiveness of said Lease have been satisfied and that Lessor has fulfilled all of its duties of an inducement nature.

3. That in accordance with the provisions of Paragraph 4 of said Lease the Commencement Date (as the phrase "Commencement Date" is defined in said Lease) of the term is _____ and that, unless sooner terminated, the original term thereof expires on _____.

4. That said Lease (as amended, if amended) is in full force and effect and that the same represents the entire agreement between Lessor and Lessee concerning said Lease.

5. That there are no existing defenses which Lessee has against the enforcement of said Lease by Lessor, and no offsets or credits against rentals except as may be expressly provided in said Lease.

6. That the minimum rental obligation of said Lease is presently in effect and that all rentals, charges and other obligations on the part of Lessee under said Lease commenced to accrue on _____.

7. That the undersigned Lessee has no notice of any prior assignment, hypothecation or pledge of said Lease or of the rents thereunder.

LESSOR:	LESSEE:
BY: _____	BY: _____
ITS: _____	ITS: _____

This "Memorandum" is hereby approved in form and shall be completed (if necessary) pursuant with Paragraph 4.A of The Lease and incorporated as part of The Lease.

LESSOR'S INITIALS:	LESSEE'S INITIALS:
_____	_____

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OPTION(S) TO EXTEND

ADDENDUM TO
STANDARD LEASE

Dated July 25, 2012

By and Between (Lessor) Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company
(Lessee) Charles B. Middleton, a married man and Salvatore A. Peluso, a married man

Property Address: 3770 Hancock Street, Suite #C
San Diego, CA 92110

Paragraph 39

A. **OPTION(S) TO EXTEND:**

Lessor hereby grants to Lessee the option to extend the term of this Lease for one (1) additional two (2) year period(s) commencing when the prior term expires upon each and all of the following terms and conditions:

(i) Lessee gives to Lessor, and Lessor actually receives on a date which is prior to the date that the option period would commence (if exercised) by at least six (6) months and not more than nine (9) months, a written notice of the exercise of the option(s) to extend this Lease for said additional term(s), time being of essence. If said notification of the exercise of said option(s) is (are) not so given and received, the option(s) shall automatically expire; said option(s) may (if more than one) only be exercised consecutively;

(ii) The provisions of paragraph 39, including the provision relating to default of Lessee set forth in paragraph 39.4 of this Lease are conditions of this Option;

(iii) All of the terms and conditions of this Lease except where specifically modified by this option shall apply;

(iv) The monthly rent for each month of the option period shall be calculated as follows, using the method(s) indicated below:

(Check Method(s) to be Used and Fill In Appropriately)

θ **I. Cost of Living Adjustment(s) (COL)**

(a) On (Fill in COL Adjustment Date(s): _____ the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted by the change, if any, from the Base Month specified below, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for (select one): 0 CPI W (Urban Wage Earners and Clerical Workers) or q CPI U (All Urban Consumers), for (Fill in Urban Area): _____ All Items (1982–1984 = 100), herein referred to as "C.P.I."

(b) The monthly rent payable in accordance with paragraph AI(a) of this Addendum shall be calculated as follows: the Base Rent set forth in paragraph 1.5 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the C.P.I. of the calendar month 2 (two) months prior to the month(s) specified in paragraph AI(a) above during which the adjustment is to take effect, and the denominator of which shall be the C.P.I. of the calendar month which is two (2) months prior to (select one): 0 the first month of the term of this Lease as set forth in paragraph 1.3 ("Base Month") or 0 (Fill In Other "Base Month"): _____. The sum so calculated shall constitute the new monthly rent hereunder, but in no event, shall any such new monthly rent be less than the rent payable for the month Immediately preceding the date for rent adjustment plus 5% increase and 5% for each option year rounded up to the next dollar figure.

(c) In the event the compilation and/or publication of the C.P.I. shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the C.P.I. shall be used to make such calculation. In the event that Lessor and Lessee cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid equally by Lessor and Lessee.

✓ **II. Market Rental Value Adjustment(s) (MRV)**

(a) On (Fill in MRV Adjustment Date(s): September 1, 2014, the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted to the "Market Rental Value" of the property as follows:

1) Four months prior to the Market Rental Value (MRV) Adjustment Date(s) described above, Lessor and Lessee shall meet to establish an agreed upon new MRV for the specified term. If agreement cannot be reached, then:

i) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the parties, or

ii) Both Lessor and Lessee shall each immediately select and pay the appraiser or broker of their choice to establish a MRV within the next 30 days. If, for any reason, either one of the appraisals is not completed within the next 30 days, as stipulated, then the appraisal that is completed at that time shall automatically become the new MRV. If both appraisals are completed and the two appraisers/brokers cannot agree on a reasonable average MRV then they shall Immediately select a third mutually acceptable appraiser/broker to establish a third MRV within the next 30 days. The average of the two appraisals closest in value shall then become the new MRV. The costs of the third appraisal will be split equally between the parties.

2) In any event, the now MRV shall not be less than the rent payable for the month Immediately preceding the date for rent adjustment plus five percent (5%, rounded up) and five percent (5%, rounded up) each succeeding option year.

(b) Upon the establishment of each New Market Rental Value as described In paragraph AII:

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1) the monthly rental sum so calculated for each term as specified in paragraph AII(a) will become the new "Base Rent" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph AII(a) above and

2) the first month at each Market Rental Value term as specified in paragraph AII(a) shall become the new "Base Month" for the purpose of calculating any further Cost of Living Adjustments as specified In paragraph AI(b).

θ **III. Fixed Rental Adjustment(s) (FRA)**

The monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be increased to the following amounts on the dates set forth below.

On (Fill in FRA Adjustment Date(s)):	The New Base Rental shall be:
_____	$_____
_____	$_____
_____	$_____
_____	$_____

B. **NOTICE:** Unless specified otherwise herein, notice at any escalations other than Fixed Rental Adjustment(s) shall be made as specified in paragraph 23 of the attached Lease.

*C. **~~BROKER'S FEE:~~ *Deleted**

~~The Real Estate Brokers specified in paragraph 1.10 of the attached Lease shall be paid a Brokerage Fee for each adjustement specified above in accordance with paragraph 15 of the attached Lease.~~

D. **OPTION RIGHTS CONDITION:** Lessee's Option Rights are contingent upon Lessee not having previously breached or otherwise failed to perform under the Lease since its inception. Otherwise Landlord at its sole discretion may declare any option to extend null and void.

LESSOR'S INITIAL: _____

LESSEE'S INITIAL: _____

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EXHIBIT M

SPECIAL ADDENDUM

This Addendum to Lease ("Addendum") is made a part of the Lease dated July 25, 2012, by and between Strauss Family Trust UDT 6/5/92, dba: MC Strauss Company ("Lessor") and Charles B. Middleton, a married man and Salvatore A. Peluso, a married man, ("Lessee") for the Demised Premises commonly known as 3770 Hancock Street, Suite C, San Diego, CA 92110. Should there be any conflicts between the terms and conditions of this Addendum and the Lease, this Addendum shall prevail.

1. LEASE CONTINGENCY:

This Lease is contingent upon Lessor obtaining approval by the City of San Diego of Lessee and its use.

LESSOR:

STRAUSS FAMILY TRUST UDT 6/5/92

By: _____

Its: _____

LESSEE:

CHARLES B. MIDDLETON, A MARRIED MAN AND
SALVATORE A. PELUSO, A MARRIED MAN

By: _____
Charles B. Middleton

By: _____
Salvatore A. Peluso

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Exhibit N

SPORTS ARENA BUSINESS PARK

RULES AND REGULATIONS

1. Use of Premises.

(a) All floor area, including vestibules, entrances and returns, doors, fixtures, windows and plate glass shall be maintained in a safe, neat and clean condition.

(b) All trash, refuse and waste material shall be regularly removed from the premises of each occupant and until removal shall be stored (i) in adequate containers, which containers shall be located so as not to be visible to the general public in the Center; and (ii) so as not to constitute any health or fire hazard or nuisance to any occupant.

(c) No portion of the Premises or Center shall be used for lodging purposes.

(d) Neither sidewalks nor walkways shall be used to display, store or place any merchandise, equipment or devices.

(e) No advertising medium, device, instrument or apparatus shall be utilized which can be heard or experienced outside the Premises including, without limiting the generality of the foregoing, flashing lights, searchlights, loudspeakers, phonographs, organs, radios, television or video monitors.

(f) No auction, fire, bankruptcy, or going-out-of-business sale shall be conducted in, at, or about the Center or any portion or portions thereof, except pursuant to court order.

(g) No use shall be made of the Center or any portion or portions thereof which would (i) violate any law, ordinance or regulation; (ii) constitute a nuisance; (iii) constitute a hazardous use; or (iv) violate, suspend; or void any policy or policies of insurance.

(h) All occupants of the Center shall use their best efforts to cause all trucks servicing retail facilities within the Center to load and unload prior to the hours of the Center opening for business to general public.

2. Conduct of Persons.

The following rules and regulations govern the use of roadways, walkways, the Center, parking areas and other common areas and facilities:

(a) No person shall use any roadway or walkway except as a means of egress from or ingress to any floor area or parking area within the Center or adjacent public streets. Such use shall be in an orderly manner and in accordance with directional or other signs or guides. Roadways shall not be used at a speed in excess of ten (10) miles per hour or any lesser posted speed limit and shall not be used for parking or stopping, except for the immediate loading or unloading of passengers. No walkways, hallways or corridors shall be used for other than pedestrian travel.

(b) No person shall use any parking area, except for ingress and egress to and from the Center and for the parking of motors vehicles during the period of time such person or the occupants of such vehicle are customers or business invitees of the establishments within the Center. All motor vehicles shall be parked in an orderly manner within the painted lines defining the individual parking places. During peak periods of business activity, limitations may be imposed as to the length of time for parking use. Such limitations may be made in specified areas.

(c) No person shall use any utility area, truck court or other area reserved for use in connection with the conduct of business, except for the specific purpose for which permission to use such area is given.

(d) No tenant, contractor, agent or employee of any business in the Center shall use any area for motor vehicle parking, except the area or areas specifically designated by Landlord for employee parking and for the particular period of time such use is to be made as determined, or as established by ordinance.

(e) Unless the following prohibitions are forbidden by law, no person shall, in or on any part of the common areas:

(i) Vend, peddle, store, display, place or solicit orders for sales or distribution of any merchandise, equipment, device, service, periodical, book, pamphlet or other matter whatsoever.

(ii) Exhibit any sign, placard, banner, notice or other written material; distribute any circular, booklet, handbill, placard, or other material; solicit signatures or registration for membership in any organization, group or association or contribution for any purpose; parade, rally, patrol, picket, demonstrate, or engage in any conduct that might tend to interfere with or impede the use of any of the common areas by any person entitled to use the same, create a disturbance, attract attention or harass, annoy, disparage or be detrimental to the interest of any of the retail establishments within the Center.

(iii) Throw, discard, or deposit any paper, glass or extraneous matter of any kind, except in designated receptacles, or create litter or hazards of any kind.

(iv) Use any sound-making device of any kind or create or produce in any manner noise or sound that is annoying, unpleasant, or distasteful to occupants or invitees.

(vi) Deface, damage or demolish any sign, light standard or fixture, landscaping material or other improvements within the Center, or the property of customers, business invitees or employees situated within the Center.

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The listing of specific items as being prohibited is not intended to be exclusive, but to indicate in general the manner in which the right to use the common areas solely as a means of access and convenience in shopping at the establishments in the Center is limited and controlled.

3. Prohibited Operations and Nuisances.

No use or operation will be made, conducted or permitted on any part of the Center site, which use or operation is clearly objectionable to the development or operation of the Center. Included among the uses or operations which are objectionable are uses or operations which produce or are accompanied by the following characteristics, which list is not intended to be all inclusive:

(a) Any noise, litter, dust, dirt, odor or other activity which may constitute a public or private nuisance;

(b) Any unusual firing, explosive or other damaging or dangerous hazards (including the storage, display or sale of explosives or fireworks);

(c) Any trailer court, mobile home park, labor camp, junkyard, stockyard or animal raising;

(d) The sale, distribution or growth of marijuana.

LESSOR'S INITIALS:

LESSEE'S INITIALS:

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3770 D

M.C. STRAUSS
COMPANY

November 14, 2014

Jeff LaChapelle
13436 Silver Lake Drive
Poway, CA 92064

RE: NOTICE OF SUBSTANTIAL COMPLETION
3770 Hancock Street, Suite D
San Diego, CA 92110

Dear Jeff,

Pursuant to the terms of your lease, Section 1.4, this notice shall serve that Landlord's Notice of Substantial Completion shall be deemed to be November 14, 2014, for the above referenced Premises.

Please contact me at your earliest convenience to schedule a joint walk through inspection.

Sincerely,

Lesley Jackson
M.C. Strauss Company

990 HIGHLAND DRIVE #200 SOLANA BEACH, CALIFORNIA 92075
PHONE (858) 792-7500 FAX (858) 792-7834

By and Between

Strauss Family Trust UDT 6/5/92
dba. M.C. Strauss Company

as Landlord / Lessor

and

Lach Motorsports, LLC

as Tenant / Lessee

At 3770 Hancock Street, Suite D
San Diego, CA 92110

Dated for Reference Purposes
As of
October 17, 2014

Standard Commercial Multi-Tenant Lease

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Standard Commercial Multi-Tenant Lease

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STANDARD INDUSTRIAL/ COMMERCIAL
MULTI-TENANT LEASE—GROSS
AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

1. **Basic Provisions ("Basic Provisions").**

1.1 **Parties:** This Lease (**"Lease"**), dated for reference purposes only October 17, 2014, is made by and between Strauss Family Trust UDT 6/5/92, dba: M.C. Strauss Company (**"Lessor"**) and Lach Motorsports, LLC (**"Lessee"**), (**collectively the "Parties"**, or individually a **"Party"**).

1.2(a) **Premises:** That certain portion of the Project (as defined below), Including all Improvements therein or to be provided by Lessor under the terms of this Lease, commonly known by the street address of 3770 Hancock Street, Suite D, located In the City of San Diego, County of San Diego, State of California, with zip code 92110, as outlined on Exhibit A & A-1 attached hereto (**"Premises"**) and generally described as (describe briefly the nature of the Premises): Sport Arena Business Park, The demised premises consists of approx. 2,100 square feet. The property is further described on Exhibit A & A.1. In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Areas (as defined in Paragraph 2.7 below) as hereinafter specified, but shall not have any rights to the roof, exterior walls or utility raceways of the building containing the Premises (**"Building"**) or to any other buildings In the Project. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the **"Project."** (See also Paragraph 2.)

1.2(b) **Parking:** zero (0) unreserved vehicle parking spaces (**"Unreserved Parking Spaces"**); and two (2) reserved vehicle parking spaces, space#s 7 and 8 (**"Reserved Parking Spaces"**). (See also Paragraph 2.6)

1.3 **Term:** Two (2) years (**"Original Term"**) commencing December 1, 2014 (**"Commencement Date"**) and ending November 30, 2016 (**"Expiration Date"**). (See also Paragraph 3.) (see Exhibit K)

1.4 **Early Possession:** Lessee shall have early possession of the Premises upon Landlord's notice of substantial completion no later than November 15, 2014, the mutual execution of the Lease, payment of first month's rent, security deposit, and proof of General Commercial Liability Insurance. All upfront money must be submitted in certified funds only. (**"Early Possession Date"**). (See also Paragraphs 3.2 and 3.3.)

1.5 **Base Rent:** $1.20psf x 2,100sf= $2,520.00per month (**"Base Rent"**), payable on the first day of each month commencing December 1, 2014. **Lessee shall be granted one (1) month of free base rent to be given in the 3rd month of the lease term. Lessee shall be responsible to pay the monthly water/sewer during the abatement period.** (See also Paragraph 4.)

✓ If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted. See Exhibit F.

1.6 **Lessee's Share of Common Area Operating Expenses:** (Not applicable) percent (___%) (**"Lessee's Share"**).

1.7 **Base Rent and Other Monies paid Upon Execution:**

(a) Base Rent: $2,520.00 for first month's rent.

(b) Common Area Operating Expenses: $ *does not apply for the period *does not apply.

(c) Security Deposit: $2,704.00 (**"Security Deposit"**). (See also Paragraph 5.)

(d) Other: $75.00 per month for water/sewer fees (See Exhibit C, Item #4).

(e) Total Due Upon Execution of this Lease: **$ 5,299.00 (payment must be made in certified funds.)**

1.8 **Agreed Use:** motorcycle repair, services and sales and for no other purpose or use. See Exhibit H. (See also Paragraph 6.)

1.9 **Insuring Party:** Lessor is the **"Insuring Party".** (See also Paragraph 8.)

1.10 **Real Estate Brokers:** (See also Paragraph 5).

(a) **Representation:** The following real estate brokers (the **"Brokers"**) and brokerage relationships exist in this transition (check applicable boxes):

() ECP Commercial/Nelson Anderson represents Lessor exclusively (**"Lessor's Broker"**);

() Lee& Associates/ Richard Murdock represents Lessee exclusively (**"Lessee's Broker"**); or

() _____ represents both Lessor and Lessee (**"Dual Agency"**).

(b) **Payment to Brokers:** Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Brokers the brokerage fee agreed to in a separate written agreement (or if there is no such agreement, the sum of (Not applicable) or (N/A) % of the total Base Rent for the brokerage services rendered by the Brokers).

1.11 **Guarantor.** The obligations of the Lessee under this Lease are to be guaranteed by (Not applicable) See Exhibits J and J.1 (**"Guarantor"**). (See also Paragraph 37.)

1.12 **Addenda and Exhibits:** Attached hereto is an Addendum or Addenda consisting of Paragraphs ----- through ----- and Exhibits A through N, all of which constitute a part of this lease.

2. **Premises.**

2.1 **Letting.** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of size set forth in this Lease, or that may have been used in calculating Rent, is an approximation which the Parties agree is reasonable and any payments based thereon are not subject to revision whether or not the actual size is more or less.

2.2 **Condition.** Lessor shall deliver that portion of the Premises contained within the Building (**"Unit"**) to Lessee broom clean and free of debris on the Commencement Date or the Early Possession Date, whichever first occurs (**"Start Date"**), and, so long as the required service contracts described in Paragraph 7.1(b) below are obtained by Lessee and in effect within thirty days following the Start Date, warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems (**"HVAC"**), loading doors, if any, and all other such elements in the Unit, other than those constructed by Lessee, shall be in good operating condition on said date and that the structural elements of the roof, bearing walls and foundation of the Unit shall be free of material defects. If a non-compliance with such warranty exists as of the Start Date, or if one of such systems or elements should malfunction or fail within the appropriate warranty period, Lessor shall, as Lessor's sole obligation with respect to such matter, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, malfunction or failure, rectify same at Lessor's expense. The warranty periods shall be as follows: (i) 6 months as to the HVAC systems, and (ii) 30 days as to the remaining systems and other elements of the Unit. If Lessee does not give Lessor the required notice within the appropriate warranty period, correction of any such non-compliance, malfunction or failure shall be the obligation of Lessee at Lessee's sole cost and expense (except for the repairs to the fire sprinkler systems, roof, foundations, and/or bearing walls—see Paragraph 7).

2.3 **Compliance.** Lessor warrants that the Improvements on the Premises and the Common Areas comply with the building codes that were in effect at the time that each such Improvement, or portion thereof and also with all applicable laws, covenants or restrictions of record, regulations, and ordinances in effect on the Start Date (**"Applicable Requirements"**). The Premises has not undergone an inspection by a Certified Access Specialist (CASp). Said warranty does not apply to the use of which Lessee will put the Premises or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a).) made or to be made by Lessee. **NOTE: Lessee is responsible for determining whether or not the zoning is appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed.** If the Premises do not comply with said warranty; Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within 6 months following the Start Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense. If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Unit, Premises and/or Building, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Unit, Premises and/or Building **("Capital Expenditure"),** Lessor and Lessee shall allocate the cost of such work as follows:

(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof,

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provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease and the cost thereof exceeds 6 months' Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within 10 days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and the amount equal to 6 months' Base Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least 90 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor and Lessee shall allocate the obligation to pay for the portion of such costs reasonably attributable to the Premises pursuant to the formula set out in Paragraph 7.1(d); provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with Interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor.

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to non-voluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall be fully responsible for the cost thereof, and Lessee shall not have any right to terminate this Lease.

2.4 **Acknowledgements.** Lessee acknowledges that: (a) it has been advised by Lessor and/or Brokers to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler Systems, security, environmental aspects, and compliance with Applicable Requirements and the Americans with Disabilities Act), and their suitability for Lessee's intended use, (b) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefore as the same relate to its occupancy of the Premises, and (c) neither Lessor, Lessor's Agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (ii) it is Lessor's sole responsibility to investigate the financial capability and/or suitability of all proposed tenants. (See Exhibit D)

2.5 **Lessee as Prior Owner/Occupant.** The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the Start Date Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.

2.6 **Vehicle Parking.** Lessee shall be entitled to use the number of Unreserved Parking Spaces and Reserved Parking Spaces specified in Paragraph 1.2(b) on those portions of the Common Areas designated from time to time by Lessor for parking. Lessee shall not use more parking spaces than said number. Said parking spaces shall be used for parking by vehicles no larger than full-size passenger automobiles or pick-up trucks, herein called **"Permitted Size Vehicles."** Lessor may regulate the loading and unloading of vehicles by adopting Rules and Regulations as provided in Paragraph 2.9. No vehicles other than Permitted Size Vehicles may be parked in the Common Area without the prior written permission of Lessor.

(a) Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, contractors or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.

(b) Lessee shall not service or store any vehicles in the Common Areas.

(c) If Lessee permits or allows any of the prohibited activities described in this Paragraph 2.6, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.7 **Common Areas—Definition.** The term **"Common Areas"** is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Project and interior utility raceways and installations within the Unit that are provided and designated by the Lessor from time to time for the general non-exclusive use of Lessor, Lessee and other tenants of the Project and their respective employees, suppliers, shippers, customers, contractors and invitees, including parking areas, loading and unloading areas, trash areas, roadways, walkways, driveways and landscaped areas.

2.8 **Common Areas—Lessee's Rights.** Lessor grants to Lessee, for the benefit of Lessee and its employees, suppliers, shippers, contractors, customers and invitees, during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Lessor under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Project. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Lessor or Lessor's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.9 **Common Areas—Rules and Regulations.** Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to establish, modify, amend and enforce reasonable rules and regulations **("Rules and Regulations")** for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Project and their invitees. Lessee agrees to abide by and conform to all such Rules and Regulations, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessor shall not be responsible to Lessee for the non-compliance with said Rules and Regulations by other tenants of the Project.

2.10 **Common Areas—Changes.** Lessor shall have the right, in Lessor's sole discretion, from time to time:

(a) To make changes to the Common Areas, including, without limitation, changes in the location, size, shape and number of driveways, entrances, parking spaces, Parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways;

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;

(c) To designate other land outside the boundaries of the Project to be a part of the Common Areas;

(d) To add additional buildings and improvements to the Common Areas;

(e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Project, or any portion thereof; and

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Project as Lessor may, in the exercise of sound business judgment, deem to be appropriate.

3. **Term.**

3.1 **Term.** The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3. (see Exhibit C #2)

3.2 **Early Possession.** If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early possession. All other terms of this Lease (including but not limited to the obligations to pay Lessee's Share of Common Area Operating Expenses, Real Property taxes and insurance premiums and to maintain the Premises) shall, however, be in effect during such period. Any such early possession shall not affect the Expiration Date. (See Exhibit C # 1)

3.3 **Delay In Possession.** Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession as agreed, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease. Lessee shall not, however, be obligated to

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pay Rent or perform its other obligations until it receives possession of the Premises. If possession is not delivered within 60 days after the Commencement Date, Lessee may, at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10 day period, Lessee's right to cancel shall terminate. Except as otherwise provided, if possession is not tendered to Lessee by the Start Date and Lessee does not terminate this Lease, as aforesaid, any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession of the Premises is not delivered within 4 months after the Commencement Date, this Lease shall terminate, unless other agreements are reached between Lessor and Lessee, in writing. (See Exhibit C #12)

3.4 **Lessee Compliance.** Lessor shall not be required to tender possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of Insurance (Paragraph 8.5). Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.

4. **Rent.**

4.1 **Rent Defined.** All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit) are deemed to be rent (**"Rent"**).

4.2 **Common Area Operating Expenses.** INTENTIONALLY DELETED

(a) **"Common Area operating Expenses"** are defined, for purposes of this Lease, as all costs incurred by Lessor relating to the ownership and operation of the Project, including, but not limited to, the following:

(i) The operation, repair and maintenance, in neat, clean, good order and condition, but not the replacement (see subparagraph (e)), of the following:

(aa) The Common Areas and Common Area improvements, including parking areas, loading and unloading areas, trash areas, roadways, parkways, walkways, driveways. landscaped areas, bumpers, irrigation systems, Common Area lighting facilities, fences and gates, elevators, roots, and roof drainage systems.

(bb) Exterior signs and any tenant directories.

(cc) Any fire sprinkler systems.

(ii) The cost of water, gas, electricity and telephone to service the Common Areas and any utilities not separately metered.

(iii) Trash disposal, pest control services, property management, security services, and the costs of any environmental inspections.

(iv) Reserves set aside for maintenance and repair of Common Areas.

(v) Any increase above the Base Real Property Taxes (as defined in Paragraph 10).

(vi) Any "Insurance Cost Increase" (as defined in Paragraph 8).

(vii) Any deductible portion of an insured loss concerning the Building or the Common Areas.

(viii) The cost of any Capital Expenditure to the Building or the Project not covered under the provisions of Paragraph 2.3 provided; however, that Lessor shall allocate the cost of any such Capital Expenditure over a 12 year period and Lessee shall not be required to pay more than Lessee's Share of 1/144th of the cost of such Capital Expenditure in any given month.

(ix) Any other services to be provided by Lessor that are stated elsewhere in this Lease to be a Common Area Operating Expense.

(b) Any Common Area Operating Expenses and Real Property Taxes that are specifically attributable to the Unit, the Building or to any other building in the Project or to the operation, repair and maintenance thereof, shall be allocated entirely to such Unit, Building, or other building. However, any Common Area Operating Expenses and Real Property Taxes, that are not specifically attributable to the Building or to any other building or to the operation, repair and maintenance thereof, shall be equitably allocated by Lessor to all buildings in the Project. (See Exhibit C, Items 3 & 4.)

(c) The inclusion of the improvements, facilities and services set forth in Subparagraph 4.2(a) shall not be deemed to impose an obligation upon Lessor to either have said improvements or facilities or to provide those services unless the Project already has the same, Lessor already provides the services, or Lessor has agreed elsewhere in this Lease to provide the same or some of them.

(d) INTENTIONALLY DELETED

(e) When a capital component such as the roof, foundations, exterior walls or a Common Area capital improvement, such as the parking lot paving, elevators, fences, etc. requires replacement, rather than repair or maintenance, Lessor shall, at Lessor's expense, be responsible for such replacement. Such expenses and/or costs are not Common Area Operating Expenses.

4.3 **Payment.** Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States, without offset or deduction (except as specifically permitted in this Lease), on or before the day on which it is due. Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a Waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating. In the event that any check, draft, or other instrument of payment given by Lessee to Lessor is dishonored for any reason, Lessee agrees to pay to Lessor the sum of $25.

5. **Security Deposit.** Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease. Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of the Security Deposit, Lessee shall within 10 days after written request therefore deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sub lessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, In Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within 14 days after the expiration or termination of this Lease, if Lessor elects to apply the Security Deposit only to unpaid Rent, and otherwise within 30 days after the Premises have been vacated pursuant to Paragraph 7.4(c) below, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease.

6. Use.

6.1 **Use.** Lessee shall use and occupy the Premises only for the Agreed Use and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties. (See Exhibit C, Item 5.)

6.2 **Hazardous Substances,**

(a) **Reportable Uses Require Consent.** The term **"Hazardous Substance"** as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either; (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, by-products or fractions thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely

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compliance (at Lessee's expense) with all Applicable Requirements. **"Reportable Use"** shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefore. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability; including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit.

(b) **Duty to Inform Lessor.** If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(c) **Lessee Remediation.** Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) **Lessee Indemnification.** Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, or any Third party (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from areas outside of the Project). Lessee's obligations shall Include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

(e) **Lessor Indemnification.** Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which existed as a result of Hazardous Substances on the Premises prior to the Start Date or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

(f) **Investigations and Remediations.** Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to the Start Date, unless such remediation measure is required as a result of Lessee's use (including "Alterations," as defined in Paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessor's investigative and remedial responsibilities.

(g) **Lessor Termination Option.** If a Hazardous Substance Condition (see Paragraph 9.1(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and affect, or (ii) if the estimated cost to remediate such condition exceeds 12 times the then monthly Base Rent or $100,000, whichever is greater, give written notice to Lessee, within 30 days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within 10 days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to 12 times the then monthly Base Rent or $100.000, whichever is greater. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation, as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

6.3 **Lessee's Compliance with Applicable Requirements.** Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the Premises, without regard to whether said requirements are now in effect or become effective after the Start Date. Lessee shall, within 10 days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements.

6.4 **Inspection Compliance.** Lessor and Lessor's **"Lender"** (as defined in Paragraph 30) and consultants shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a contamination is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination.

7. **Maintenance; Repairs, Utility Installations; Trade Fixtures and Alterations.**

7.1 **Lessee's Obligations.**

(a) **In General.** Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance), 6.3 (Lessee's Compliance with Applicable Requirements), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole expense, keep the Premises, Utility Installations (intended for Lessee's exclusive use, no matter where located), and Alterations in good order, condition and repair (whether or not the portion of the Premises requiring repairs, or the means or repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, but not limited to, all equipment or facilities, such as plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fixtures, interior walls, interior surfaces of exterior walls, ceilings, floors, windows, doors, plate glass, and skylights but excluding any items which are the responsibility of Lessor pursuant to Paragraph 7.2. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Paragraph 7.1(b) below. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair. (See Exhibit C, Item 6.)

(b) **Service Contracts.** Lessee shall, at Lessee's sole expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in the maintenance of the following equipment and improvements, if any, if and when installed on the Premises: (I) HVAC equipment, (ii) boiler and pressure vessels, (iii) clarifiers, and (iv)

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any other equipment, if reasonably required by Lessor. However, Lessor reserves the right, upon notice to Lessee, to procure and maintain any or all of such service contracts, and if Lessor so elects, Lessee shall reimburse Lessor, upon demand, for the cost thereof.

(c) **Failure to Perform.** If Lessee fails to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after 10 days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, and Lessee shall promptly reimburse Lessor for the cost thereof.

(d) **Replacement.** Subject to Lessee's indemnification of Lessor as set forth in Paragraph 8.7 below, and without relieving Lessee of liability resulting from Lessee's failure to exercise and perform good maintenance practices, if an item described in Paragraph 7.1(b) cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such item, then such item shall be replaced by Lessor, and the cost thereof shall be prorated between the Parties and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease, on the date on which Base Rent is due, an amount equal to the product of multiplying the cost of such replacement by a fraction, the numerator of which is one, and the denominator of which is 144 (ie. $1/144^{th}$ of the cost per month). Lessee shall pay interest on the unamortized balance at a rate that is commercially reasonable in the judgment of Lessor's accountants. Lessee may, however, prepay its obligation at any time.

7.2 **Lessor's Obligations.** Subject to the Provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 4.2 (Common Area Operating Expenses), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler system, Common Area fire alarm and/or smoke detection systems, fire hydrants, parking lots, walkways, parkways, driveways, landscaping, fences, signs and utility systems serving the Common Areas and all parts thereof, as well as providing the services for which there is a Common Area Operating Expense pursuant to Paragraph 4.2. Lessor shall not be obligated to paint the exterior or interior surfaces of exterior walls nor shall Lessor be obligated to maintain, repair or replace windows, doors or plate glass of the Premises. Lessee expressly waives the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease

7.3 **Utility Installations; Trade Fixtures; Alterations.**

(a) **Definitions.** The term **"Utility Installations"** refers to all floor and window coverings, air lines, power panels, electrical distribution, security and fire protection systems, communication systems, lighting fixtures, HVAC equipment, plumbing, and fencing in or on the Premises. The term **"Trade Fixtures"** shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term **"Alterations"** shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. **"Lessee Owned Alterations and/or Utility Installations"** are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a).

(b) **Consent.** Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, and the cumulative cost thereof during this Lease as extended does not exceed a sum equal to 3 month's Base Rent in the aggregate or a sum equal to one month's Base Rent in any one year. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor.

(c) **Indemnification.** Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or material men's lien against the Premises or any interest therein, Lessee shall give Lessor not less than 10 days notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to 150% of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys' fees and costs.

7.4 **Ownership; Removal; Surrender; and Restoration.**

(a) **Ownership.** Subject to Lessor's right to require removal or elect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

(b) **Removal.** By delivery to Lessee of written notice from Lessor not earlier than 90 and not later than 30 days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent.

(c) **Surrender; Restoration.** Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing, if this Lease is for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures. Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall also completely remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Project) even if such removal would require Lessee to perform or pay for work that exceeds statutory requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below. (See Exhibit C, Item 7.)

8. Insurance Indemnity.

8.1 **Payment of Premium Increases.**

(a) As used herein, the term **"Insurance Cost Increase"** is defined as any increase in the actual cost of the insurance applicable to the Building and/or the Project and required to be carried by Lessor, pursuant to Paragraphs 8.2(b), 8.3(a) and 8.3(b) (**"Required Insurance"**), over and above the Base Premium, as hereinafter defined, calculated on an annual basis. Insurance Cost Increase shall include, but not be limited to, requirements of the holder of a mortgage or deed of trust covering the Premises, Building and/or Project, increased valuation of the Premises, Building and/or Project, and/or a general premium rate increase. The term Insurance Cost Increase shall not, however, include any premium increases resulting from the nature of the occupancy of any other tenant of the Building. If the parties insert a dollar amount in Paragraph 1.9, such amount shall be considered the **"Base Premium."** The Base Premium shall be the annual premium applicable to the 12 month period immediately preceding the Start Date. If, however, the Project was not insured for the entirety of such 12 month period, then the Base Premium shall be the lowest annual premium reasonably obtainable for the Required Insurance as of the Start Date, assuming the most nominal use possible of the Building. In no event, however, shall Lessee be responsible for any portion of the premium cost attributable to liability insurance coverage in excess of $2,000,000 procured under Paragraph 8.2(b).

(b) INTENTIONALLY DELETED

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8.2 **Liability Insurance.**

(a) **Carried by Lessee.** Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $1,000,000 per occurrence with an annual aggregate of not less than $2,000,000, an "Additional Insured-Managers or Lessor's of Premises Endorsement" and contain the "Amendment of the Pollution Exclusion Endorsement" for damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "Insured Contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance carried by Lessee shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only. (See Exhibit C, Item 8.)

(b) **Carried by Lessor.** Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 **Property Insurance – Building, Improvements and Rental Value.**

(a) **Building and Improvements.** Lessor shall obtain and keep in force a policy or policies of insurance in the name of Lessor, with loss Payable to Lessor, any ground-lessor, and to any Lender insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full replacement cost of the Premises, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available insurable value thereof. Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee under Paragraph 8.4. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed $1,000 per occurrence.

(b) **Rental Value.** Lessor shall also obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one year with an extended period of indemnity for an additional 180 days ("Rental Value Insurance"). Said insurance shall contain an agreed valuation provision, in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next 12 month perio d.

(c) **Adjacent Premises.** Lessee shall pay for any increase in the premiums for the property insurance of the Building and for the Common Areas or other buildings in the Project if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(d) **Lessee's Improvements.** Since Lessor is the Insuring Party, Lessor shall not be required to insure Lessee Owned Alterations and Utility Installations unless the item in question has become the property of Lessor under the terms of this Lease.

8.4 **Lessee's Property; Business Interruption Insurance.**

(a) **Property Damage.** Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures, and Lessee Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed $1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of Personal Property, Trade Fixtures and Lessee Owned Alterations and Utility Installations. Lessee shall provide Lessor with written evidence that such insurance in force.

(b) **Business Interruption.** Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all Perils commonly insured against by prudent Lessee's in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

(c) **No Representation of Adequate Coverage.** Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.

8.5 **Insurance Policies.** Insurance required herein shall be by companies duty licensed or admitted to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B+, V, as set forth in the most current issue of "Best's Insurance Guide," or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required Insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates evidencing the existence and amounts of the required Insurance. No such policy shall be cancelable or subject to modification except after 30 days prior written notice to Lessor. Lessee shall, at least 30 days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same.

8.6 **Waiver of Subrogation.** Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of Insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation, that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 **Indemnity.** Except for Lessor's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified.

8.8 **Exemption of Lessor from Liability.** Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the Building, or from other sources or places. Lessor shall not be liable for any damages arising from any act or neglect of any other tenant of Lessor nor from the failure of Lessor to enforce the provisions of any other lease in the Project. Notwithstanding Lessor's negligence or breach of this Lease, Lessor shall under no circumstances be liable for injury to Lessee's business or for any loss of income or profit there from.

9. **Damage or Destruction.**

9.1 Definitions.

(a) **"Premises Partial Damage"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which can reasonably be repaired in 3 months or less from the date of the damage or destruction, and the cost thereof does not exceed a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(b) **"Premises Total Destruction"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility installations and Trade Fixtures, which cannot reasonably be repaired in 3 months or less from the date of the damage or destruction and/or the cost thereof exceeds a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) **"Insured Loss"** shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

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(d) **"Replacement Cost"** shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) **"Hazardous Substance Condition"** shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises.

9.2 **Partial Damage – Insured Loss.** If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force end effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is $5,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said 10 day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 **Partial Damage – Uninsured Loss.** If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective 60 days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 **Total Destruction.** Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate 60 days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6

9.5 **Damage Near End of Term.** If at any time during the last 6 months of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective 60 days following the date of occurrence of such damage by giving a written termination notice to Lessee within 30 days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is 10 days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished.

9.6 **Abatement of Rent; Lessee's Remedies.**

(a) **Abatement.** In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from the Rental Value Insurance. All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) **Remedies.** If Lessor shall be obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within 90 days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than 60 days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within 30 days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such 30 days, this Lease shall continue in full force and effect. "Commence" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 **Termination; Advance Payments.** Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

9.8 **Waive Statutes.** Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith.

10. Real Property Taxes.

10.1 **Definitions.**

(a) **"Real Property Taxes."** As used herein, the term **"Real Property Taxes"** shall include a form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Project, Lessor's right to other income there from, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Project address and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Project is located. The term "Real Property Taxes" shall also include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Project or any portion thereof or a change in the improvements thereon.

(b) **"Base Real Property Taxes."** As used herein, the term **"Base Real Property Taxes"** shall be the amount of Real Property Taxes, which are assessed against the Premises, Building, Project or Common Areas in the calendar year during which the Lease is executed. In calculating Real Property Taxes for any calendar year, the Real Property Taxes for any real estate tax year shall be included in the calculation of Real Property Taxes for such calendar year based upon the number of days which such calendar year and tax year have in common.

10.2 **Payment of Taxes.** Lessor shall pay the Real Property Taxes applicable to the Project, and except as otherwise provided in Paragraph 10.3, any increases in such amounts over the Base Real Property Taxes shall be included in the calculation of Common Area Operating Expenses in accordance with the provisions of Paragraph 4.2.

10.3 **Additional Improvements.** Common Area Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Project by other Lessee's or by Lessor for the exclusive enjoyment of such other lessees. Notwithstanding Paragraph 10.2 hereof, Lessee shall, however, pay to Lessor at the time

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Common Area Operating Expenses are payable under Paragraph 4.2, the entirety of any increase in Real Property Taxes if assessed solely by reason of Alterations, Trade Fixtures or Utility Installations placed upon the Premises by Lessee or at Lessee's request.

10.4 **Joint Assessment.** If the Building is not separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.5 **Personal Property Taxes.** Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within 10 days after receipt of a written statement getting forth the taxes applicable to Lessee's property.

11. **Utilities.** Lessee shall pay for all water, gas, heat, light, power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. Notwithstanding the provisions of Paragraph 4.2, if at any time in Lessor's sole judgment, Lessor determines that Lessee is using a disproportionate amount of water, electricity or other commonly metered utilities, or that Lessee is generating such a large volume of trash as to require an increase in the size of the dumpster and/or an increase in the number of times per month that the dumpster is emptied, then Lessor may increase Lessee's Base Rent by an amount equal to such increased costs.

12. **Assignment and Subletting.** (see Exhibit C #9)

12.1 **Lessor's Consent Required.**

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, **"assign or assignment"**) or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent.

(b) A change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of 25% or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than 25% of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. **"Net Worth of Lessee"** shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.

(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a noncurable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, (i) the Purchase Price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to 110% of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

12.2 **Terms and Conditions Applicable to Assignment and Subletting.**

(a) Regardless of Lessor's consent, any assignment or subletting shall not: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) after the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefore to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of $1,000 or 10% of the current monthly Base Rent applicable to the portion of the Premises which is the subject of the proposed assignment or sublease, whichever is greater, as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested.

(f) Any assignee of, or sublessee under, this lease shall, by reason of accepting such assignment or entering into such sublease, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

12.3 **Additional Terms and Conditions Applicable to Subletting.** The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. **Default; Breach; Remedies.**

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13.1 **Default; Breach.** A **"Default"** is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A **"Breach"** is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or Property, where such failure continues for a period of 3 business days following written notice to Lessee.

(c) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 41 (easements), or (viii) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Lessee.

(d) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 2.9 hereof, other than those described in subparagraphs 13.1(a), (b) or (c), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

(e) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a **"debtor"** as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(f) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.

(g) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 **Remedies.** If Lessee fails to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. The costs and expenses of any such performance by Lessor shall be due and payable by Lessee upon receipt of invoice therefor. If any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor, at its option, may require all future payments to be made by Lessee to be by cashier's check. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result there from, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover damages under Paragraph 12. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 **Inducement Recapture.** Any agreement for free or abated rent or other charges, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as **"Inducement Provisions,"** shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and condition, of this Lease. Upon Breach of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance. (See Exhibit C #16)

13.4 **Late Charges.** Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease; the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within 5 days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a one-time late charge equal to 10% of each such overdue amount or $100, whichever is greater. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment, acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late

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charge is payable hereunder, whether or not collected, for 3 consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 **Interest.** Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due as to scheduled payments (such as Base Rent) or within 30 days following the date on which it was due for non-scheduled payment, shall bear interest from the date when due, as to scheduled payments, or the 31st day after it was due as to non-scheduled payments. The interest ("**Interest**") charged shall be equal to the prime rate reported in the Wall Street Journal as published closest prior to the date when due plus 4%, but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 **Breach by Lessor.**

(a) **Notice of Breach.** Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than 30 days after receipt by Lessor, and any Lender whose name and address shall have been furnished Lessee in writing for such Purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than 30 days are reasonably required for its Performance, then Lessor shall not be in breach of Performance is commenced within such 30 day period and thereafter diligently pursued to completion.

(b) **Performance by Lessee on Behalf of Lessor.** In the event that neither Lessor nor Lender cures said breach within 30 days after receipt of said notice, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from Rent an amount equal to the greater of one Base Rent of the Security Deposit, and to pay an excess of such expense under protest, reserving Lessee's right to reimbursement from Lessor. Lessee shall document the cost of said cure and supply said documentation to Lessor.

14. **Condemnation.** If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively "**Condemnation**") this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs first. If more than 10% of the floor area of the Unit, or more then 25% of Lessee's Reserved Parking Spaces, is taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within 10 days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within 10 days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided however, that Lessee shall be entitled to any compensation for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefore. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation.

15. **Brokerage Fees.** (see Exhibit C #10)

15.1 **Additional Commission.** In addition to the payments owed pursuant to Paragraph 1.10 above, and unless Lessor and the Brokers Otherwise agree in writing, Lessor agrees that: (a) if Lessee exercises any Option, (b) if Lessee acquires from Lessor any rights to the Premises or other premises owned by Lessor and located within the Project, (c) if Lessee remains in Possession of the Premises, with the consent of Lessor, after the expiration of this Lease or (d) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then, Lessor shall pay Brokers a fee in accordance with the schedule of the Brokers in effect at the time of the execution of this Lease.

15.2 **Assumption of Obligations.** Any buyer or transferee of Lessor's interest in this Lease shall be deemed to have assumed Lessor's obligation hereunder. Brokers shall be third party beneficiaries of the provisions of Paragraphs 1.10, 15, 22 and 31. If Lessor fails to pay to Brokers any amounts due as and for brokerage fees pertaining to this Lease when due, then such amounts shall accrue Interest. In addition, if Lessor fails to pay any amounts to Lessee's Broker when due, Lessee's Broker may send written notice to Lessor and Lessee of such failure and if Lessor fails to pay such amounts within 10 days after said notice, Lessee shall pay said monies to its Broker and offset such amounts against Rent. In addition, Lessee's Broker shall be deemed to be a third party beneficiary of any commission agreement entered into by and/or between Lessor and Lessor's Broker for the limited purpose of collecting any brokerage fee owed.

15.3 **Representations and Indemnities of Broker Relationships.** Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any) in connection with this Lease, and that no one other than said named Brokers is entitled to any commission or finder's fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

16. **Estoppel Certificates.**

(a) Each Party (as "**Responding Party**") shall within 10 days after written notice from the other Party (the "**Requesting Party**") execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current "**Estoppel Certificate**" form published by the American Industrial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

(b) If the Responding Party shall fail to execute or deliver the Estoppel Certificate within such 10 day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance. Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate.

(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past 3 years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. **Definition of Lessor.** The term "**Lessor**" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Except as provided in Paragraph 15, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined. Notwithstanding the above, and subject to the provisions of Paragraph 20 below, the original Lessor under this Lease, and all subsequent holders of the Lessor's interest in this Lease shall remain liable and responsible with regard to the potential duties and liabilities of Lessor pertaining to Hazardous Substances as outlined in Paragraph 6.2 above.

18. **Severability.** The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. **Days.** Unless otherwise specifically indicated to the contrary, the word "**days**" as used in this Lease shall mean and refer to calendar days.

20. **Limitation on Liability.** Subject to the provisions of Paragraph 17 above, the obligations of Lessor under this Lease shall not constitute personal obligations of Lessor, the individual partners of Lessor or its or their individual partners, directors, officers or shareholders, and Lessee shall look to the Premises, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with

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respect to this Lease, and shall not seek recourse against the individual partners of Lessor, or its or their individual partners, directors, officers or shareholders, or any of their personal assets for such satisfaction.

21. **Time of Essence.** Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

22. **No Prior or Other Agreements; Broker Disclaimer.** This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the use, nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees), of any Broker with respect to negotiation, execution, delivery or performance by either Lessor or Lessee under this Lease or any amendment or modification hereto shall be limited to an amount up to the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

23. **Notices.**

23.1 **Notice Requirements.** All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may, by written notice to the other, specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing.

23.2 **Date of Notice.** Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery dale is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 48 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices transmitted by facsimile transmission or similar means shall be deemed delivered upon telephone confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

24. **Waivers.** No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of monies or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

25. **Disclosures Regarding The Nature of a Real Estate Agency Relationship.**

(a) When entering into a discussion with a real estate agent regarding a real estate transaction, a Lessor or Lessee should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Lessor and Lessee acknowledge being advised by the Brokers in this transaction, as follows:

(i) Lessor's Agent. A Lessor's agent under a listing agreement with the Lessor acts as the agent for the Lessor only. A Lessor's agent or subagent has the following affirmative obligations: To the Lessor: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessor. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(ii) Lessee's Agent. An agent can agree to act as agent for the Lessee only. In these situations, the agent is not the Lessor's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Lessor. An agent acting only for a Lessee has the following affirmative obligations. To the Lessee: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessee. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that not known to, or within the diligent attention and observation of the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not Involve the affirmative duties set forth above.

(iii) Agent Representing Both Lessor and Lessee. A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Lessor and the Lessee in a transaction, but only with the knowledge and consent of both the Lessor and the Lessee. In a dual agency situation, the agent has the following affirmative obligations to both the Lessor and the Lessee: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Lessor or the Lessee. b. Other duties to the Lessor and the Lessee as stated above in subparagraphs (i) or (ii). In representing both Lessor and Lessee, the agent may not without the express permission of the respective Party, disclose to the other Party that the Lessor will accept rent in an amount less than that indicated in the listing or that the Lessee is willing to pay a higher rent than that offered. The above duties of the agent in a real estate transaction do not relieve a Lessor or Lessee from the responsibility to protect their own interests. Lessor and Lessee should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

(b) Brokers have no responsibility with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees), of any Broker with respect to any breach of duty, error or omission relating to this Lease shall not exceed the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

(c) Buyer and Seller agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

26. **No Right To Holdover.** Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 150% of the Base Rent applicable immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

27. **Cumulative Remedies.** No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. **Covenants and Conditions; Construction of Agreement.** All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

29. **Binding Effect; Choice of Law.** This Lease shall be binding upon the parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. **Subordination; Attornment; Non-Disturbance.**

30.1 **Subordination.** This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, **"Security Device"**), now or hereafter placed upon the

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Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as **"Lender"**) shall have no liability or obligation to perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to Lessee, whereupon this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 **Attornment.** Subject to the non-disturbance provisions of Paragraph 30.3, Lessee agrees to attorn to a Lender or any other party who acquires ownership of the Premises by reason of a foreclosure of a Security Device, and that in the event of such foreclosure, such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (b) be subject to any offsets or defenses which Lessee might have against any prior lessor, (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor.

30.3 **Non-Disturbance.** With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a **"Non-Disturbance Agreement"**) from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within 60 days after the execution of this Lease, Lessor shall use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to provide the Non-Disturbance Agreement within said 60 days, then Lessee may, at Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 **Self-Executing.** The agreements contained in this Paragraph 30 shall be effective without the execution or any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

31. **Attorneys' Fees.** If any Party or Broker brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, **"Prevailing Party"** shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgement, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach ($200 is a reasonable minimum per occurrence for such services and consultation). (see Exhibit C #15)

32. **Lessor's Access; Showing Premises; Repairs.** Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times for the purpose of showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary. All such activities shall be without abatement of rent or liability to Lessee. Lessor may at any time place on the Premises any Ordinary **"For Sale"** signs and Lessor may during the last 6 months of the term hereof place on the Premises any ordinary **"For Lease"** signs. Lessee may at any time place on the Premises any ordinary **"For Sublease"** sign.

33. **Auctions.** Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessor's prior written consent. Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

34. **Signs.** Except for ordinary "For Sublease" signs which may be placed only on the Premises, Lessee shall not place any sign upon the Project without Lessor's prior written consent. All signs must comply with all Applicable Requirements. (see Exhibit G)

35. **Termination; Merger.** Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subtenancies. Lessor's failure within 10 days following any such event to elect to the contrary by written notice to the holder of any such lesser interest shall constitute Lessor's election to have such event constitute the termination of such interest.

36. **Consents.** Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an invoice and supporting documentation therefor. Lessor's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within 10 business days following such request.

37. **Guarantor.**

37.1 **Execution.** The Guarantors, if any, shall each execute a guaranty in the form most recently published by the American Industrial Real Estate Association, and each such Guarantor shall have the same obligations as Lessee under this Lease.

37.2 **Default.** It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantors behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect.

38. **Quiet Possession.** Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. **Options.** If Lessee is granted an option, as defined below, then the following provisions shall apply. (see Exhibit L, if any)

39.1 **Definition. "Option"** shall mean: (a) the right to extend the term of or renew this Lease or to extend or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Promises or other property of Lessor; (c) the right to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 **Options Personal To Original Lessee.** Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting.

39.3 **Multiple Options.** In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised

39.4 **Effect of Default on Options.**

(a) Lessee shall have no right to exercise an Option; (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

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(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), (ii) Lessor gives to Lessee 3 or more notices of separate Default during any 12 month period, whether or not the Defaults are cured, or (iii) if Lessee commits a Breach of this Lease.

40. **Security Measures.** Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

41. **Reservations.** Lessor reserves the right, (i) to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, (ii) to cause the recordation of parcel maps and restrictions, and (iii) to create and/or install new utility raceways, so long as such easements, rights dedications, maps, restrictions, and utility raceways do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate such rights.

42. **Performance Under Protest.** If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make Payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay.

43. **Authority.** If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duty authorized to execute and deliver this Lease an its behalf. Each party shall, within 30 days after request, deliver to the other party satisfactory evidence of such authority.

44. **Conflict.** Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions. (see Exhibit C #13)

45. **Offer.** Preparation of this Lease by either party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

46. **Amendments.** This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

47. **Multiple Parties.** If more than one person or entity is named herein as either Lessor or Lessee, such multiple Parties shall have joint and several responsibility to comply with the terms of this Lease.

48. **Waiver of Jury Trial.** The Parties hereby waive their respective rights to trial by jury in any action or proceeding involving the Property or arising out of this Agreement.

49. **Mediation and Arbitration of Disputes.** An Addendum requiring the Mediation and/or the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease is not attached to this Lease.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL, AND TAX CONSEQUENCES OF THIS LEASE.
2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

WARNING: IF THE PREMISES ARE LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES ARE LOCATED.

The parties hereto have executed this lease at the place and on the dates specified above their respective signatures.

Executed at: Solana Beach, CA	Executed at: San Diego, CA
on: November 3, 2014	on: 10/30/14
By LESSOR:	By LESSEE:
Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company	Lach Motorsports, LLC
By: M.C. Strauss	By: Tina LaChapelle
Name Printed: M.C. STRAUSS, TTEE	Name Printed: Tina LaChapelle
Title:	Title: Manager
Address: 990 Highland Drive #200	Address: 3950 Hiroock St.
Solana Beach, CA 92075	San Diego CA 92110
Telephone: (858) 792-7500	Telephone: (619) 497-1717
Facsimile: (858) 792-7834	Facsimile: (619) 497-1777
Federal ID No.	Federal ID No. SD-0579357

These forms are often modified to meet changing requirements of law and needs of the industry. Always write or call to make sure you are utilizing the most current form: American Industrial Real Estate Association, 700 South Flower Street, Suite 600, Los Angeles, CA 90017. (213) 687-8777.

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TENANTS SHALL FURNISH:

1. Its personal and corporate (if applicable) financial statements.
2. Completed Landlord furnished credit information forms.
3. Letter of reference from Tenant's bank.
4. If a corporation, its duly Authorized Corporate Resolution notifying the Lease. (SEE Exhibit C Item #11)

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EXHIBIT A

LEGAL DESCRIPTION & SITE PLAN

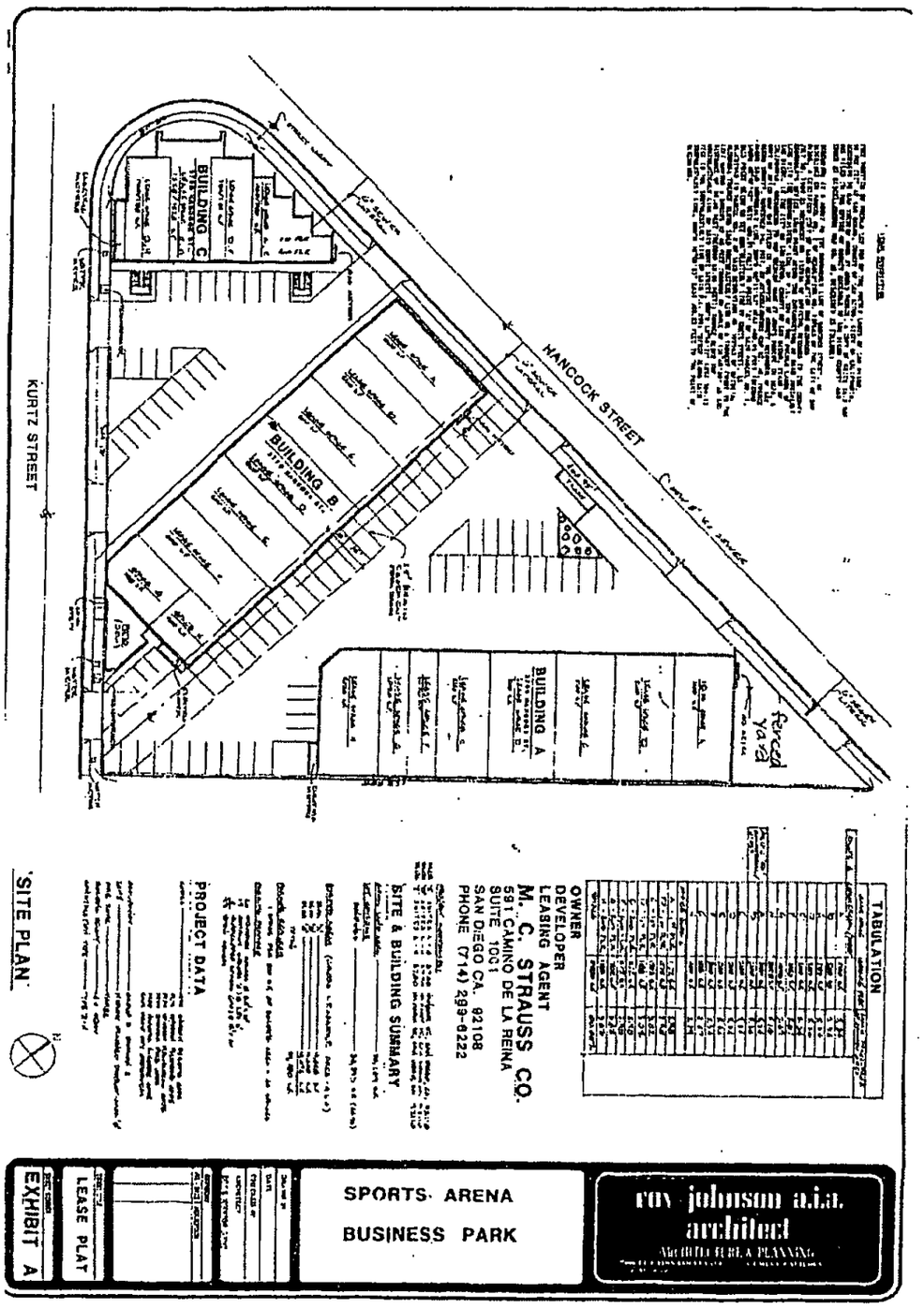


EXHIBIT A

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EXHIBIT A-1 TO LEASE (SUBLEASE)
MINIMUM STANDARD SUBLEASE CONDITIONS

(1) ASSIGNMENT AND SUBLEASING: Sublessee, shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and the City of San Diego, hereinafter, "City." An assignment by operation of law shall automatically terminate this lease.

(2) HOLD HARMLESS: Sublessee shall assume the defense of, indemnify and save harmless Lessee and City from all claims, expenses and liability of every nature, directly or indirectly arising from, or alleged to have arisen from the operations conducted on the leased premises or from any act or omission of Sublessee, its agents and invitees.

(3) INSURANCE: Sublessee shall be insured by an insurance carrier acceptable to the Lessee and City against loss from public liability arising from the use or condition of or operation conducted on the leased premises. Minimum coverage shall be as set forth in Section 8.2 of the body of the sublease and Section 8 of Exhibit C to the sublease hereof. A copy of the policy of insurance shall be filed with the City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or canceled without 30 days prior written notice to the. City by the insurance company,

(4) LEGAL PROCEEDINGS: Should it become necessary to Lessee or City to commence legal Proceedings to collect rent, to recover possessions or enforce any other provision of this lease, Sublessee agrees that the prevailing party shall be entitled to all legal costs in connection therewith, including a reasonable sum as attorney's fees

(5) SUBORDINATION: This agreement is in effect a sublease of a portion of the premises covered by that Flat Rate Lease filed in the Office of the San Diego City Clerk on October 25, 1978, as Document No. 764812, as amended between the sublessor herein and the City of San Diego- This sublease is subject and subordinated to the covenants and conditions of said Lease Agreement notwithstanding any provision hereto contrary to or in conflict with said agreement.

(6) The property is subject to a City of San Diego ground lease mentioned hereinabove and lies with in the recently formed North Bay Redevelopment Area, The property will be redeveloped sometime in the future- Accordingly, Landlord and or city at its sole option may terminate this lease at anytime after Dec 1, 2003 with 6 months notice in writing, and without invalidating or superceding any of the rights contained here in this Addendum of the lease or the city land lease agreements there under

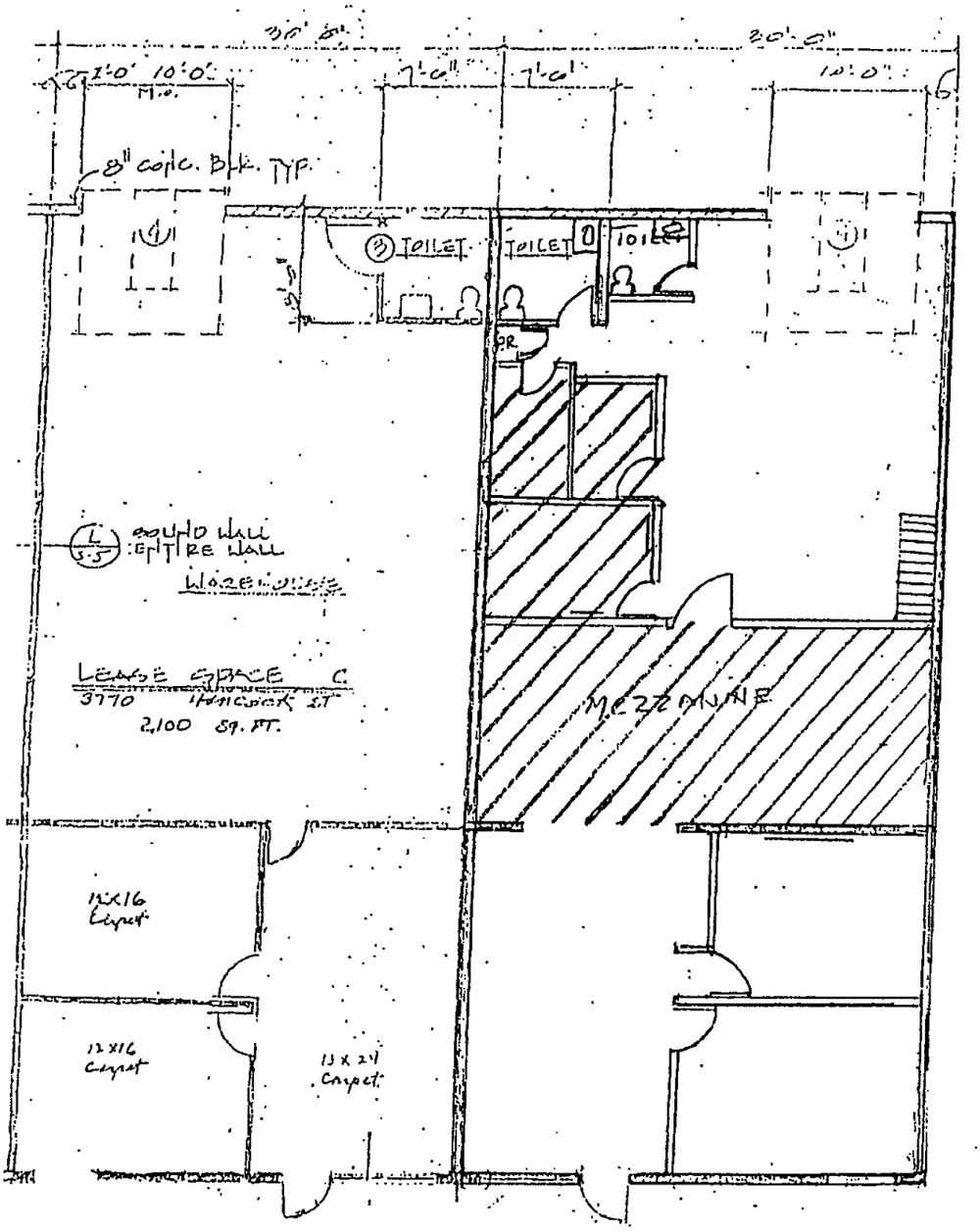
LESSOR'S INITIALS _____

LESSEE'S INITIALS _____

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EXHIBIT B

DEMISED PREMISES PLAN (IF AVAILABLE)



Sports Arena Business Park
3770 Hancock Street
Suite D 2,100 S.F.

Revised 9/17/13

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Addendum to Commercial/Industrial Multi-Tenant Lease

1. Early Possession: With early move-in of Lessee, Lessee may not interfere with any tenant improvements needed to be done by Lessor. Additionally, M.C. Strauss Company is not responsible for loss, theft, or damage of any of Lessee's property should Lessee desire to move-in prior to commencement of Lease Term.

2. Term Adjustment: If the Commencement Date is other than the first day of a calendar month, the Term shall be deemed to have commenced on the first day of the next succeeding month.

3. Modified Common Area Operating Expenses: Lessor shall pay Tenant's portion of common area maintenance, taxes,and insurance.
   a. "Operating Costs" means all costs reasonably incurred by Lessor in accordance with generally accepted accounting principles, and fairly allocable to the applicable Calendar Year which relate to, or are fairly allocable to, the ownership and operation of the Common Areas. Lessor shall pay tenant's portion of common area maintenance, taxes and insurance.
   b. Periodic painting of the building exterior and common areas shall be included as a common area operating expense. If Lessor undertakes a program of preventive maintenance for the HVAC systems for all of the Tenants per Paragraph 7.1(b), the cost thereby shall be included as a common area expense.
   c, The common area definition shall also include lighting facilities, sewer, water, gas, electric, phone and other utility lines, storm drains, roads and approaches servicing the Center generally; and any other items that Lessor deems necessary and appropriate.
   d. Replacement costs, defined as that which cannot be repaired other than at a cost which is in excess of fifty percent (50%) of the cost of replacing such item, then such item shall be replaced and the cost prorated over sixty (60) months and Tenant shall pay one sixtieth (1/60) of the cost each month of the Lease term and extension thereto.

4. Utilities: Lessee shall pay before delinquency all charges for water, sewer, gas heat, electricity, power, telephone service and all and any other services or utilities used in, upon or about the Demised Premises by Lessee or any of its subtenants, licensees or concessionaries, provided, however, if any such services or utilities shall be billed to Lessor and not separately metered to the Demised Premises the mount thereof shall be prorated and Lessee shall pay to Lessor upon demand as additional rental hereunder an amount equal to that proportion of the total charges therefore which the number of square feet of Gross Floor Area in the Demised Premises bears to the total number of square feet of gross floor area of stores then rented as of the date of the utility bill served in the area and/or buildings covered by such combined charges. With respect to gas and electric service, which is not separately metered, Lessor may, at Lessor's option, in lieu of prorating on the fore-going basis, determine the amount of use of such services by Lessee on the basis of Lessee's estimated usage as determined by the utility company servicing the Demised Premises, or, if such company ceases providing such service, by a qualified electrical contractor selected by Lessor. Water is furnished to the part of the Common Area via as is central meter. Accordingly, Lessee will pay Lessor a flat charge of ___(per Section 1.7 (d))___ a month for its share of the water for its premises. Water charges may be reevaluated and increased by Lessor based on the use of the premises especially due to the number of patrons of and Lessee's business use. Lessor may require a high water user such as a restaurant or beauty parlor to install a separate meter or if the cost is prohibitive, to install an inline meter at Lessee's expense to be able to determine Lessee's fair share for any excess use.

5. Continuous Operations: Lessee shall keep the Demised Premises open for business during all hours customarily maintained by business similar to Lessee's business in the trading area in which the Demised Premises are located. At all such times Lessee shall have upon the Demised Premises a sufficient number of employees and a sufficient stock of merchandise to adequately serve the patrons thereof or render the services offered. A business holiday of more than 30 days of consecutive closing in any one year shall be considered a default.

6. Locks: Should Lessee change the locks on their suite, Lessee must furnish Lessor with a copy of the new key which is for the protection of the Lessee and per the Lease.

7. Vacating Premises: The definition "ordinary wear and tear" shall NOT include such items as carpet cleaning, cleaning, patching and painting necessary to restore Premises to a releasable condition. Additionally, Tenant will be charged for repainting rear access doors, repairing store front doors, rekeying locks to the master system and removing alarm systems or personal property and/or debris, etc, upon Lease termination,

8. Insurance: Lessor's appropriate liability insurance coverage is $3,000,000. Therefore, Paragraph 8.1 and/or Paragraph 8.2 is amended to increase the ceiling to $3,000,000 and Lessee shall reimburse Lessor for its portion accordingly.

9. Assignment and Subletting:
(This is in addition to lease language and prevails in the event of conflict.)

a. Consent to Assignment or Subletting shall not be unreasonably withheld: Subject to a compatible and noncompetitive business use with respect to the other businesses in the Center and sufficient financial statement and credit record of assignee and reasonable experience in conducting the intended business, Lessor's consent to assign or sublet this Lease shall not be unreasonably withheld provided however, that Lease shall not be in default and/or if Lessee shall have, previously breached or otherwise failed to perform under this Lease since its inception, and Lessee did not cure that breach, Lessor, at its sole discretion, may declare this Sub-paragraph null and void. Any increase in rents shall become the property of the Lessor. Any such assignment or subleasing even with the approval of the Lessor, shall not relieve the Lessee from liability for payment of the rental herein provided or from the obligation to keep and be bound by the terms, conditions and covenants of this Lease.

b. Assignment or Transfer to a Corporation: Notwithstanding anything to the contrary set forth herein, Lessee may assign this Lease, without the consent of Lessor, to a corporation or other entity not less than fifty percent (50%) of the voting stock or controlling interest of which is owned by Lessee; provided that Lessee shall at all times remain liable for performance hereunder; and provided, further, that any transfer by Lessee of the controlling stock or interest in such corporation or other entity shall be a prohibited assignment hereunder.

c. Consent to be in writing: Lessee shall not assign, mortgage, pledge, hypothecate or encumber this lease or the leasehold interest created hereby or any interest herein or sublet the Demised Premises or any portion thereof, or license the use of all or any portion of the Demised Premises, without the written consent of Lessor first had and obtained. Without in any way limiting any other rights available to the Lessor at the time of any proposed assignment or subletting, Lessor expressly reserves the right to adjust the Guaranteed Minimum Monthly Rental to an amount derived by multiplying said guaranteed minimum monthly rental times a number equal to the percentage by which the Bureau of Labor Statistics, United States Department of Labor for Los Angeles-Riverside-Orange County under the heading of "All Items" for "All Urban Consumers" for the month in which the date of such assignment or subletting occurs has increased over the same Cost of Living Index figure for the month in which the Commencement Date under this Lease occurs (i.e., if the percentage of such increase is thirty percent (30%), then the guaranteed minimum monthly rental will be multiplied times 130%). Tenant agrees to pay Lessor an administrative fee of $500 and to reimburse Lessor for Lessor's reasonable attorney fees

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incurred in conjunction with the processing and documentation of any such requested transfer, assignment, subletting, licensing or concession agreement

10. Broker's Fee:
    a. All Broker's fees as referred to in the Lease and Lease addendums shall be by separate agreement pursuant to a schedule to be agreed upon by Owner and Broker.
    b. However, it is understood and agreed that no commissions shall be paid on option exercises, or renewals, or expansions that unless at the invitation of the Owner first had obtained in writing.

11. Lessee's Financial Information: Lessee will furnish financial statements which shall be subject to Lessor's approval and shall reimburse Lessor $35 if Lessor obtains a credit report. Lessee also agrees to deliver to Lessor a resume of its business experience and a completed Lessor's "Credit Information" form. The Lease is contingent upon Lessor's review and approval to its sole satisfaction of Lessee's qualifications to lease. Said credit application must include but not be limited to listing specifics of next of kin, closest living relative not living with you, closest non-relative and who to notify in case of emergency.

12. Dispute or Delay: In the event of any dispute between the parties concerning the time of actual completion of Lessor's Work or Lessee's Work or any claimed excuse for delay in performance or non-performance thereof or whether such work has been adequately performed in a good and workmanlike manner and is satisfactory for the use intended, such dispute shall be referred to Lessor's architect whose determination with regard thereto shall be final and conclusive upon the parties.

13. Deletion: Wherever in this Lease a Section or Subsection is preceded by the word "Deleted" or "*Deleted," such Section or Subsection is deleted from this Lease in its entirety and is of no force or effect.

14. Attorney's Fees: The Lessor is entitled to attorney's fees or costs for the enforcement of the lease regardless of whether an action is filed, said fees and costs to be considered additional rent.

15. Lease Incentives: If Tenant is in default under this Lease at any time during the Term and without limiting the foregoing, if Landlord has given Tenant any lease incentives or other inducements or consideration in connection with this Lease ("Incentives"), including without limitation, any abatement of rent, the unamortized portion of any Tenant Improvement Allowance and/or leasing commissions then the incentives will terminate and Landlord may recover from Tenant the value of all such Incentives received by Tenant in addition to all other damages recoverable by Landlord pursuant to the provisions of this Lease.

16. Confidentiality: Lessee shall keep the content and all copies of this Lease and related documents now or hereafter entered into, and all proposals, materials, information and matters relating thereto, strictly confidential, and shall not disclose, disseminate or distribute any of the same, or permit the same to occur, except to the extent reasonably required for proper business purposes by Lessee's attorneys, insurers, auditors and lenders, and, in such event, Lessee shall obligate any such parties to whom disclosure is permitted to honor the confidentiality provisions hereto, except as may be required by Law or court proceedings.

17. Substitute Premises: Lessor shall have the right from time to time during the term of this lease to relocate the Premises within the Project on the following terms and conditions: (i) the square footage of the substitute premise ("Substitute Premises") are equal to the square footage of the Premises (subject to a variation of up to fifteen percent (15%) in the square footage of the Substitute Premises, provided that the amount of rent payable under this lease is not thereby increased); (ii) Lessor shall pay the cost of providing Lessee Improvements (defined below) in the Substitute Premises substantially comparable to the Tenant Improvements in the Premises; (iii) Lessor shall pay the expenses directly related to and reasonably incurred by Lessee in connection with such relocation to the Substitute Premises; and (iv) Lessor shall not be liable for (a) any loss of business or good will, or (b) any damage to Lessee's Property or other personal property relocated, unless caused by Lessor or it's employees gross negligence or willful misconduct. Lessor shall deliver to Lessee written notices of Lessor's election to relocate the Premises specifying the new location at least thirty (30) days prior to the date the relocation is to be effective. If the relocation of the Premises is unacceptable to Lessee, then Lessee may terminate this lease during a period of thirty (30) days after receipt of Lessor's notice to relocate, by delivering written notice to Lessor within the thirty (30) day period. Such notice of termination shall be effective upon receipt thereof by Lessor. If Lessee elects to terminate this Lease pursuant to this Section, then the parties shall be discharged from all obligations hereunder, other than those that have accrued prior to the actual date of Lessee's termination of this Lease or which specifically survive the termination of this Lease and Lessee shall be granted a reasonable period of tenancy in order to relocate to suitable premises.

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A. Lessee is responsible for sending rent payments on the first of the month to:

MC Strauss Company
990 Highland Drive, Suite 200
Solana Beach, CA 92075

B. For any questions or building management problems, call:

MC Strauss Company
990 Highland Drive, Suite 200
Solana Beach, CA 92075
Phone: 858-792-7500; Fax: 858-792-7834

C. Required Personal Data:
Lessee's Home Address: See Attached Exhibit 1
Home Phone: _____ Home Fax: _____

In case of emergency: Sirina Sandlin
Address: 13436 Silver Lake Dr, Poway CA 92064
Phone: 619-743-2562 Fax: _____

Next of Kin (Name): Bonnie LaChapelle
Address: N165 W22443 Poplar Ave, Sussex, WI 53089
Phone: 715-819-2121 Fax: _____

D. Other: Lessor reserves the right to change the management company and the address to which rent payments shall be made by delivering notice to Lessee in accordance with this Lease.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: _____

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EXHIBIT D

TENANT IMPROVEMENTS AND ACCEPTANCE OF PREMISES

Scope of Lessor's Work

Lessor shall provide Lessee, at the sole cost and expense of Lessor, the following "standard" improvements as follows:

1. Lessee acknowledges that the Demised Premises are being leased in "as is" condition and that Lessee has inspected same and the Demised Premises are in satisfactory condition with the following exceptions:

Lessor shall make the following improvements to the Premises:

a. HVAC system to be serviced and in good working order
b. Premises to be serviced by an exterminator for mice and whatever critters may be present
c. Paint the green office white
d. All plumbing and utilities to be in good working order
e. Leave the current alarm system installed for Lessee's use
f. Carpet and paint the two front offices and install standard VCT in the front entry area where the floor is concrete. Lessee may choose paint, carpet and VCT from Lessor's standard choices

Lessee will take the improvements as listed above; however, should Lessee want to widen the opening from the warehouse in the future, Lessee will be allowed to leave it when Lessee vacates the Premises and not have to re-install the door.

Scope of Lessee's Work

All improvements desired by Lessee, shall be considered "Non-standard" and shall be at the sole cost and expense of Lessee including, but not limited to :

1. Permits, Plans, and supervision for any Tenant improvements.

2. Lessor grants permission to Lessee to install necessary and/or required improvements or modifications, subject to Lessor's prior written approval, to accommodate Lessee's intended business use, at Lessee's sole cost and expense, and in accordance with any and all governmental requirements including the obtaining of any required permits for the Demised Premises and said business.

Perform any and all additional work required to complete the Premises to a condition customary and ready for the normal operation of Lessee's business. Lessee shall be responsible to pay for any additional water, and/or sewer impact fees if imposed due to the nature of Lessee's business or use of Premises.

Within thirty (30) days following the execution of the Lease, Lessee, at Lessee's sole cost and expense, shall deliver to Lessor a fully dimensioned 1/4-inch scale set of plans. Said plans shall show all storefronts, interior partitions, fixtures, lighting, electrical outlets, plumbing (including fixtures), floor coverings, ceiling and other improvements that Lessee wishes to construct and install upon Premises. Said plans shall be subject to Lessor's approval prior to start of any work by Lessee or his contractors, which shall not be unreasonably withheld, which shall thereafter be called "Lessee Plans Approved for Construction." Should Lessee fail to deliver to Lessor plans for "Lessee's Work" within thirty (30) days following execution of the Lease, Lessor may, at his option and with written notification to that effect to Lessee, terminate this Lease.

No changes, modifications or alterations to Lessee Plans Approved for Construction may be made without the written consent of Lessor. Any additional costs, including any increased fees which Lessor may be required to Pay for architectural, engineering and/or other similar services arising by reason of any subsequent change to Lessee Plans Approved for Construction made at the request of Lessee, shall be at the sole cost and expense of Lessee and shall be paid by Lessee to Lessor before the performance of the work requested by Lessee.

All of Lessee's work and improvements shall be performed by Lessee, at Lessee's sole cost and expense except as outlined above and pursuant to the plans and specifications approved by Lessor. It is understood that the approval of Lessor shall in no manner relieve Lessee of Lessee's obligation to obtain, at Lessee's sole cost and expense, all necessary and appropriate permits from all applicable governmental or public agencies for the construction of Lessee's improvements, installation of Lessee's personal property and the operation of Lessee's business at Premises.

Upon delivery of Premises to the Lessee, Lessee shall immediately and diligently proceed to install Lessee's Work as described in Lessee's Plans Approved for Construction at Lessee's sole cost and expense without interfering with other work being done, if any, in the building or shopping center.

All work done by Lessee shall be done by a licensed contractor and in compliance with all rules and regulations required by local building authorities, Lessor or his agents and in accordance with all uniform building codes as dictated by state, federal and local requirements.

Upon final completion of Lessee's Work, Lessee shall furnish Lessor with all certificates, approvals and permits "signed off" by local governmental building inspector, that were required to complete Lessee's Work. Lessor shall not be responsible for any loss or damage to Lessee's improvements/property that is installed or left on Premises.

Lessee's entry upon Premises prior to commencement of the Term of this Lease shall be subject to all provisions of this Lease other than payment of rent, At all times after such entry, Lessee shall maintain an insurance policy that complies with the provisions of this Lease. The inability of Lessee to complete Lessee's Work in a timely manner and to a condition acceptable for conducting business, through no fault of Lessor, shall not delay the Term Commencement or payment of rent.

Lessee hereby indemnifies and holds Lessor free and harmless from and against any and all claims, demands and liabilities, including, but not limited to attorney costs, expenses and court costs, arising from or relating to Lessee's Work and improvements. It is the intent of the parties that this indemnification shall survive the expiration or sooner termination of this Lease.

LESSOR'S INITIALS: _____ LESSEE'S INITIALS: _____

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*DOES NOT APPLY

*EXHIBIT E

ESTIMATED OPERATING EXPENSES (GROSS LEASE)

~~The operating expenses are estimated at $_____ per square foot annually or _____ ($_____ psf x _____ sq. ft. /12 = $_____) per month for the Demised Premises until adjusted per the Lease.~~

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: _____

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EXHIBIT F

RENT ADJUSTMENT(S)

ADDENDUM TO
STANDARD LEASE

Dated October 17, 2014

By and Between (Lessor) Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company

(Lessee) Lach Motorsports, LLC

Property Address: 3770 Hancock Street, Suite D

San Diego, CA 92110

Paragraph 1.5

A. **RENT ADJUSTMENTS:**

The monthly rent for each month of the adjustment period(s) specified below shall be Increased using the method(s) indicated below:

✓ **III. Fixed Rental Adjustment(s) (FRA)**

The monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be increased to the following amounts on the dates set forth below.

On (Fill in FRA Adjustment Date(s)): The New Base Rental shall be:

Year Two = $1.24psf x 2,100sf =$2,604.00 per month plus $75.00 per month water/sewer fees = $2,679.00 per month.

B. **NOTICE:** Unless specified otherwise herein, notice at any escalations other than Fixed Rental Adjustment(s) shall be made as specified in paragraph 23 of the attached Lease.

C. **BROKER'S FEE:** The Real Estate Brokers specified in paragraph 1.10 of the attached Lease shall be paid a Brokerage Fee for each adjustement specified above in accordance with paragraph 15 of the attached Lease.

LESSOR'S INITIAL: _____

LESSEE'S INITIAL: _____

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EXHIBIT G

CENTER SIGN CRITERIA

The purpose of this sign criteria has been established for the intent of assuring an outstanding shopping center and mutual benefit of all Lessee's. Conformance will be strictly enforced. Any Installed non-conforming or unapproved signs will be brought into conformance at the expense of the Lessee.

A. Lessee shall be entitled to signage above the Premises. Signage shall be subject to City of San Diego and Lessors prior written approval. All costs associated with the design, construction, installation, as well as removal, shall be borne by Lessee. Lessee shall be required to remove all Lessee signage at the conclusion of Lessee's occupancy of the Premises. Ground level Lessee's shall be entitled to signage on the Center's pole sign at its expense and subject to availability.

B. General Requirements:

1. Lessee shall submit to the Lessor the exact sign specifications, copy and colors desired for Lessor's approval from a license and experienced sign company.

2. All approvals or disapprovals of sign submittals based on esthetics and design shall remain sole right of the Lessor and local governing authorities.

3. Selected sign company will be responsible for obtaining all permits and sign Installation.

4. No exposed lamp, raceways, crossovers, conduit, conductors, transformers or similar devices shall be permitted.

5. All maintenance of signage shall be the responsibility of the Lessee.

6. All signs shall be individually illuminated.

7. No audible, flashing or animated signs will be permitted.

8. No projections above or below the sign will be permitted.

9. Electrical service to all signs will be connected to Lessee's meter.

10. Lessee's signs shall be designed and installed in a manner compatible with and complimentary to adjacent and facing storefronts and the overall design concept of the center.

11. All penetrations of the building structure required for sign installation shall be sealed in a watertight condition and shall be patched to match adjacent finish. At termination of lease when sign is removed, Lessee or its sign company shall patch and paint and restore to "as was" condition.

12. No advertising placards, banners, pennants, names, insignias or other descriptive material shall be affixed or maintained upon the glass pane supports of the show windows and doors or upon the exterior was of building without the prior written approval of Lessor.

13. Logos require prior approval of lessor unless nationally recognized logos of a franchise.

14. Letter height restrictions:

a. One line of copy with the letter and logo height not to exceed 24 inches or to be less than 10 inches. Allowable, sign fascia coverage not to exceed seventy-five percent (75) of store frontage.

b. Two lines of copy will be allowed with the overall height of the two lines of letters not to exceed 30 inches with a maximum height of the letters not to exceed 18 inches or to be less than 16 inches.

15. Designs submitted for the City/County approval must follow ft following guidelines:

a. Drawings of elevations and sign with all measurements to scale.
b. Plot plan and legal description (plans to scale).
c. Sections drawings of sign and fascia showing construction and electrical details.
d. Color of plastic faces and logos.
e. Color of neon, size and intensity.
f. Letter style selection

16. Lessee is granted permission by Lessor to install a temporary sign banner at its expense above the premises while signs are being fabricated.

17. Lessee shall indemnify and hold harmless Lessor against any loss, cost, damages or liability caused to persons, property or otherwise caused by Lessee's sign Installations.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: _____

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EXHIBIT 6-1

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EXHIBIT H

SPECIAL USE OF PREMISES CLAUSE

A. Uses Of Premises:

Lessee shall occupy and use the premises solely for the operation of motorcycle repair, service and sales and for no other purpose or use.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: _____

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EXHIBIT I
APPLICATION FOR LEASE AND CREDIT INFORMATION

The undersigned furnishes the following as a true and accurate statement of the financial condition of the undersigned. It is understood that the Landlord, in entering into a lease or other agreement, are doing so in reliance upon this financial statement and in consideration of such the undersigned agree that if any of the representations of the undersigned prove to be untrue, such shall be considered as a default under such lease or agreement.

NAME: _____ AGE: _____ SPOUSES NAME: _____

ADDRESS: _____ HOW LONG: _____

CITY, STATE, ZIP _____

Previous Address - if less than five years: _____

SOCIAL SECURITY NO: _____ SPOUSE'S SOCIAL SECURITY NO: _____

PHONE: _____ OWN OR RENT: _____ NO. OF DEPENDENTS: _____

PRESENT EMPLOYER: _____ HOW LONG: _____

ADDRESS: _____

PHONE: _____ POSITION: _____

SPOUSE'S EMPLOYER: _____ PHONE: _____

IN CASE OF EMERGENCY CONTACT: NAME: _____

ADDRESS: _____ PHONE: _____

_____ RELATIONSHIP: _____

NEXT OF KIN NOT LIVING WITH YOU: NAME: _____

ADDRESS: _____ PHONE: _____

_____ RELATIONSHIP: _____

CLOSEST NON RELATIVE CONTACT: NAME: _____

ADDRESS: _____ PHONE: _____

_____ RELATIONSHIP: _____

BALANCE SHEET

Cash:	$ _____	Notes Payable - Total Owed: (List on Back)	$ _____
Stocks & Bonds: (List on Back)	$ _____		
		Accounts Payable - Total Owed: (List on Back)	$ _____
Notes / Accounts Receivable:	$ _____		
Life Insurance: (Not full value, only surrender value)	$ _____	Mortgages - Total Owed: (List on Back)	$ _____
Real Estate - Total Value: (List on Back)	$ _____	Automobiles - Total Owed:	$ _____
		Income Taxes - Accrued to Date:	$ _____
Automobiles:	$ _____	Other: _____	$ _____
	$ _____	_____	$ _____
		_____	$ _____
Personal Possessions:		**TOTAL LIABILITIES:**	$ _____
	$ _____		
	$ _____	**NET WORTH:**	$ _____
TOTAL ASSETS:	$ _____	**(Assets minus Liabilities)**	

ANNUAL INCOME & EXPENSE

Income:		**Expense:**	
Annual Salary:	$ _____	Annual Rental/Mortgage Payments	$ _____
Annual Rentals:	$ _____		
Annual Dividends:	$ _____	Annual Payments: (Notes & Accounts)	$ _____
Annual Interests:	$ _____		

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Other Annual Income:	$	Annual Interest & Taxes:	$
		Personal Living Expense:	$
		Other Annual Expenses:	$
TOTAL ANNUAL INCOME:	$	**TOTAL ANNUAL EXPENSE:**	$

BANK REFERENCES

BANK & ADDRESS: _____ ACCT. NO.: _____

BANK & ADDRESS: _____ ACCT. NO.: _____

STOCKS & BONDS

Description	No. of Shares	Cost	Market Value
		$	$
		$	$
		$	$
		$	$
		$	$
TOTALS		$	$

REAL ESTATE - MORTGAGES

Description & Address	Original Cost	Present Value	Trust Deed or Mortgage Unpaid Bal.	Mo. Pay.
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
TOTALS	$	$	$	$

NOTES & ACCOUNTS PAYABLE (Do not include Real Estate)

Description	Account Number	Total Amount Owed (DO NOT LIST PAYMENTS)
		$
		$
		$
		$
		$
		$
TOTAL		$

The undersigned further consent(s) to the addresses above making any inquires it deems necessary to reach a decision on this application, and consent(s) to the disclosure at any time of any credit information about me / us to any credit reporting agency or to any one with whom I/we have financial relations. The undersigned further understands that should a lease be entered into that the authorizing party will pay a $35.00 application credit check fee.

DATE: _____ SIGNATURE: _____

DATE: _____ SPOUSE'S SIGNATURE: _____

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*DELETED

*EXHIBIT J

GUARANTY OF LEASE

THIS GUARANTY OF LEASE ("Guaranty"), effective as of _____, 200____, is executed by _____ ("Guarantor"), with reference to the following facts:

RECITALS

A. M.C. Strauss Company _____ ("Lessor"), and _____ ("Lessee") have agreed to enter into that certain Lease ("Lease"), dated the same date as this Guaranty, covering Premises described therein, located in the City of San Diego, County of San Diego, State of California.

B. Lessor requires, as a condition to its execution of the Lease, that Guarantor guarantee the full performance of the obligations of Lessee thereunder.

C. Guarantor is willing to execute this Guaranty for the benefit of Lessor and as a material inducement to Lessor to enter into the Lease.

GUARANTY

NOW, THEREFORE, in order to induce Lessor to enter into the Lease, Guarantor agrees as follows:

1. **Guarantor's Obligations.** Guarantor hereby unconditional guarantees the full and timely performance of each and every obligation to be kept and performed by the Lessee pursuant to the terms of the Lease ("Lease Obligations") in accordance with the terms of and at the time and place specified therein, including, but not limited to, the payment of all rents and other charges accruing pursuant thereto.

2. **Term.** This Guaranty shall continue for the term of the Lease and any extension or renewal thereof. If the Lease terminates and Lessor has any rights which Lessor may enforce against Lessee after termination, Lessor may also enforce such rights against Guarantor.

3. **Primary Liability.** The Lease Obligations guaranteed by Guarantor under this Guaranty shall be primary and independent of the obligations of Lessee under the Lease. Lessor may bring a separate action or actions against Guarantor hereon and such actions may be brought either in conjunction with actions against Lessee or against Lessee directly, regardless of whether Lessor has commenced any action or obtained any judgment against Lessee. If Lessee defaults under the Lease, Lessor may proceed directly against Guarantor, without having commenced any action or obtained any judgment against Lessee, and without applying any property of Lessee (or any other person), if any, held by Lessor as security for the performance of the Lease Obligations. The liability of Guarantor hereunder shall not be released, diminished, or extinguished by Lessor's failure or delay in enforcing any of its rights.

4. **Continuation; No Release.** This Guaranty shall continue in favor of Lessor notwithstanding any modification, alteration, extension or renewal of the Lease entered into by the parties thereto, or their successors or assigns, and notwithstanding any assignment of the Lease, with or without the consent of Lessor. No such modification, alteration, extension, renewal or assignment shall affect this Guaranty or in any way release, diminish, or extinguish the liability of Guarantor hereunder.

5. **Assignment.** Lessor may, with notice to Guarantor, assign this Guaranty in whole, or in part in connection with any transfer of any interest in the Lease or the Premises, and no such assignment or transfer shall release, diminish, or extinguish or otherwise affect the liability of Guarantor hereunder. In such event the benefits of this Guaranty shall inure to the benefit of Lessor's successors and assigns.

6. **Security.** Guarantor authorizes Lessor, without further notice or demand and without affecting the liability of Guarantor hereunder, from time to time, to: (a) take and hold security (including the Security Deposit and any security filing consented to by Lessee) (the "Security") (if any) for performance of the Lease Obligations and exchange, enforce, waive or release any such Security; (b) apply such Security in whole or in part and direct the order or manner of sale thereof as Lessor, in Lessor's discretion, may determine; and (c) proceed against Lessee or proceed against and exhaust such Security held from Lessee; the provisions of this paragraph shall constitute a waiver of Guarantor's right to claim exoneration from the Lease Obligations for the foregoing actions.

7. **Events of Insolvency.**

7.1. **Defined.** The term "Event of Insolvency" shall mean any of the following:

(a) Lessee becomes insolvent or is adjudicated a bankrupt;

(b) Lessee files a petition for reorganization, arrangement or similar relief under any present or future provisions of the Federal Bankruptcy Code, or any other state or federal statute for the relief of debtors or any similar law;

(c) A court approves a petition filed against Lessee by its creditors for reorganization, arrangement or similar relief under any present or future provision of the Federal Bankruptcy Code, or any other state or federal statute for the relief of debtors or any other similar law;

(d) Lessee seeks a judicial readjustment of the rights of its creditors under any present or future federal or state law; or

(e) A receiver of all or part of Lessee's property and assets is appointed by any state or federal court.

7.2 **Effect.** This Guaranty shall in full force and effect, notwithstanding the occurrence of any Event of Insolvency affecting Lessee, or any successor or assignee of Lessee, or in the event of any disaffirmance, or abandonment by a trustee of Lessee, or in the event that the Lease is terminated, rejected or modified in the course of any proceeding relating to an Event of Insolvency. To the extent necessary to effectuate the purpose of this Guaranty, Guarantor hereby assigns to Lessor any rights Guarantor may have to file a claim and proof of claim in any bankruptcy or similar proceeding of Lessee any awards or payments thereon to which Guarantor would otherwise be entitled, to the extent of any unsatisfied Lease Obligations.

8. **Waiver of Defenses.** Guarantor waives any defense Guarantor may acquire by reason of Lessor's election of any remedy against Guarantor or Lessee, or both. In addition, Guarantor waives any defense arising by reason of any disability or other defense of Lessee, including, without limitation, any defense based upon: (a) invalidity of the Lease (b) any lack of authority of the officers, directors, partners or agents acting or purporting to act on behalf of Lessee or any principal of Lessee; or (c) by reason of the cessation from any cause whatsoever of the liability of Lessee other than full performance and discharge of the Lease Obligations.

9. **Waiver of Rights.** Guarantor waives the right to require Lessor: (a) to proceed against Lessee or any successor of Lessee; and (b) to pursue any other remedy in Lessor's power. Guarantor expressly waives the provisions of the California and/or Arizona Civil Code, which grants a surety certain rights to require a creditor to pursue alternative remedies before proceeding against a surety.

10. **Subrogation.** Until the Lease Obligations shall have been performed in full, Guarantor shall have no right of subrogation and waive any right to enforce any remedy which Lessor now has or may hereafter have against Lessee. Guarantor waives any right to participate in any security now or hereafter held by Lessor.

11. **Successive Demands.** Guarantor's liability shall extend to each and every payment to be made by Lessee and any additional Lease Obligation to be performed or observed by Lessee. Successive demands may be made upon, and successive actions for the enforcement of such demands may be brought against Guarantor upon successive defaults by Lessee and the enforcement of this Guaranty against Guarantor with respect to any Lease Obligation shall not operate to exhaust this Guaranty or operate as a waiver of the right to proceed under this Guaranty with respect to any future default or defaults.

12. **General Provisions.**

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12.1 **Attorney's Fees.** Guarantor agrees to pay all costs and other expenses, including reasonable attorneys' fees and court costs, paid or incurred by Lessor in enforcing or attempting to enforce this Guaranty or the obligations guaranteed hereby, Guarantor is obligated as to attorney's fees and costs pursuant to Paragraphs 31 and 37.1 of the Lease, as to the obligations under the Lease and the Guaranty, and the provision in the Addendum as to attorneys fees made applicable here to the Lease and the Guaranty.

12.2 **Governing Law.** This Guaranty shall be enforceable by Lessor in accordance with the laws of the State of California and shall be construed in accordance therewith.

12.3 **Interest.** Interest shall accrue on all accounts which are not paid by Guarantor when due under the Lease, from the date due until due date paid by Guarantor, at the interest rate specified in the Lease, but not to exceed the maximum legal rate of interest.

12.4 **Joint and Several.** If Guarantor is more than one person, each person's obligations hereunder are joint and several and are independent of Lessee's obligations. Lessor may bring a separate action against any Guarantor whether the action is brought against any other Guarantor, or whether any other Guarantor is joined in the action.

12.5 **Modification.** This Guaranty may not be amended, modified, released, or terminated except by a written instrument executed by Guarantor and Lessor.

12.6 **Severability.** If any of Guarantor's obligations hereunder shall be held to be unenforceable, the remainder of this Guaranty and its application to all obligations other than those with respect to which is held unenforceable shall not be affected thereby and shall remain in full and effect.

12.7 **Successors.** The terms and provisions of this Guaranty shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto.

IN WITNESS WHEREOF, the undersigned has executed this guaranty of lease as of the date first written above.

GUARANTOR:

Res. Address: _____ By: _____
Phone: _____
Soc Sec#: _____
DL#: _____ DOB _____

Res. Address: _____ By: _____
Phone: _____
Soc Sec#: _____
DL#: _____ DOB _____

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*DELETED

*EXHIBIT J-1

SPOUSAL CONSENT

~~To the Lease dated _____ 20___, by and between _____, as Lessor, and _____, as Lessee, for the premises known as _____.~~

~~The undersigned, being the spouse of the Guarantor to this Lease, hereby (a) consent to the Lease, (b) agree that all now owned and hereafter acquired community and quasi-community property of the undersigned and Guarantor shall be liable for the satisfaction of obligations imposed by the Lease, and (c) agree solely for purposes of subjecting any community or quasi-community property received pursuant to liability for satisfaction of the obligations imposed by the Lease, the undersigned have "incurred" the obligations of the Lease.~~

_____ ~~Spouse~~

_____

_____

_____

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*DELETED

*EXHIBIT K

MEMORANDUM
CERTIFICATE

This memorandum is made of _____, 20____ with reference to that certain Lease Agreement (hereinafter referred to as the "Lease") dated _____ by and between _____ as "Lessor" therein, and _____ as "Lessee."

The undersigned, as Lessee under said Lease, hereby confirms the following:

1. The Lessee accepted possession of the Demised Premises (as described in said Lease) on _____ and acknowledges that the premises are as represented by Lessor and in good order, condition and repair; and that the improvements, if any, required to be constructed for and/or furnished to Lessee by Lessor under said Lease have been so constructed and/or furnished and are satisfactorily completed in all respects.

2. That all conditions of said Lease to be performed by Lessor prerequisite to the full effectiveness of said Lease have been satisfied and that Lessor has fulfilled all of its duties of an inducement nature.

3. That in accordance with the provisions of Paragraph 4 of said Lease the Commencement Date (as the phrase "Commencement Date" is defined in said Lease) of the term is _____ and that, unless sooner terminated, the original term thereof expires on _____.

4. That said Lease (as amended, if amended) is in full force and effect and that the same represents the entire agreement between Lessor and Lessee concerning said Lease.

5. That there are no existing defenses which Lessee has against the enforcement of said Lease by Lessor, and no offsets or credits against rentals except as may be expressly provided in said Lease.

6. That the minimum rental obligation of said Lease is presently in effect and that all rentals, charges and other obligations on the part of Lessee under said Lease commenced to accrue on _____.

7. That the undersigned Lessee has no notice of any prior assignment, hypothecation or pledge of said Lease or of the rents thereunder.

LESSOR: _____ LESSEE:

BY: _____ BY: _____

ITS: _____ ITS: _____

This "Memorandum" is hereby approved in form and shall be completed (if necessary) pursuant with Paragraph 4.A of The Lease and incorporated as part of The Lease.

LESSOR'S INITIALS: _____ LESSEE'S INITIALS:

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EXHIBIT L

OPTION(S) TO EXTEND

ADDENDUM TO
STANDARD LEASE

Dated October 17, 2014

By and Between (Lessor) Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company

(Lessee) Lach Motorsports, LLC

Property Address: 3770 Hancock Street, Suite D

San Diego, CA 92110

Paragraph 39

A. **OPTION(S) TO EXTEND:**

Lessor hereby grants to Lessee the option to extend the term of this Lease for one (1) additional three (3) year period(s) commencing when the prior term expires upon each and all of the following terms and conditions:

(i) Lessee gives to Lessor, and Lessor actually receives on a date which is prior to the date that the option period would commence (if exercised) by at least 180 days and not more than 120 days, a written notice of the exercise of the option(s) to extend this Lease for said additional term(s), time being of essence. If said notification of the exercise of said option(s) is (are) not so given and received, the option(s) shall automatically expire; said option(s) may (if more than one) only be exercised consecutively;

(ii) The provisions of paragraph 39, including the provision relating to default of Lessee set forth in paragraph 39.4 of this Lease are conditions of this Option;

(iii) All of the terms and conditions of this Lease except where specifically modified by this option shall apply;

(iv) The monthly rent for each month of the option period shall be calculated as follows, using the method(s) indicated below:

(Check Method(s) to be Used and Fill In Appropriately)

✓ **II. Market Rental Value Adjustment(s) (MRV)**

(a) On (Fill in MRV Adjustment Date(s): December 1, 2016, the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted to the "Market Rental Value" of the property as follows:

1) Four months prior to the Market Rental Value (MRV) Adjustment Date(s) described above, Lessor and Lessee shall meet to establish an agreed upon new MRV for the specified term. If agreement cannot be reached, then:

i) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the parties, or

ii) Both Lessor and Lessee shall each immediately select and pay the appraiser or broker of their choice to establish a MRV within the next 30 days. If, for any reason, either one of the appraisals is not completed within the next 30 days, as stipulated, then the appraisal that is completed at that time shall automatically become the new MRV. If both appraisals are completed and the two appraisers/brokers cannot agree on a reasonable average MRV then they shall Immediately select a third mutually acceptable appraiser/broker to establish a third MRV within the next 30 days. The average of the two appraisals closest in value shall then become the new MRV. The costs of the third appraisal will be split equally between the parties.

2) In any event, the now MRV shall not be less than the rent payable for the month Immediately preceding the date for rent adjustment plus five percent (5%, rounded up) and five percent (5%, rounded up) each succeeding option year.

(b) Upon the establishment of each New Market Rental Value as described In paragraph AII:

1) the monthly rental sum so calculated for each term as specified in paragraph AII(a) will become the new "Base Rent" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph AII(a) above and

2) the first month at each Market Rental Value term as specified in paragraph AII(a) shall become the new "Base Month" for the purpose of calculating any further Cost of Living Adjustments as specified In paragraph AI(b).

B. **NOTICE:** Unless specified otherwise herein, notice at any escalations other than Fixed Rental Adjustment(s) shall be made as specified in paragraph 23 of the attached Lease.

C. **OPTION RIGHTS CONDITION:** Lessee's Option Rights are contingent upon Lessee not having previously breached or otherwise failed to perform under the Lease since its inception. Otherwise Landlord at its sole discretion may declare any option to extend null and void.

LESSOR'S INITIAL: _____

LESSEE'S INITIAL: _____

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EXHIBIT M

SPECIAL ADDENDUM

This Addendum to Lease ("Addendum") is made a part of the Lease dated October 17, 2014,by and between Strauss Family Trust UDT 6/5/92, dba: M.C. Strauss Company ("Lessor") and Lach Motorsports LLC, ("Lessee") for the Demised Premises commonly known as 3770 Hancock Street, Suite D, San Diego, CA 92110. Should there be any conflicts between the terms and conditions of this Addendum and the Lease, this Addendum shall prevail.

1. RIGHT OF FIRST REFUSAL:

In the event any contiguous space in the Project (Additional Space"), becomes available for lease to anyone other than the tenant in possession as of the execution date of this Lease, or its successor in interest, Lessee shall have the first right to lease the Additional Space at the then Market Rental Rate (as determined by Lessor) upon the following terms and conditions:

1. Lessee shall not be in default under this Lease.
2. Lessor shall deliver written notice to Lessee that the Additional Space is, or will be, available for lease to Lessee for the remaining Term of this Lease. Such notice shall include the then Market Rental Rate, as determined by Lessor, and shall include any other terms and conditions under which Lessor would lease such Additional Space, including, but not limited to, any rent increases throughout the remainder of the term, the condition of the Additional Space, time for Lessee to complete Lessee's Work, etc.
3. Lessee shall have three (3) business days from receipt of Lessor's notice to respond to Lessor in writing whether Lessee shall accept or reject such offer.
4. In the event Lessee fails to notify Lessor in writing within such three (3) business day period, Lessee will be deemed to have rejected Lessor's offer.
5. In the event Lessee rejects, or is deemed to have rejected, Lessor's offer as described herein, Lessee's right of first refusal to lease the Additional Space shall automatically terminate and be of no further force and effect, and Lessor shall then be permitted to lease the Additional Space to any third party on whatever terms and conditions Lessor may determine without any further obligation to Lessee regarding the Additional Space.

LESSOR:

STRAUSS FAMILY TRUST UDT 6/5/92,
DBA: M.C. STRAUSS COMPANY

By: _____

Its: TREE

LESSEE:

LACH MOTORSPORTS LLC

By: _____

Its: Manager

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Exhibit N

SPORTS ARENA BUSINESS PARK

RULES AND REGULATIONS

1. Use of Premises.

(a) All floor area, including vestibules, entrances and returns, doors, fixtures, windows and plate glass shall be maintained in a safe, neat and clean condition.

(b) All trash, refuse and waste material shall be regularly removed from the premises of each occupant and until removal shall be stored (i) in adequate containers, which containers shall be located so as not to be visible to the general public in the Center; and (ii) so as not to constitute any health or fire hazard or nuisance to any occupant.

(c) No portion of the Premises or Center shall be used for lodging purposes.

(d) Neither sidewalks nor walkways shall be used to display, store or place any merchandise, equipment or devices.

(e) No advertising medium, device, instrument or apparatus shall be utilized which can be heard or experienced outside the Premises including, without limiting the generality of the foregoing, flashing lights, searchlights, loudspeakers, phonographs, organs, radios, television or video monitors.

(f) No auction, fire, bankruptcy, or going-out-of-business sale shall be conducted in, at, or about the Center or any portion or portions thereof, except pursuant to court order.

(g) No use shall be made of the Center or any portion or portions thereof which would (i) violate any law, ordinance or regulation; (ii) constitute a nuisance; (iii) constitute a hazardous use; or (iv) violate, suspend; or void any policy or policies of insurance.

(h) All occupants of the Center shall use their best efforts to cause all trucks servicing retail facilities within the Center to load and unload prior to the hours of the Center opening for business to general public.

2. Conduct of Persons.

The following rules and regulations govern the use of roadways, walkways, the Center, parking areas and other common areas and facilities:

(a) No person shall use any roadway or walkway except as a means of egress from or ingress to any floor area or parking area within the Center or adjacent public streets. Such use shall be in an orderly manner and in accordance with directional or other signs or guides. Roadways shall not be used at a speed in excess of ten (10) miles per hour or any lesser posted speed limit and shall not be used for parking or stopping, except for the immediate loading or unloading of passengers. No walkways, hallways or corridors shall be used for other than pedestrian travel.

(b) No person shall use any parking area, except for ingress and egress to and from the Center and for the parking of motors vehicles during the period of time such person or the occupants of such vehicle are customers or business invitees of the establishments within the Center. All motor vehicles shall be parked in an orderly manner within the painted lines defining the individual parking places. During peak periods of business activity, limitations may be imposed as to the length of time for parking use. Such limitations may be made in specified areas.

(c) No person shall use any utility area, truck court or other area reserved for use in connection with the conduct of business, except for the specific purpose for which permission to use such area is given.

(d) No tenant, contractor, agent or employee of any business in the Center shall use any area for motor vehicle parking, except the area or areas specifically designated by Landlord for employee parking and for the particular period of time such use is to be made as determined, or as established by ordinance.

(e) Unless the following prohibitions are forbidden by law, no person shall, in or on any part of the common areas:

(i) Vend, peddle, store, display, place or solicit orders for sales or distribution of any merchandise, equipment, device, service, periodical, book, pamphlet or other matter whatsoever.

(ii) Exhibit any sign, placard, banner, notice or other written material; distribute any circular, booklet, handbill, placard, or other material; solicit signatures or registration for membership in any organization, group or association or contribution for any purpose; parade, rally, patrol, picket, demonstrate, or engage in any conduct that might tend to interfere with or impede the use of any of the common areas by any person entitled to use the same, create a disturbance, attract attention or harass, annoy, disparage or be detrimental to the interest of any of the retail establishments within the Center.

(iii) Throw, discard, or deposit any paper, glass or extraneous matter of any kind, except in designated receptacles, or create litter or hazards of any kind.

(iv) Use any sound-making device of any kind or create or produce in any manner noise or sound that is annoying, unpleasant, or distasteful to occupants or invitees.

(vi) Deface, damage or demolish any sign, light standard or fixture, landscaping material or other improvements within the Center, or the property of customers, business invitees or employees situated within the Center.

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The listing of specific items as being prohibited is not intended to be exclusive, but to indicate in general the manner in which the right to use the common areas solely as a means of access and convenience in shopping at the establishments in the Center is limited and controlled.

3. Prohibited Operations and Nuisances.

No use or operation will be made, conducted or permitted on any part of the Center site, which use or operation is clearly objectionable to the development or operation of the Center. Included among the uses or operations which are objectionable are uses or operations which produce or are accompanied by the following characteristics, which list is not intended to be all inclusive:

(a) Any noise, litter, dust, dirt, odor or other activity which may constitute a public or private nuisance;

(b) Any unusual firing, explosive or other damaging or dangerous hazards (including the storage, display or sale of explosives or fireworks);

(c) Any trailer court, mobile home park, labor camp, junkyard, stockyard or animal raising;

(d) The sale, distribution or growth of marijuana.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: _____

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3770 E

AMENDMENT TO LEASE #5

THIS AMENDMENT, made and entered into November 11, 2013, by and between Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company, as Lessor, and Leszek Kik, dba: Autohaus Munich, as Lessee, does hereby supplement, modify, and amend that certain Amendment to Lease #4 dated October 24, 2011, Amendment to Lease #3 dated October 15, 2009, Amendment to Lease#2 dated April 1, 2009 and Amendment to Lease #1 dated September 8, 2008 and Lease Agreement made and entered into on the October 17, 2006, (collectively, the "Lease"), by and between the above named parties for the premises located at 3770 Hancock Street, Suite E, San Diego, CA 92110.

The parties hereto agree as follows:

1. LEASE TERM. The Lease Term shall extend for twenty-four (24) months commencing November 1, 2013 and expiring October 31, 2015 ("Extended Term").
2. MONTHLY BASE RENT. The Monthly Base Rents for the Extended Term shall be as follows:

   11/1/13 – 10/31/14: $1.20psf x 2,100sf = $2,520.00 per month

   11/1/14 - 10/31/15: $1.25psf x 2,100sf = $2,625.00 per month

   Monthly Water/Sewer Fee shall remain the same at $75.00 per month

3. CONFIDENTIALITY. Lessee shall keep the content and all copies of this Amendment and related documents now or hereafter entered into, and all proposals, materials, information and matters relating thereto, strictly confidential, and shall not disclose, disseminate or distribute any of the same, or permit the same to occur, except to the extent reasonably required for proper business purposes by Lessee's attorneys, insurers, auditors and lenders, and, in such event, Lessee shall obligate any such parties to whom disclosure is permitted to honor the confidentiality provisions hereto, except as may be required by Law or court proceedings.

4. ACCESSIBILITY. The Premises has not undergone an inspection by a Certified Access Specialist (CASp).

5. COUNTERPARTS. This Amendment may be executed in one or more counterparts, each of which counterparts shall constitute an original and all of which counterparts together shall constitute one and the same Amendment. The delivery by Lessor or Lessee of a facsimile signature of this Amendment shall have the same legally binding effect as the delivery of an original signature.

6. ENFORCEABILITY. Lessor acknowledges and represents to Lessee that this Amendment is the binding obligation of Lessor enforceable in accordance with its terms and that Lessor has obtained the consent of its lender or any other third party from whom the Lessor is required to obtain consent for the execution and performance of this Amendment. Lessee acknowledges and represents to Lessor that this Amendment is the binding obligation of Lessee enforceable in accordance with its terms and that Lessee has obtained the consent of its lender, if any, or any other third party from whom the Lessee is required to obtain consent for the execution and performance of this Amendment.

7. CONFLICT OF PROVISIONS; RATIFICATION. In the event of a conflict between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall govern. Except as specifically referenced or addressed herein, all other terms, covenants, and provisions of the Lease are hereby ratified and confirmed and shall remain unchanged and in full force and effect throughout the extended term.

8. ENTIRE AGREEMENT; BINDING. This Amendment represents the entire agreement between Lessor and Lessee regarding the subject matter contained in this Amendment and there are no other terms, obligations, covenants, representations, statements or conditions oral or otherwise of any kind whatsoever between the parties regarding the subject matter contained in this Amendment except as set forth in this Amendment. No amendment or modification to this Amendment shall be effective unless it is in writing and executed by both Lessor and Lessee. All references to the term "Lease" in this Amendment and the Lease shall mean the Lease as amended by this Amendment.

9. CAPTIONS. The captions and section numbers appearing in this Amendment are for convenience only and are not a part of this Amendment and do not in any way limit, amplify, define, construe or describe the scope or intent of the terms or provisions of this Amendment.

10. CAPITALIZED TERMS. All capitalized terms in this Amendment, unless specifically defined herein, shall have the same meaning as in the Lease

11. AUTHORITY TO EXECUTE. Lessor and Lessee represent and warrant to each other that the person executing this Amendment on behalf of such applicable party has the full right, power and authority to execute this Amendment and perform its obligations under this Amendment.

12. SEVERABILITY. If any provision of this Amendment is determined by a court having jurisdiction to be illegal, invalid or unenforceable under any present or future law, the remainder of this Amendment will not be affected thereby. It is the intention of the parties that if any provision is so held to be illegal, invalid or unenforceable, there will be added in lieu thereof a provision as similar in terms to such provision as is possible that is legal, valid and enforceable.

IN WITNESS WHEREOF, the parties have signed this Amendment effective on the date set forth above.

LESSOR:	LESSEE:
STRAUSS FAMILY TRUST UDT 6/5/92, DBA: M.C. STRAUSS CO.	LESZEK KIK DBA: AUTOHAUS MUNICH
By: _____	By: _____
Its: TTEE	

M.C. STRAUSS
COMPANY

January 25, 2012

All Tenants
Sports Arena Business Park
3760, 3770, 3780 Hancock Street
San Diego, CA

RE: Rules and Regulations
Sports Arena Business Park, San Diego, CA

Dear Tenant:

Pursuant to Section 2.9 of your Lease, enclosed please find the Rules and Regulations that will take effective immediately for Sports Arena Business Park.

The Rules and Regulations shall be inserted into your existing Lease agreement as Exhibit N and shall be made a part of the Lease.

Sincerely,

M.C. Strauss
Strauss Family Trust

Enclosure

1/26/12
Mailed letter to Tenants.

990 HIGHLAND DRIVE #200 SOLANA BEACH, CALIFORNIA 92075
PHONE (858) 792-7500 FAX (858) 792-7834

Exhibit N

SPORTS ARENA BUSINESS PARK

RULES AND REGULATIONS

1. Use of Premises.

(a) All floor area, including vestibules, entrances and returns, doors, fixtures, windows and plate glass shall be maintained in a safe, neat and clean condition.

(b) All trash, refuse and waste material shall be regularly removed from the premises of each occupant and until removal shall be stored (i) in adequate containers, which containers shall be located so as not to be visible to the general public in the Center; and (ii) so as not to constitute any health or fire hazard or nuisance to any occupant.

(c) No portion of the Premises or Center shall be used for lodging purposes.

(d) Neither sidewalks nor walkways shall be used to display, store or place any merchandise, equipment or devices.

(e) No advertising medium, device, instrument or apparatus shall be utilized which can be heard or experienced outside the Premises including, without limiting the generality of the foregoing, flashing lights, searchlights, loudspeakers, phonographs, organs, radios, television or video monitors.

(f) No auction, fire, bankruptcy, or going-out-of-business sale shall be conducted in, at, or about the Center or any portion or portions thereof, except pursuant to court order.

(g) No use shall be made of the Center or any portion or portions thereof which would (i) violate any law, ordinance or regulation; (ii) constitute a nuisance; (iii) constitute a hazardous use; or (iv) violate, suspend; or void any policy or policies of insurance.

(h) All occupants of the Center shall use their best efforts to cause all trucks servicing retail facilities within the Center to load and unload prior to the hours of the Center opening for business to general public.

2. Conduct of Persons.

The following rules and regulations govern the use of roadways, walkways, the Center, parking areas and other common areas and facilities:

(a) No person shall use any roadway or walkway except as a means of egress from or ingress to any floor area or parking area within the Center or adjacent public streets. Such use shall be in an orderly manner and in accordance with directional or other signs or guides. Roadways shall not be used at a speed in excess of ten (10) miles per hour or any lesser posted speed limit and shall not be used for parking or stopping, except for the immediate loading or unloading of passengers. No walkways, hallways or corridors shall be used for other than pedestrian travel.

(b) No person shall use any parking area, except for ingress and egress to and from the Center and for the parking of motors vehicles during the period of time such person or the occupants of such vehicle are customers or business invitees of the establishments within the Center. All motor vehicles shall be parked in an orderly manner within the painted lines defining the individual parking places. During peak periods of business activity, limitations may be imposed as to the length of time for parking use. Such limitations may be made in specified areas.

(c) No person shall use any utility area, truck court or other area reserved for use in connection with the conduct of business, except for the specific purpose for which permission to use such area is given.

(d) No tenant, contractor, agent or employee of any business in the Center shall use any area for motor vehicle parking, except the area or areas specifically designated by Landlord for employee parking and for the particular period of time such use is to be made as determined, or as established by ordinance.

(e) Unless the following prohibitions are forbidden by law, no person shall, in or on any part of the common areas:

(i) Vend, peddle, store, display, place or solicit orders for sales or distribution of any merchandise, equipment, device, service, periodical, book, pamphlet or other matter whatsoever.

(ii) Exhibit any sign, placard, banner, notice or other written material; distribute any circular, booklet, handbill, placard, or other material; solicit signatures or registration for membership in any organization, group or association or contribution for any purpose; parade, rally, patrol, picket, demonstrate, or engage in any conduct that might tend to interfere with or impede the use of any of the common areas by any person entitled to use the same, create a disturbance, attract attention or harass, annoy, disparage or be detrimental to the interest of any of the retail establishments within the Center.

(iii) Throw, discard, or deposit any paper, glass or extraneous matter of any kind, except in designated receptacles, or create litter or hazards of any kind.

(iv) Use any sound-making device of any kind or create or produce in any manner noise or sound that is annoying, unpleasant, or distasteful to occupants or invitees.

(vi) Deface, damage or demolish any sign, light standard or fixture, landscaping material or other improvements within the Center, or the property of customers, business invitees or employees situated within the Center.

The listing of specific items as being prohibited is not intended to be exclusive, but to indicate in general the manner in which the right to use the common areas solely as a means of access and convenience in shopping at the establishments in the Center is limited and controlled.

3. Prohibited Operations and Nuisances.

No use or operation will be made, conducted or permitted on any part of the Center site, which use or operation is clearly objectionable to the development or operation of the Center. Included among the uses or operations which are objectionable are uses or operations which produce or are accompanied by the following characteristics, which list is not intended to be all inclusive:

(a) Any noise, litter, dust, dirt, odor or other activity which may constitute a public or private nuisance;

(b) Any unusual firing, explosive or other damaging or dangerous hazards (including the storage, display or sale of explosives or fireworks);

(c) Any trailer court, mobile home park, labor camp, junkyard, stockyard or animal raising;

(d) The sale, distribution or growth of marijuana.

AMENDMENT TO LEASE #4

THIS AMENDMENT, made and entered into this 24Th day of OCTOBER, 2011, by and between Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company, as Lessor, and Leszek Kik, dba Autohaus Munich, as Lessee, does hereby supplement, modify, and amend that certain Amendment to Lease #3 dated October 15, 2009, Amendment to Lease#2 dated April 1, 2009 and Amendment to Lease #1 dated September 8, 2008 and Lease Agreement made and entered into on the October 17, 2006, (collectively, the "Lease"), by and between the above named parties for the premises located at 3770 Hancock Street, Suite E. San Diego, CA 92110. The parties hereto agree as follows:

1. LEASE TERM. The Lease Term shall extend for twenty-four (24) months commencing November 1, 2011 and expiring October 31, 2013 ("Extended Term").

2. MONTHLY BASE RENTS. The Monthly Base Rents for the Extended Term shall be as follows:
   Years 1 and 2: $1.15 psf x 2,100sf = $2,415.00 per month

3. MONTHLY WATER & SEWER FEE. The Monthly Water and Sewer Fee for the Extended Term shall remain at $75.00 per month.

4. TENANT IMPROVEMENTS. Within thirty (30) days upon the execution of this Amendment, Lessor shall install a new roll up door within the Premises, at Lessor's sole cost.

5. TERMINATION CLAUSE. Lessor hereby extends to Lessee the right to terminate the Lease after the sixth (6th) month of the Extended Term provided Lessee gives Lessor ninety (90) days prior written notice to Lessor. Notwithstanding the foregoing, in the event that the 90th day after delivery of such notice to Lessor does not fall on the last day of month, then the termination date shall instead be the last day of the next following month (i.e. If delivery of such notice is April 15th, then the termination date shall be May 31st.)

6. CONFIDENTIALITY. Lessee shall keep the content and all copies of this Amendment and related documents now or hereafter entered into, and all proposals, materials, information and matters relating thereto, strictly confidential, and shall not disclose, disseminate or distribute any of the same, or permit the same to occur, except to the extent reasonably required for proper business purposes by Lessee's attorneys, insurers, auditors and lenders, and, in such event, Lessee shall obligate any such parties to whom disclosure is permitted to honor the confidentiality provisions hereto, except as may be required by Law or court proceedings.

7. COUNTERPARTS. This Amendment may be executed in one or more counterparts, each of which counterparts shall constitute an original and all of which counterparts together shall constitute one and the same Amendment. The delivery by Lessor or Lessee of a facsimile signature of this Amendment shall have the same legally binding effect as the delivery of an original signature.

8. ENFORCEABILITY. Lessor acknowledges and represents to Lessee that this Amendment is the binding obligation of Lessor enforceable in accordance with its terms and that Lessor has obtained the consent of its lender or any other third party from whom the Lessor is required to obtain consent for the execution and performance of this Amendment. Lessee acknowledges and represents to Lessor that this Amendment is the binding obligation of Lessee enforceable in accordance with its terms and that Lessee has obtained the consent of its lender, if any, or any other third party from whom the Lessee is required to obtain consent for the execution and performance of this Amendment.

9. CONFLICT OF PROVISIONS; RATIFICATION. In the event of a conflict between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall govern. Except as specifically referenced or addressed herein, all other terms, covenants, and provisions of the Lease are hereby ratified and confirmed and shall remain unchanged and in full force and effect throughout the Extended Term.

10. ENTIRE AGREEMENT; BINDING. This Amendment represents the entire agreement between Lessor and Lessee regarding the subject matter contained in this Amendment and there are no other terms, obligations, covenants, representations, statements or conditions oral or otherwise of any kind whatsoever between the parties regarding the subject matter contained in this Amendment except as set forth in this Amendment. No amendment or modification to this Amendment shall be effective unless it is in writing and executed by both Lessor and Lessee. All references to the term "Lease" in this Amendment and the Lease shall mean the Lease as

amended by this Amendment.

11. CAPTIONS. The captions and section numbers appearing in this Amendment are for convenience only and are not a part of this Amendment and do not in any way limit, amplify, define, construe or describe the scope or intent of the terms or provisions of this Amendment.

12. CAPITALIZED TERMS. All capitalized terms in this Amendment, unless specifically defined herein, shall have the same meaning as in the Lease.

13. AUTHORITY TO EXECUTE. Lessor and Lessee represent and warrant to each other that the person executing this Amendment on behalf of such applicable party has the full right, power and authority to execute this Amendment and perform its obligations under this Amendment.

14. SEVERABILITY. If any provision of this Amendment is determined by a court having jurisdiction to be illegal, invalid or unenforceable under any present or future law, the remainder of this Amendment will not be affected thereby. It is the intention of the parties that if any provision is so held to be illegal, invalid or unenforceable, there will be added in lieu thereof a provision as similar in terms to such provision as is possible that is legal, valid and enforceable.

IN WITNESS WHEREOF, the parties have signed this Amendment effective on the date set forth above.

LESSOR:

STRAUSS FAMILY TRUST UDT 6/5/92
DBA: M.C. STRAUSS COMPANY

By: _____

Its: _____

LESSEE:

LESZEK KIK
DBA: AUTOHAUS MUNICH

By: _____

AMENDMENT TO LEASE #3

THIS AMENDMENT, made and entered into this 15 day of OCT 2009, by and between Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company, as Lessor, and Leszek Kik dba Autohaus Munich, as Lessee, does hereby supplement, modify, and amend that certain Amendment to Lease#2 dated April 1, 2009 and Amendment to Lease #1 dated September 8, 2008 and Lease Agreement made and entered into on the October 17, 2006, including all Addendums thereto (collectively, the "Lease"), by and between the above named parties for the premises located at 3770 Hancock Street, Suite E, San Diego, CA 92110. The parties hereto agree as follows:

1. LEASE TERM. Lessor and Lessee agree that Lessee is hereby extending its Lease Term for twenty-four (24) months beginning November 1, 2009 and terminating October 31, 2011 ("Extended Term").

2. MONTHLY BASE RENTS. The Monthly Base Rents for the Extended Term shall be as follows:

   Year One: $1.10 psf x 2,100sf = $2,310.00 per month;
   Year Two: $1.15 psf x 2,100sf =$2,415.00 per month.

3. MONTHLY WATER & SEWER FEE. The Monthly Water and Sewer Fee for the Extended Term shall increase to $75.00 per month.

4. TERMINATION CLAUSE. Lessor hereby extends to Lessee the right to terminate this Lease Agreement after the sixth (6th) month of the Extended Term provided Lessee gives Lessor ninety (90) day written termination notice.

5. CONFIDENTIALITY. Tenant shall keep the content and all copies of this Amendment and related documents now or hereafter entered into, and all proposals, materials, information and matters relating thereto, strictly confidential, and shall not disclose, disseminate or distribute any of the same, or permit the same to occur, except to the extent reasonably required for proper business purposes by Tenant's attorneys, insurers, auditors and lenders, and, in such event, Tenant shall obligate any such parties to whom disclosure is permitted to honor the confidentiality provisions hereto, except as may be required by Law or court proceedings.

6. COUNTERPARTS. This Amendment may be executed in one or more counterparts, each of which counterparts shall constitute an original and all of which counterparts together shall constitute one and the same Amendment. The delivery by Lessor or Lessee of a facsimile signature of this Amendment shall have the same legally binding effect as the delivery of an original signature.

7. ENFORCEABILITY. Lessor acknowledges and represents to Lessee that this Amendment is the binding obligation of Lessor enforceable in accordance with its terms and that Lessor has obtained the consent of its lender or any other third party from whom the Lessor is required to obtain consent for the execution and performance of this Amendment. Lessee acknowledges and represents to Lessor that this Amendment is the binding obligation of Lessee enforceable in accordance with its terms and that Lessee has obtained the consent of its lender, if any, or any other third party from whom the Lessee is required to obtain consent for the execution and performance of this Amendment.

8. CONFLICT OF PROVISIONS; RATIFICATION. In the event of a conflict between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall govern. Except as specifically referenced or addressed herein, all other terms, covenants, and provisions of the Lease are hereby ratified and confirmed and shall remain unchanged and in full force and effect throughout the Extended Term.

9. ENTIRE AGREEMENT; BINDING. This Amendment represents the entire agreement between Lessor and Lessee regarding the subject matter contained in this Amendment and there are no other terms, obligations, covenants, representations, statements or conditions oral or otherwise of any kind whatsoever between the parties regarding the subject matter contained in this Amendment except as set forth in this Amendment. No amendment or modification to this Amendment shall be effective unless it is in writing and executed by both Lessor and Lessee. All references to the term "Lease" in this Amendment and the Lease shall mean the Lease as amended by this Amendment.

10. CAPTIONS. The captions and section numbers appearing in this Amendment are for convenience only and are not a part of this Amendment and do not in any way limit, amplify, define, construe or describe the scope or intent of the terms or provisions of this Amendment.

11. CAPITALIZED TERMS. All capitalized terms in this Amendment, unless specifically defined herein, shall have the same meaning as in the Lease.

12. AUTHORITY TO EXECUTE. Lessor and Lessee represent and warrant to each other that the person executing this Amendment on behalf of such applicable party has the full right, power and authority to execute this Amendment and perform its obligations under this Amendment.

13. SEVERABILITY. If any provision of this Amendment is determined by a court having jurisdiction to be illegal, invalid or unenforceable under any present or future law, the remainder of this Amendment will

not be affected thereby. It is the intention of the parties that if any provision is so held to be illegal, invalid or unenforceable, there will be added in lieu thereof a provision as similar in terms to such provision as is possible that is legal, valid and enforceable.

IN WITNESS WHEREOF, the parties have signed this Amendment effective on the date set forth above.

LESSOR:

STRAUSS FAMILY TRUST UDT 6/5/92
DBA: M.C. STRAUSS COMPANY

By: _____

Its: _____

LESSEE:

LESZEK KIK
DBA: AUTOHAUS MUNICH

By: _____

AMENDMENT TO LEASE #2

THIS AMENDMENT, made and entered into this 1st day of April 2009, by and between Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company, as Lessor, and Leszek Kik dba Autohaus Munich, as Lessee, does hereby supplement, modify, and amend that certain Amendment to Lease #1 dated September 8, 2008 and Lease Agreement made and entered into on the October 17, 2006, including all Addendums thereto (collectively, the "Lease"), by and between the above named parties for the premises located at 3770 Hancock Street, Suite E, San Diego, CA 92110. The parties hereto agree as follows:

1. MONTHLY BASE RENT. In response to Tenant's request of hardship due to the current economy, effective April 1, 2009, the Monthly Base Rents shall be reduced from $2,520.00 to $2,310.00 per month, plus Water & Sewer Fees of $60.00 per month = $2,370.00 per month for the remainder of the Extended Term.

2. DEFINED TERMS. All initial capitalized terms used in this Amendment shall have the right same meaning given such terms in the Lease, unless otherwise defined in this Amendment.

3. COUNTERPARTS. This Amendment may be executed in one or more counterparts, each of which counterparts shall constitute an original and all of which counterparts together shall constitute one and the same Amendment. The delivery by Lessor or Lessee of a facsimile signature of this Amendment shall have the same legally binding effect as the delivery of an original signature.

4. ENFORCEABILITY. Lessor acknowledges and represents to Lessee that this Amendment is the binding obligation of Lessor enforceable in accordance with its terms and that Lessor has obtained the consent of its lender or any other third party from whom the Lessor is required to obtain consent for the execution and performance of this Amendment. Lessee acknowledges and represents to Lessor that this Amendment is the binding obligation of Lessee enforceable in accordance with its terms and that Lessee has obtained the consent of its lender, if any, or any other third party from whom the Lessee is required to obtain consent for the execution and performance of this Amendment.

5. CONFLICT OF PROVISIONS; RATIFICATION. In the event of a conflict between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall govern. Except as specifically referenced or addressed herein, all other terms, covenants, and provisions of the Lease are hereby ratified and confirmed and shall remain unchanged and in full force and effect throughout the Extended Term.

6. ENTIRE AGREEMENT; BINDING. This Amendment represents the entire agreement between Lessor and Lessee regarding the subject matter contained in this Amendment and there are no other terms, obligations, covenants, representations, statements or conditions oral or otherwise of any kind whatsoever between the parties regarding the subject matter contained in this Amendment except as set forth in this Amendment. No amendment or modification to this Amendment shall be effective unless it is in writing and executed by both Lessor and Lessee. All references to the term "Lease" in this Amendment and the Lease shall mean the Lease as amended by this Amendment.

7. CAPTIONS. The captions and section numbers appearing in this Amendment are for convenience only and are not a part of this Amendment and do not in any way limit, amplify, define, construe or describe the scope or intent of the terms or provisions of this Amendment.

8. AUTHORITY TO EXECUTE. Lessor and Lessee represent and warrant to each other that the person executing this Amendment on behalf of such applicable party has the full right, power and authority to execute this Amendment and perform its obligations under this Amendment.

9. SEVERABILITY. If any provision of this Amendment is determined by a court having jurisdiction to be illegal, invalid or unenforceable under any present or future law, the remainder of this Amendment will not be affected thereby. It is the intention of the parties that if any provision is so held to be illegal, invalid or unenforceable, there will be added in lieu thereof a provision as similar in terms to such provision as is possible that is legal, valid and enforceable.

IN WITNESS WHEREOF, the parties have signed this Amendment effective on the date set forth above.

LESSOR:

STRAUSS FAMILY TRUST UDT 6/5/92
DBA: M.C. STRAUSS COMPANY

By: _____

Its: Trustee

LESSEE:

LESZEK KIK DBA:
AUTOHAUS MUNICH

By: _____

AMENDMENT TO LEASE #1

THIS AMENDMENT, made and entered into this 8th day of September 2008, by and between the Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company, as Lessor and Leszek Kik dba Autohaus Munich, as Lessee, does hereby supplement, modify, and amend that certain Lease Agreement made and entered into on the October 17, 2006, including all Addendums thereto, by and between the above named parties for the premises located at 3770 Hancock Street, Suite E, San Diego, CA 92110. The parties hereto agree as follows:

1. LEASE TERM. Lessor and Lessee agree that Lessee is hereby extending its Lease Term for twelve (12) months beginning November 1, 2008 and terminating October 31, 2009 ("Extended Term").

2. MONTHLY BASE RENTS. The Monthly Base Rents for the Extended Term shall increase from $2,392.00 per month to $2,520.00 per month.

3. MONTHLY WATER & SEWER FEE. The Monthly Water and Sewer Fee for the Extended Term shall increase from $50.00 per month to $60.00 per month.

4. TERMINATION CLAUSE. Lessor hereby extends to Lessee the right to terminate this Lease Agreement after the sixth (6th) month of the Extended Term provided Lessee gives Lessor ninety (90) day written termination notice.

5. DEFINED TERMS. All initial capitalized terms used in this Amendment shall have the right same meaning given such terms in the Lease, unless otherwise defined in this Amendment.

6. COUNTERPARTS. This Amendment may be executed in one or more counterparts, each of which counterparts shall constitute an original and all of which counterparts together shall constitute one and the same Amendment. The delivery by Lessor or Lessee of a facsimile signature of this Amendment shall have the same legally binding effect as the delivery of an original signature.

7. ENFORCEABILITY. Lessor acknowledges and represents to Lessee that this Amendment is the binding obligation of Lessor enforceable in accordance with its terms and that Lessor has obtained the consent of its lender or any other third party from whom the Lessor is required to obtain consent for the execution and performance of this Amendment. Lessee acknowledges and represents to Lessor that this Amendment is the binding obligation of Lessee enforceable in accordance with its terms and that Lessee has obtained the consent of its lender, if any, or any other third party from whom the Lessee is required to obtain consent for the execution and performance of this Amendment.

8. CONFLICT OF PROVISIONS; RATIFICATION. In the event of a conflict between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall govern. Except as specifically referenced or addressed herein, all other terms, covenants, and provisions of the Lease are hereby ratified and confirmed and shall remain unchanged and in full force and effect throughout the Extended Term.

9. ENTIRE AGREEMENT; BINDING. This Amendment represents the entire agreement between Lessor and Lessee regarding the subject matter contained in this Amendment and there are no other terms, obligations, covenants, representations, statements or conditions oral or otherwise of any kind whatsoever between the parties regarding the subject matter contained in this Amendment except as set forth in this Amendment. No amendment or modification to this Amendment shall be effective unless it is in writing and executed by both Lessor and Lessee. All references to the term "Lease" in this Amendment and the Lease shall mean the Lease as amended by this Amendment.

10. CAPTIONS. The captions and section numbers appearing in this Amendment are for convenience only and are not a part of this Amendment and do not in any way limit, amplify, define, construe or describe the scope or intent of the terms or provisions of this Amendment.

11. AUTHORITY TO EXECUTE. Lessor and Lessee represent and warrant to each other that the person executing this Amendment on behalf of such applicable party has the full right, power and authority to execute this Amendment and perform its obligations under this Amendment.

12. SEVERABILITY. If any provision of this Amendment is determined by a court having jurisdiction to be illegal, invalid or unenforceable under any present or future law, the remainder of this Amendment will not be affected thereby. It is the intention of the parties that if any provision is so held to be illegal, invalid or unenforceable, there will be added in lieu thereof a provision as similar in terms to such provision as is possible that is legal, valid and enforceable.

IN WITNESS WHEREOF, the parties have signed this Amendment effective on the date set forth above.

LESSOR:
STRAUSS FAMILY TRUST UDT 6/5/92
DBA M.C. STRAUSS COMPANY

By: _____

Its: _____

Date: Sept 26, 2008

LESSEE:
LESZEK KIK
DBA AUTOHAUS MUNICH

By: _____

Date: 24 SEP 2008

By and Between

Strauss Family Trust UDT 6/5/92

dba. M.C. Strauss Company

as: Landlord / Lessor

and

LESZEK KIK

DBA: AUTOHAUS MUNICH

As Tenant / Lessee

At 3770 Hancock Street, Suite E
San Diego, CA 92110

Dated for Reference Purposes
As of October 17, 2006

Standard Commercial Multi-Tenant Lease

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Standard Commercial Multi-Tenant Lease

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Exhibit B:	Building & Demised Premises Plan
Exhibit C:	Addendum to Commercial/Industrial Multi-Tenant Lease
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Exhibit I:	Credit Information Form
Exhibit J & J-1:	Guaranty and Spousal Consent
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Exhibit L:	Option(s) to Extend
Exhibit M:	Special Addenda

STANDARD INDUSTRIAL/ COMMERCIAL MULTI-TENANT LEASE—GROSS AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

1. **Basic Provisions ("Basic Provisions").**

1.1 **Parties:** This Lease ("**Lease**"), dated for reference purposes only October 17, 2006, is made by and between _____ The Strauss Family Trust UDT 6/5/1992 dba M.C. Strauss Company ("**Lessor**") and Leszek Kik dba Autohaus Munich ("**Lessee**"), (collectively the "**Parties**", or individually a "**Party**").

1.2(a) **Premises:** That certain portion of the Project (as defined below), including all Improvements therein or to be provided by Lessor under the terms of this Lease, commonly known by the street address of 3770 Hancock Street, Suite E, located in the City of San Diego, County of San Diego, State of California, with zip code 92110, as outlined on Exhibit A & A-1 attached hereto ("**Premises**") and generally described as (describe briefly the nature of the Premises): Sport Arena Business Park. The demised premises consists of approx. 2,100 square feet. The property is further described on Exhibit A & A.1

In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Areas (as defined in Paragraph 2.7 below) as hereinafter specified, but shall not have any rights to the roof, exterior walls or utility raceways of the building containing the Premises ("**Building**") or to any other buildings in the Project. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the "**Project**." (See also Paragraph 2.)

1.2(b) **Parking:** See Exhibit C item 14 unreserved vehicle parking spaces ("**Unreserved Parking Spaces**"); and N/A reserved vehicle parking spaces ("**Reserved Parking Spaces**"). (See also Paragraph 2.6)

1.3 **Term:** Two (2) years and N/A months ("**Original Term**") commencing November 1, 2006 ("**Commencement Date**") and ending October 31, 2008 ("**Expiration Date**"). (See also Paragraph 3.) (see Exhibit K)

1.4 **Early Possession:** upon signing, payments and certificate of insurance ("**Early Possession Date**"). (See also Paragraphs 3.2 and 3.3.)

1.5 **Base Rent:** $2,300.00 per month ("**Base Rent**"), payable on the First day of each month commencing November 1, 2006. (See also Paragraph 4.)

☛☐ If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted. See Exhibit F.

1.6 **Lessee's Share of Common Area Operating Expenses:** N/A percent (___%) ("**Lessee's Share**")

1.7 **Base Rent and Other Monies paid Upon Execution:**

(a) Base Rent: $2,300.00 for the period November 1-30, 2006.

(b) Common Area Operating Expenses: $ *does not apply for the period *does not apply.

(c) Security Deposit: $2,300.00 transferred from previous lease plus $165.00 upon execution of this agreement ("**Security Deposit**"). (See also Paragraph 5.)

(d) Other: $50.00 per month for water & sewer.

(e) Total Due Upon Execution of this Lease: $165.00 Additional Security Deposit.

1.8 **Agreed Use:** Automobile Repair only. See Exhibit H. (See also Paragraph 6.)

1.9 **Insuring Party:** Lessor is the "**Insuring Party**". (See also Paragraph 8.)

1.10 **Real Estate Brokers:** (See also Paragraph 5).

(a) **Representation:** The following real estate brokers (the "**Brokers**") and brokerage relationships exist in this transition (check applicable boxes):

☛☐ Pacific Real Estate Group represents Lessor exclusively ("**Lessor's Broker**");

☐ _____ represents Lessee exclusively ("**Lessee's Broker**"); or

☐ _____ represents both Lessor and Lessee ("**Dual Agency**").

(b) **Payment to Brokers:** Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Brokers the brokerage fee agreed to in a separate written agreement (or if there is no such agreement, the sum of _____ or _____% of the total Base Rent for the brokerage services rendered by the Brokers).

1.11 **Guarantor.** The obligations of the Lessee under this Lease are to be guaranteed by See Exhibits J and J.1 ("**Guarantor**"). (See also Paragraph 37.)

1.12 **Addenda and Exhibits:** Attached hereto is an Addendum or Addenda consisting of Paragraphs ----- through ----- and Exhibits A through M, all of which constitute a part of this lease.

2. **Premises.**

2.1 **Letting.** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of size set forth in this Lease, or that may have been used in calculating Rent, is an approximation which the Parties agree is reasonable and any payments based thereon are not subject to revision whether or not the actual size is more or less.

2.2 **Condition.** Lessor shall deliver that portion of the Premises contained within the Building ("**Unit**") to Lessee broom clean and free of debris on the Commencement Date or the Early Possession Date, whichever first occurs ("**Start Date**"), and, so long as the required service contracts described in Paragraph 7.1(b) below are obtained by Lessee and in effect within thirty days following the Start Date, warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems ("**HVAC**"), loading doors, if any, and all other such elements in the Unit, other than those constructed by Lessee, shall be in good operating condition on said date and that the structural elements of the roof, bearing walls and foundation of the Unit shall be free of material defects. If a non-compliance with such warranty exists as of the Start Date, or if one of such systems or elements should malfunction or fail within the appropriate warranty period, Lessor shall, as Lessor's sole obligation with respect to such matter, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, malfunction or failure, rectify same at Lessor's expense. The warranty periods shall be as follows: (i) 6 months as to the HVAC systems, and (ii) 30 days as to the remaining systems and other elements of the Unit. If Lessee does not give Lessor the required notice within the appropriate warranty period, correction of any such non-compliance, malfunction or failure shall be the obligation of Lessee at Lessee's sole cost and expense (except for the repairs to the fire sprinkler systems, roof, foundations, and/or bearing walls—see Paragraph 7).

2.3 **Compliance.** Lessor warrants that the Improvements on the Premises and the Common Areas comply with the building codes that were in effect at the time that each such Improvement, or portion thereof and also with all applicable laws, covenants or restrictions of record, regulations, and ordinances in effect on the Start Date ("**Applicable Requirements**"). Said warranty does not apply to the use of which Lessee will put the Premises or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a).) made or to be made by Lessee. **NOTE: Lessee is responsible for determining whether or not the zoning is appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed.** If the Premises do not comply with said warranty; Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within 6 months following the Start Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense. If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Unit, Premises and/or Building, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Unit, Premises and/or Building ("**Capital Expenditure**"), Lessor and Lessee shall allocate the cost of such work as follows:

(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof, provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease and the cost thereof exceeds 6 months'

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Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within 10 days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and the amount equal to 6 months' Base Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least 90 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor and Lessee shall allocate the obligation to pay for the portion of such costs reasonably attributable to the Premises pursuant to the formula set out in Paragraph 7.1(d); provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with Interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor.

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to non-voluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall be fully responsible for the cost thereof, and Lessee shall not have any right to terminate this Lease.

2.4 **Acknowledgements.** Lessee acknowledges that: (a) it has been advised by Lessor and/or Brokers to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler Systems, security, environmental aspects, and compliance with Applicable Requirements and the Americans with Disabilities Act), and their suitability for Lessee's intended use, (b) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefore as the same relate to its occupancy of the Premises, and (c) neither Lessor, Lessor's Agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (ii) it is Lessor's solo responsibility to investigate the financial capability and/or suitability of all proposed tenants. (See Exhibit D)

2.5 **Lessee as Prior Owner/Occupant.** The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the Start Date Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.

2.6 **Vehicle Parking.** Lessee shall be entitled to use the number of Unreserved Parking Spaces and Reserved Parking Spaces specified in Paragraph 1.2(b) on those portions of the Common Areas designated from time to time by Lessor for parking. Lessee shall not use more parking spaces than said number. Said parking spaces shall be used for parking by vehicles no larger than full-size passenger automobiles or pick-up trucks, herein called "**Permitted Size Vehicles.**" Lessor may regulate the loading and unloading of vehicles by adopting Rules and Regulations as provided in Paragraph 2.9. No vehicles other than Permitted Size Vehicles may be parked in the Common Area without the prior written permission of Lessor.

(a) Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, contractors or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.

(b) Lessee shall not service or store any vehicles in the Common Areas.

(c) If Lessee permits or allows any of the prohibited activities described in this Paragraph 2.6, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.7 **Common Areas—Definition.** The term "**Common Areas**" is defined as all areas and facilities outsice the Premises and within the exterior boundary line of the Project and interior utility raceways and installations within the Unit that are provided and designated by the Lessor from time to time for the general non-exclusive use of Lessor, Lessee and other tenants of the Project and their respective employees, suppliers, shippers, customers, contractors and invitees, including parking areas, loading and unloading areas, trash areas, roadways, walkways, driveways and landscaped areas.

2.8 **Common Areas—Lessee's Rights.** Lessor grants to Lessee, for the benefit of Lessee and its employees, suppliers, shippers, contractors, customers and invitees, during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Lessor under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Project. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Lessor or Lessor's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.9 **Common Areas—Rules and Regulations.** Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to establish, modify, amend and enforce reasonable rules and regulations ("**Rules and Regulations**") for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Project and their invitees. Lessee agrees to abide by and conform to all such Rules and Regulations, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessor shall not be responsible to Lessee for the non-compliance with said Rules and Regulations by other tenants of the Project.

2.10 **Common Areas—Changes.** Lessor shall have the right, in Lessor's sole discretion, from time to time:

(a) To make changes to the Common Areas, including, without limitation, changes in the location, size, shape and number of driveways, entrances, parking spaces, Parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways;

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;

(c) To designate other land outside the boundaries of the Project to be a part of the Common Areas;

(d) To add additional buildings and improvements to the Common Areas;

(e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Project, or any portion thereof; and

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Project as Lessor may, in the exercise of sound business judgment, deem to be appropriate.

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3. Term.

3.1 **Term.** The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3. (see Exhibit C #2)

3.2 **Early Possession.** If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early possession. All other terms of this Lease (including but not limited to the obligations to pay Lessee's Share of Common Area Operating Expenses, Real Property taxes and insurance premiums and to maintain the Premises) shall, however, be in effect during such period. Any such early possession shall not affect the Expiration Date. (See Exhibit C # 1)

3.3 **Delay In Possession.** Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession as agreed, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until it receives possession of the Premises. If possession is not delivered within 60 days after the Commencement Date, Lessee may, at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10 day period, Lessee's right to cancel shall terminate. Except as otherwise provided, if possession is not tendered to Lessee by the Start Date and Lessee does not terminate this Lease, as aforesaid, any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession of the Premises is not delivered within 4 months after the Commencement Date, this Lease shall terminate, unless other agreements are reached between Lessor and Lessee, in writing. (See Exhibit C #12)

3.4 **Lessee Compliance.** Lessor shall not be required to tender possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of Insurance (Paragraph 8.5). Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.

4. Rent.

4.1 **Rent Defined.** All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit) are deemed to be rent ("**Rent**").

4.2 **Common Area Operating Expenses.** Lessee shall pay to Lessor during the term hereof, in addition to the Base Rent, Lessee's Share (as specified in Paragraph 1.6) of all Common Area Operating Expenses, as hereinafter defined, during each calendar year of the term of this Lease, in accordance with the following provisions:

(a) "**Common Area operating Expenses**" are defined, for purposes of this Lease, as all costs incurred by Lessor relating to the ownership and operation of the Project, including, but not limited to, the following:

(i) The operation, repair and maintenance, in neat, clean, good order and condition, but not the replacement (see subparagraph (c)), of the following:

(aa) The Common Areas and Common Area improvements, including parking areas, loading and unloading areas, trash areas, roadways, parkways, walkways, driveways, landscaped areas, bumpers, irrigation systems, Common Area lighting facilities, fences and gates, elevators, roofs, and roof drainage systems.

(bb) Exterior signs and any tenant directories.

(cc) Any fire sprinkler systems.

(ii) The cost of water, gas, electricity and telephone to service the Common Areas and any utilities not separately metered.

(iii) Trash disposal, pest control services, property management, security services, and the costs of any environmental inspections.

(iv) Reserves set aside for maintenance and repair of Common Areas.

(v) Any increase above the Base Real Property Taxes (as defined in Paragraph 10)

(vi) Any "Insurance Cost Increase" (as defined in Paragraph 8).

(vii) Any deductible portion of an insured loss concerning the Building or the Common Areas.

(viii) The cost of any Capital Expenditure to the Building or the Project not covered under the provisions of Paragraph 2.3 provided; however, that Lessor shall allocate the cost of any such Capital Expenditure over a 12 year period and Lessee shall not be required to pay more than Lessee's Share of 1/144th of the cost of such Capital Expenditure in any given month.

(ix) Any other services to be provided by Lessor that are stated elsewhere in this Lease to be a Common Area Operating Expense.

(b) Any Common Area Operating Expenses and Real Property Taxes that are specifically attributable to the Unit, the Building or to any other building in the Project or to the operation, repair and maintenance thereof, shall be allocated entirely to such Unit, Building, or other building. However, any Common Area Operating Expenses and Real Property Taxes, that are not specifically attributable to the Building or to any other building or to the operation, repair and maintenance thereof, shall be equitably allocated by Lessor to all buildings in the Project. (See Exhibit C, Items 3 & 4.)

(c) The inclusion of the improvements, facilities and services set forth in Subparagraph 4.2(a) shall not be deemed to impose an obligation upon Lessor to either have said improvements or facilities or to provide those services unless the Project already has the same, Lessor already provides the services, or Lessor has agreed elsewhere in this Lease to provide the same or some of them.

(d) Lessee's Share of Common Area Operating Expenses shall be payable by Lessee within 10 days after a reasonably detailed statement of actual expenses is presented to Lessee. At Lessor's option, however, an amount may be estimated by Lessor from time to time of Lessee's Share of annual Common Area Operating Expenses and the same shall be payable monthly or quarterly, as Lessor shall designate, during each 12 month period of the Lease term, on the same day as the Base Rent is due hereunder. Lessor shall deliver to Lessee within 60 days after the expiration of each calendar year a reasonably detailed statement showing Lessee's Share of the actual Common Area Operating Expenses incurred during the preceding year. If Lessee's payments under this Paragraph 4.2(d) during the preceding year exceed Lessee's Share as indicated on such statement, Lessor shall credit the amount of such over-payment against Lessee's Share of Common Area Operating Expenses next becoming due. If Lessee's payments under this Paragraph 4.2(d) during the preceding year were less than Lessee's Share as indicated on such statement, Lessee shall pay to Lessor the amount of the deficiency within 10 days after delivery by Lessor to Lessee of the statement.

(e) When a capital component such as the roof, foundations, exterior walls or a Common Area capital improvement, such as the parking lot paving, elevators, fences, etc. requires replacement, rather than repair or maintenance, Lessor shall, at Lessor's expense, be responsible for such replacement. Such expenses and/or costs are not Common Area Operating Expenses.

4.3 **Payment.** Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States, without offset or deduction (except as specifically permitted in this Lease), on or before the day on which it is due. Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a Waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating. In the event that any check, draft, or other instrument of payment given by Lessee to Lessor is dishonored for any reason, Lessee agrees to pay to Lessor the sum of $25.

5. **Security Deposit.** Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease, Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of the Security Deposit, Lessee shall within 10 days after written request therefor deposit monies with Lessor sufficient to restore said Security Deposit to the full amount

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required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sub lessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, in Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within 14 days after the expiration or termination of this Lease, if Lessor elects to apply the Security Deposit only to unpaid Rent, and otherwise within 30 days after the Premises have been vacated pursuant to Paragraph 7.4(c) below, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease.

6. **Use.**

6.1 **Use.** Lessee shall use and occupy the Premises only for the Agreed Use, or any other legal use which is reasonably comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties. Lessor shall not unreasonably withhold or delay its consent to any written request for a modification of the Agreed Use, so long as the same will not impair the structural integrity of the improvements on the Premises or the mechanical or electrical systems therein, and/or is not significantly more burdensome to the Premises. If Lessor elects to withhold consent, Lessor shall within 7 days after such request give written notification of same, which notice shall include an explanation of Lessor's objections to the change in the Agreed Use. (See Exhibit C, Item 5.)

6.2 **Hazardous Substances.**

(a) **Reportable Uses Require Consent.** The term "**Hazardous Substance**" as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either; (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, by-products or fractions thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee's expense) with all Applicable Requirements. "**Reportable Use**" shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability: including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit.

(b) **Duty to Inform Lessor.** If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(c) **Lessee Remediation.** Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) **Lessee Indemnification.** Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, or any Third party (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from areas outside of the Project). Lessee's obligations shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

(e) **Lessor Indemnification.** Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which existed as a result of Hazardous Substances on the Premises prior to the Start Date or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

(f) **Investigations and Remediations.** Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to the Start Date, unless such remediation measure is required as a result of Lessee's use (including "Alterations," as defined in Paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessor's investigative and remedial responsibilities.

(g) **Lessor Termination Option.** If a Hazardous Substance Condition (see Paragraph 9.1(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to remediate such condition exceeds 12 times the then monthly Base Rent or $100,000, whichever is greater, give written notice to Lessee, within 30 days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within 10 days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to 12 times the then monthly Base Rent or $100,000, whichever is greater. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation, as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

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6.3 **Lessee's Compliance with Applicable Requirements.** Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the Premises, without regard to whether said requirements are now in effect or become effective after the Start Date. Lessee shall, within 10 days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements.

6.4 **Inspection Compliance.** Lessor and Lessor's "Lender" (as defined in Paragraph 30) and consultants shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a contamination is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination.

7. **Maintenance; Repairs, Utility Installations; Trade Fixtures and Alterations.**

7.1 **Lessee's Obligations.**

(a) **In General.** Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance), 6.3 (Lessee's Compliance with Applicable Requirements), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole expense, keep the Premises, Utility Installations (intended for Lessee's exclusive use, no matter where located), and Alterations in good order, condition and repair (whether or not the portion of the Premises requiring repairs, or the means or repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, but not limited to, all equipment or facilities, such as plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fixtures, interior walls, interior surfaces of exterior walls, ceilings, floors, windows, doors, plate glass, and skylights but excluding any items which are the responsibility of Lessor pursuant to Paragraph 7.2. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Paragraph 7.1(b) below. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair. (See Exhibit C, Item 6.)

(b) **Service Contracts.** Lessee shall, at Lessee's sole expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in the maintenance of the following equipment and improvements, if any, if and when installed on the Premises: (i) HVAC equipment, (ii) boiler and pressure vessels, (iii) clarifiers, and (iv) any other equipment, if reasonably required by Lessor. However, Lessor reserves the right, upon notice to Lessee, to procure and maintain any or all of such service contracts, and if Lessor so elects, Lessee shall reimburse Lessor, upon demand, for the cost thereof.

(c) **Failure to Perform.** If Lessee fails to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after 10 days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, and Lessee shall promptly reimburse Lessor for the cost thereof.

(d) **Replacement.** Subject to Lessee's indemnification of Lessor as set forth in Paragraph 8.7 below, and without relieving Lessee of liability resulting from Lessee's failure to exercise and perform good maintenance practices, if an item described in Paragraph 7.1(b) cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such item, then such item shall be replaced by Lessor, and the cost thereof shall be prorated between the Parties and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease, on the date on which Base Rent is due, an amount equal to the product of multiplying the cost of such replacement by a fraction, the numerator of which is one, and the denominator of which is 144 (ie. 1/144th of the cost per month). Lessee shall pay interest on the unamortized balance at a rate that is commercially reasonable in the judgment of Lessor's accountants. Lessee may, however, prepay its obligation at any time.

7.2 **Lessor's Obligations.** Subject to the Provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 4.2 (Common Area Operating Expenses), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler system, Common Area fire alarm and/or smoke detection systems, fire hydrants, parking lots, walkways, parkways, driveways, landscaping, fences, signs and utility systems serving the Common Areas and all parts thereof, as well as providing the services for which there is a Common Area Operating Expense pursuant to Paragraph 4.2. Lessor shall not be obligated to paint the exterior or interior surfaces of exterior walls nor shall Lessor be obligated to maintain, repair or replace windows, doors or plate glass of the Premises. Lessee expressly waives the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease.

7.3 **Utility Installations; Trade Fixtures; Alterations.**

(a) **Definitions.** The term "**Utility Installations**" refers to all floor and window coverings, air lines, power panels, electrical distribution, security and fire protection systems, communication systems, lighting fixtures, HVAC equipment, plumbing, and fencing in or on the Premises. The term "**Trade Fixtures**" shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term "**Alterations**" shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. "**Lessee Owned Alterations and/or Utility Installations**" are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a).

(b) **Consent.** Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, and the cumulative cost thereof during this Lease as extended does not exceed a sum equal to 3 month's Base Rent in the aggregate or a sum equal to one month's Base Rent in any one year. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor.

(c) **Indemnification.** Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or material men's lien against the Premises or any interest therein. Lessee shall give Lessor not less than 10 days notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to 150% of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys' fees and costs.

7.4 **Ownership; Removal; Surrender; and Restoration.**

(a) **Ownership.** Subject to Lessor's right to require removal or elect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

(b) **Removal.** By delivery to Lessee of written notice from Lessor not earlier than 90 and not later than 30 days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent.

(c) **Surrender; Restoration.** Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing, if this Lease is for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures, Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall also completely remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Project) even if such removal would require Lessee to perform or pay for work that exceeds statutory requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below. (See Exhibit C, Item 7.)

8. **Insurance Indemnity.**

8.1 **Payment of Premium Increases.**

(a) As used herein, the term "**Insurance Cost Increase**" is defined as any increase in the actual cost of the insurance applicable to the Building and/or the Project and required to be carried by Lessor, pursuant to Paragraphs 8.2(b), 8.3(a) and 8.3(b) ("**Required Insurance**"), over and above the Base Premium, as hereinafter defined, calculated on an annual basis. Insurance Cost Increase shall include, but not be limited to, requirements of the holder of a mortgage or deed of trust covering the Premises, Building and/or Project, increased valuation of the Premises, Building and/or Project, and/or a general premium rate increase. The term Insurance Cost Increase shall not, however, include any premium increases resulting from the nature of the occupancy of any other tenant of the Building. If the parties insert a dollar amount in Paragraph 1.9, such amount shall be considered the "**Base Premium.**" The Base Premium shall be the annual premium applicable to the 12 month period immediately preceding the Start Date. If, however, the Project was not insured for the entirety of such 12 month period, then the Base Premium shall be the lowest annual premium reasonably obtainable for the Required Insurance as of the Start Date, assuming the most nominal use possible of the Building. In no event, however, shall Lessee be responsible for any portion of the premium cost attributable to liability insurance coverage in excess of $2,000,000 procured under Paragraph 8.2(b).

(b) Lessee shall pay any Insurance Cost Increase to Lessor pursuant to Paragraph 4.2. Premiums for policy periods commencing prior to, or extending beyond, the term of this Lease shall be prorated to coincide with the corresponding Start Date or Expiration Date.

8.2 **Liability Insurance.**

(a) **Carried by Lessee.** Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $1,000,000 per occurrence with an annual aggregate of not less than $2,000,000, an "Additional Insured-Managers or Lessor's of Premises Endorsement" and contain the "Amendment of the Pollution Exclusion Endorsement" for damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "Insured Contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance carried by Lessee shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only. (See Exhibit C, Item 8.)

(b) **Carried by Lessor.** Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 **Property Insurance – Building, Improvements and Rental Value.**

(a) **Building and Improvements.** Lessor shall obtain and keep in force a policy or policies of insurance in the name of Lessor, with loss Payable to Lessor, any ground-lessor, and to any Lender insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full replacement cost of the Premises, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available insurable value thereof. Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee under Paragraph 8.4. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed $1,000 per occurrence.

(b) **Rental Value.** Lessor shall also obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one year with an extended period of indemnity for an additional 180 days ("Rental Value Insurance"). Said insurance shall contain an agreed valuation provision, in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next 12 month period.

(c) **Adjacent Premises.** Lessee shall pay for any increase in the premiums for the property insurance of the Building and for the Common Areas or other buildings in the Project if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(d) **Lessee's Improvements.** Since Lessor is the Insuring Party, Lessor shall not be required to insure Lessee Owned Alterations and Utility Installations unless the item in question has become the property of Lessor under the terms of this Lease.

8.4 **Lessee's Property; Business Interruption Insurance.**

(a) **Property Damage.** Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures, and Lessee Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed $1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of Personal Property, Trade Fixtures and Lessee Owned Alterations and Utility Installations. Lessee shall provide Lessor with written evidence that such insurance in force.

(b) **Business Interruption.** Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all Perils commonly insured against by prudent Lessee's in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

(c) **No Representation of Adequate Coverage.** Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.

8.5 **Insurance Policies.** Insurance required herein shall be by companies duly licensed or admitted to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B+, V, as set forth in the most current issue of "Best's Insurance Guide," or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates evidencing the existence and amounts of the required insurance. No such policy shall be cancelable or subject to modification except after 30 days prior written notice to Lessor. Lessee shall, at least 30 days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same.

8.6 **Waiver of Subrogation.** Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation, that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 **Indemnity.** Except for Lessor's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified.

8.8 **Exemption of Lessor from Liability.** Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the Building, or from other sources or places. Lessor shall not be liable for any damages arising from any act or neglect of any other tenant of Lessor nor from the failure of Lessor to enforce the provisions of any other lease in the Project. Notwithstanding Lessor's negligence or breach of this Lease, Lessor shall under no circumstances be liable for injury to Lessee's business or for any loss of income or profit there from.

9. **Damage or Destruction.**

9.1 Definitions.

(a) **"Premises Partial Damage"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which can reasonably be repaired in 3 months or less from the date of the damage or destruction, and the cost thereof does not exceed a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(b) **"Premises Total Destruction"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which cannot reasonably be repaired in 3 months or less from the date of the damage or destruction and/or the cost thereof exceeds a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) **"Insured Loss"** shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

(d) **"Replacement Cost"** shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) **"Hazardous Substance Condition"** shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises.

9.2 **Partial Damage – Insured Loss.** If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is $5,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said 10 day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 **Partial Damage – Uninsured Loss.** If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective 60 days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 **Total Destruction.** Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate 60 days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6

9.5 **Damage Near End of Term.** If at any time during the last 6 months of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective 60 days following the date of occurrence of such damage by giving a written termination notice to Lessee within 30 days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is 10 days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force.

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and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished.

9.6 **Abatement of Rent; Lessee's Remedies.**

(a) **Abatement.** In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from the Rental Value Insurance. All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) **Remedies.** If Lessor shall be obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within 90 days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than 60 days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within 30 days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such 30 days, this Lease shall continue in full force and effect. "Commence" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 **Termination; Advance Payments.** Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

9.8 **Waive Statutes.** Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith.

10. **Real Property Taxes.**

10.1 **Definitions.**

(a) **"Real Property Taxes."** As used herein, the term **"Real Property Taxes"** shall include a form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Project, Lessor's right to other income there from, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Project address and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Project is located. The term "Real Property Taxes" shall also include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Project or any portion thereof or a change in the improvements thereon.

(b) **"Base Real Property Taxes."** As used herein, the term **"Base Real Property Taxes"** shall be the amount of Real Property Taxes, which are assessed against the Premises, Building, Project or Common Areas in the calendar year during which the Lease is executed. In calculating Real Property Taxes for any calendar year, the Real Property Taxes for any real estate tax year shall be included in the calculation of Real Property Taxes for such calendar year based upon the number of days which such calendar year and tax year have in common.

10.2 **Payment of Taxes.** Lessor shall pay the Real Property Taxes applicable to the Project, and except as otherwise provided in Paragraph 10.3, any increases in such amounts over the Base Real Property Taxes shall be included in the calculation of Common Area Operating Expenses in accordance with the provisions of Paragraph 4.2.

10.3 **Additional Improvements.** Common Area Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Project by other Lessee's or by Lessor for the exclusive enjoyment of such other lessees. Notwithstanding Paragraph 10.2 hereof, Lessee shall, however, pay to Lessor at the time Common Area Operating Expenses are payable under Paragraph 4.2, the entirety of any increase in Real Property Taxes if assessed solely by reason of Alterations, Trade Fixtures or Utility Installations placed upon the Premises by Lessee or at Lessee's request.

10.4 **Joint Assessment.** If the Building is not separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.5 **Personal Property Taxes.** Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within 10 days after receipt of a written statement getting forth the taxes applicable to Lessee's property.

11. **Utilities.** Lessee shall pay for all water, gas, heat, light, power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. Notwithstanding the provisions of Paragraph 4.2, if at any time in Lessor's sole judgment, Lessor determines that Lessee is using a disproportionate amount of water, electricity or other commonly metered utilities, or that Lessee is generating such a large volume of trash as to require an increase in the size of the dumpster and/or an increase in the number of times per month that the dumpster is emptied, then Lessor may increase Lessee's Base Rent by an amount equal to such increased costs.

12. **Assignment and Subletting.** (see Exhibit C #9)

12.1 **Lessor's Consent Required.**

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, **"assign or assignment"**) or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent.

(b) A change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of 25% or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than 25% of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. **"Net Worth of Lessee"** shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.

(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a noncurable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, (i) the Purchase Price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to 110% of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

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12.2 **Terms and Conditions Applicable to Assignment and Subletting.**

(a) Regardless of Lessor's consent, any assignment or subletting shall not: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) after the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefore to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of $1,000 or 10% of the current monthly Base Rent applicable to the portion of the Premises which is the subject of the proposed assignment or sublease, whichever is greater, as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested.

(f) Any assignee of, or sublessee under, this lease shall, by reason of accepting such assignment or entering into such sublease, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

12.3 **Additional Terms and Conditions Applicable to Subletting.** The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. **Default; Breach; Remedies.**

13.1 **Default; Breach.** A "**Default**" is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A "**Breach**" is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or Property, where such failure continues for a period of 3 business days following written notice to Lessee.

(c) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 41 (easements), or (viii) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Lessee.

(d) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 2.9 hereof, other than those described in subparagraphs 13.1(a), (b) or (c), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

(e) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a "**debtor**" as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(f) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.

(g) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 **Remedies.** If Lessee fails to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. The costs

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and expenses of any such performance by Lessor shall be due and payable by Lessee upon receipt of invoice therefor. If any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor, at its option, may require all future payments to be made by Lessee to be by cashier's check. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result there from, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover damages under Paragraph 12. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 **Inducement Recapture.** Any agreement for free or abated rent or other charges, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as "**Inducement Provisions,**" shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and condition, of this Lease. Upon Breach of this Lease by Lessee, any such inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance. (See Exhibit C #16)

13.4 **Late Charges.** Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within 5 days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a one-time late charge equal to 10% of each such overdue amount or $100, whichever is greater. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for 3 consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 **Interest.** Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due as to scheduled payments (such as Base Rent) or within 30 days following the date on which it was due for non-scheduled payment, shall bear interest from the date when due, as to scheduled payments, or the 31st day after it was due as to non-scheduled payments. The interest ("**Interest**") charged shall be equal to the prime rate reported in the Wall Street Journal as published closest prior to the date when due plus 4%, but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 **Breach by Lessor.**

(a) **Notice of Breach.** Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than 30 days after receipt by Lessor, and any Lender whose name and address shall have been furnished Lessee in writing for such Purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than 30 days are reasonably required for its Performance, then Lessor shall not be in breach of Performance is commenced within such 30 day period and thereafter diligently pursued to completion.

(b) **Performance by Lessee on Behalf of Lessor.** In the event that neither Lessor nor Lender cures said breach within 30 days after receipt of said notice, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from Rent an amount equal to the greater of one Base Rent of the Security Deposit, and to pay an excess of such expense under protest, reserving Lessee's right to reimbursement from Lessor. Lessee shall document the cost of said cure and supply said documentation to Lessor.

14. **Condemnation.** If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively "**Condemnation**") this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs first. If more than 10% of the floor area of the Unit, or more than 25% of Lessee's Reserved Parking Spaces, is taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within 10 days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within 10 days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided however, that Lessee shall be entitled to any compensation for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefore. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation. See Exhibit C Item #10

15. **Brokerage Fees.** (see Exhibit C #10)

15.1 **Additional Commission.** In addition to the payments owed pursuant to Paragraph 1.10 above, and unless Lessor and the Brokers Otherwise agree in writing, Lessor agrees that: (a) if Lessee exercises any Option, (b) if Lessee acquires from Lessor any rights to the Premises or other premises owned by Lessor and located within the Project, (c) if Lessee remains in Possession of the Premises, with the consent of Lessor, after the expiration of this Lease or (d) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then, Lessor shall pay Brokers a fee in accordance with the schedule of the Brokers in effect at the time of the execution of this Lease.

15.2 **Assumption of Obligations.** Any buyer or transferee of Lessor's interest in this Lease shall be deemed to have assumed Lessor's obligation hereunder. Brokers shall be third party beneficiaries of the provisions of Paragraphs 1.10, 15, 22 and 31. If Lessor fails to pay to Brokers any amounts due as and for brokerage fees pertaining to this Lease when due, then such amounts shall accrue Interest. In addition, if Lessor fails to pay any amounts to Lessee's Broker when due, Lessee's Broker may send written notice to Lessor and Lessee of such failure and if Lessor fails to pay such amounts within 10 days after said notice, Lessee shall pay said monies to its Broker and offset such amounts against Rent. In addition, Lessee's Broker shall be deemed to be a third party beneficiary of any commission agreement entered into by and/or between Lessor and Lessor's Broker for the limited purpose of collecting any brokerage fee owed.

15.3 **Representations and Indemnities of Broker Relationships.** Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any) in connection with this Lease, and that no one other than said named Brokers is entitled to any commission or finder's fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

16. **Estoppel Certificates.**

(a) Each Party (as "**Responding Party**") shall within 10 days after written notice from the other Party (the "**Requesting Party**") execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current "**Estoppel Certificate**" form published by the American Industrial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

(b) If the Responding Party shall fail to execute or deliver the Estoppel Certificate within such 10 day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance. Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate.

(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past 3 years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. **Definition of Lessor.** The term "**Lessor**" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Except as provided in Paragraph 15, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined. Notwithstanding the above, and subject to the provisions of Paragraph 20 below, the original Lessor under this Lease, and all subsequent holders of the Lessor's interest in this Lease shall remain liable and responsible with regard to the potential duties and liabilities of Lessor pertaining to Hazardous Substances as outlined in Paragraph 6.2 above.

18. **Severability.** The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. **Days.** Unless otherwise specifically indicated to the contrary, the word "**days**" as used in this Lease shall mean and refer to calendar days.

20. **Limitation on Liability.** Subject to the provisions of Paragraph 17 above, the obligations of Lessor under this Lease shall not constitute personal obligations of Lessor, the individual partners of Lessor or its or their individual partners, directors, officers or shareholders, and Lessee shall look to the Premises, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with respect to this Lease, and shall not seek recourse against the individual partners of Lessor, or its or their individual partners, directors, officers or shareholders, or any of their personal assets for such satisfaction.

21. **Time of Essence.** Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

22. **No Prior or Other Agreements; Broker Disclaimer.** This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the use, nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees), of any Broker with respect to negotiation, execution, delivery or performance by either Lessor or Lessee under this Lease or any amendment or modification hereto shall be limited to an amount up to the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

23. **Notices.**

23.1 **Notice Requirements.** All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may, by written notice to the other, specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing.

23.2 **Date of Notice.** Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 48 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices transmitted by facsimile transmission or similar means shall be deemed delivered upon telephone confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

24. **Waivers.** No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of monies or damages due Lessor

notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

25. **Disclosures Regarding The Nature of a Real Estate Agency Relationship.**

(a) When entering into a discussion with a real estate agent regarding a real estate transaction, a Lessor or Lessee should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Lessor and Lessee acknowledge being advised by the Brokers in this transaction, as follows:

(i) Lessor's Agent. A Lessor's agent under a listing agreement with the Lessor acts as the agent for the Lessor only. A Lessor's agent or subagent has the following affirmative obligations: To the Lessor: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessor. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(ii) Lessee's Agent. An agent can agree to act as agent for the Lessee only. In these situations, the agent is not the Lessor's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Lessor. An agent acting only for a Lessee has the following affirmative obligations. To the Lessee: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessee. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that not known to, or within the diligent attention and observation of the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(iii) Agent Representing Both Lessor and Lessee. A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Lessor and the Lessee in a transaction, but only with the knowledge and consent of both the Lessor and the Lessee. In a dual agency situation, the agent has the following affirmative obligations to both the Lessor and the Lessee: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Lessor or the Lessee. b. Other duties to the Lessor and the Lessee as stated above in subparagraphs (i) or (ii). In representing both Lessor and Lessee, the agent may not without the express permission of the respective Party, disclose to the other Party that the Lessor will accept rent in an amount less than that indicated in the listing or that the Lessee is willing to pay a higher rent than that offered. The above duties of the agent in a real estate transaction do not relieve a Lessor or Lessee from the responsibility to protect their own interests. Lessor and Lessee should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

(b) Brokers have no responsibility with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees), of any Broker with respect to any breach of duty, error or omission relating to this Lease shall not exceed the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

(c) Buyer and Seller agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

26. **No Right To Holdover.** Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 150% of the Base Rent applicable immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

27. **Cumulative Remedies.** No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. **Covenants and Conditions; Construction of Agreement.** All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

29. **Binding Effect; Choice of Law.** This Lease shall be binding upon the parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. **Subordination; Attornment; Non-Disturbance.**

30.1 **Subordination.** This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, "**Security Device**"), now or hereafter placed upon the Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as "**Lender**") shall have no liability or obligation to perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to Lessee, whereupon this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 **Attornment.** Subject to the non-disturbance provisions of Paragraph 30.3, Lessee agrees to attorn to a Lender or any other party who acquires ownership of the Premises by reason of a foreclosure of a Security Device, and that in the event of such foreclosure, such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (b) be subject to any offsets or defenses which Lessee might have against any prior lessor, (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor.

30.3 **Non-Disturbance.** With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a "**Non-Disturbance Agreement**") from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within 60 days after the execution of this Lease, Lessor shall use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to provide the Non-Disturbance Agreement within said 60 days, then Lessee may, at Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 **Self-Executing.** The agreements contained in this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

31. **Attorneys' Fees.** If any Party or Broker brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, "**Prevailing Party**" shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgement, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and

consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach ($200 is a reasonable minimum per occurrence for such services and consultation). (see Exhibit C #15)

32. **Lessor's Access; Showing Premises; Repairs.** Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times for the purpose of showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary. All such activities shall be without abatement of rent or liability to Lessee. Lessor may at any time place on the Premises any Ordinary "For Sale" signs and Lessor may during the last 6 months of the term hereof place on the Premises any ordinary "For Lease" signs. Lessee may at any time place on the Premises any ordinary "For Sublease" sign.

33. **Auctions.** Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessor's prior written consent. Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

34. **Signs.** Except for ordinary "For Sublease" signs which may be placed only on the Premises, Lessee shall not place any sign upon the Project without Lessor's prior written consent. All signs must comply with all Applicable Requirements. (see Exhibit G)

35. **Termination; Merger.** Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subtenancies. Lessor's failure within 10 days following any such event to elect to the contrary by written notice to the holder of any such lesser interest shall constitute Lessor's election to have such event constitute the termination of such interest.

36. **Consents.** Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an Invoice and supporting documentation therefor. Lessor's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within 10 business days following such request.

37. **Guarantor.**

37.1 **Execution.** The Guarantors, if any, shall each execute a guaranty in the form most recently published by the American Industrial Real Estate Association, and each such Guarantor shall have the same obligations as Lessee under this Lease.

37.2 **Default.** It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantors behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect.

38. **Quiet Possession.** Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. **Options.** If Lessee is granted an option, as defined below, then the following provisions shall apply. (see Exhibit L, if any)

39.1 **Definition. "Option"** shall mean: (a) the right to extend the term of or renew this Lease or to extend or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Premises or other property of Lessor; (c) the right to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 **Options Personal To Original Lessee.** Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting.

39.3 **Multiple Options.** In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised

39.4 **Effect of Default on Options.**

(a) Lessee shall have no right to exercise an Option: (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), (ii) Lessor gives to Lessee 3 or more notices of separate Default during any 12 month period, whether or not the Defaults are cured, or (iii) if Lessee commits a Breach of this Lease.

40. **Security Measures.** Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

41. **Reservations.** Lessor reserves the right, (i) to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, (ii) to cause the recordation of parcel maps and restrictions, and (iii) to create and/or install new utility raceways, so long as such easements, rights dedications, maps, restrictions, and utility raceways do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate such rights.

42. **Performance Under Protest.** If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make Payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay.

43. **Authority.** If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. Each party shall, within 30 days after request, deliver to the other party satisfactory evidence of such authority.

44. **Conflict.** Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions. (see Exhibit C #13)

45. **Offer.** Preparation of this Lease by either party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

46. **Amendments.** This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

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47. **Multiple Parties.** If more than one person or entity is named herein as either Lessor or Lessee, such multiple Parties shall have joint and several responsibility to comply with the terms of this Lease.

48. **Waiver of Jury Trial.** The Parties hereby waive their respective rights to trial by jury in any action or proceeding involving the Property or arising out of this Agreement.

49. **Mediation and Arbitration of Disputes.** An Addendum requiring the Mediation and/or the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease is not attached to this Lease.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL, AND TAX CONSEQUENCES OF THIS LEASE.
2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

WARNING: IF THE PREMISES ARE LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES ARE LOCATED.

The parties hereto have executed this lease at the place and on the dates specified above their respective signatures.

Executed at: Solana Beach, CA
on: October 30, 2006

By LESSOR:
Strauss Family Trust UDT 6/5/1992 dba M G Strauss Company

By: [signature]
Name Printed:
Title: Tee

By:
Name Printed:
Title:
Address: 990 Highland Drive #200
Solana Beach, CA 92075

Telephone: (858) 792-7500
Facsimile: (858) 792-7834
Federal ID No.

Executed at:
on: 26 OCT 2006

By LESSEE:
Lesek Kik dba Autohaus München

By: [signature]
Name Printed: LESZEK KIK
Title:

By:
Name Printed:
Title:
Address:

Telephone: ( )
Facsimile: ( )
Federal ID No.

These forms are often modified to meet changing requirements of law and needs of the industry. Always write or call to make sure you are utilizing the most current form: American Industrial Real Estate Association, 700 South Flower Street, Suite 600, Los Angeles, CA 90017. (213) 687-8777.

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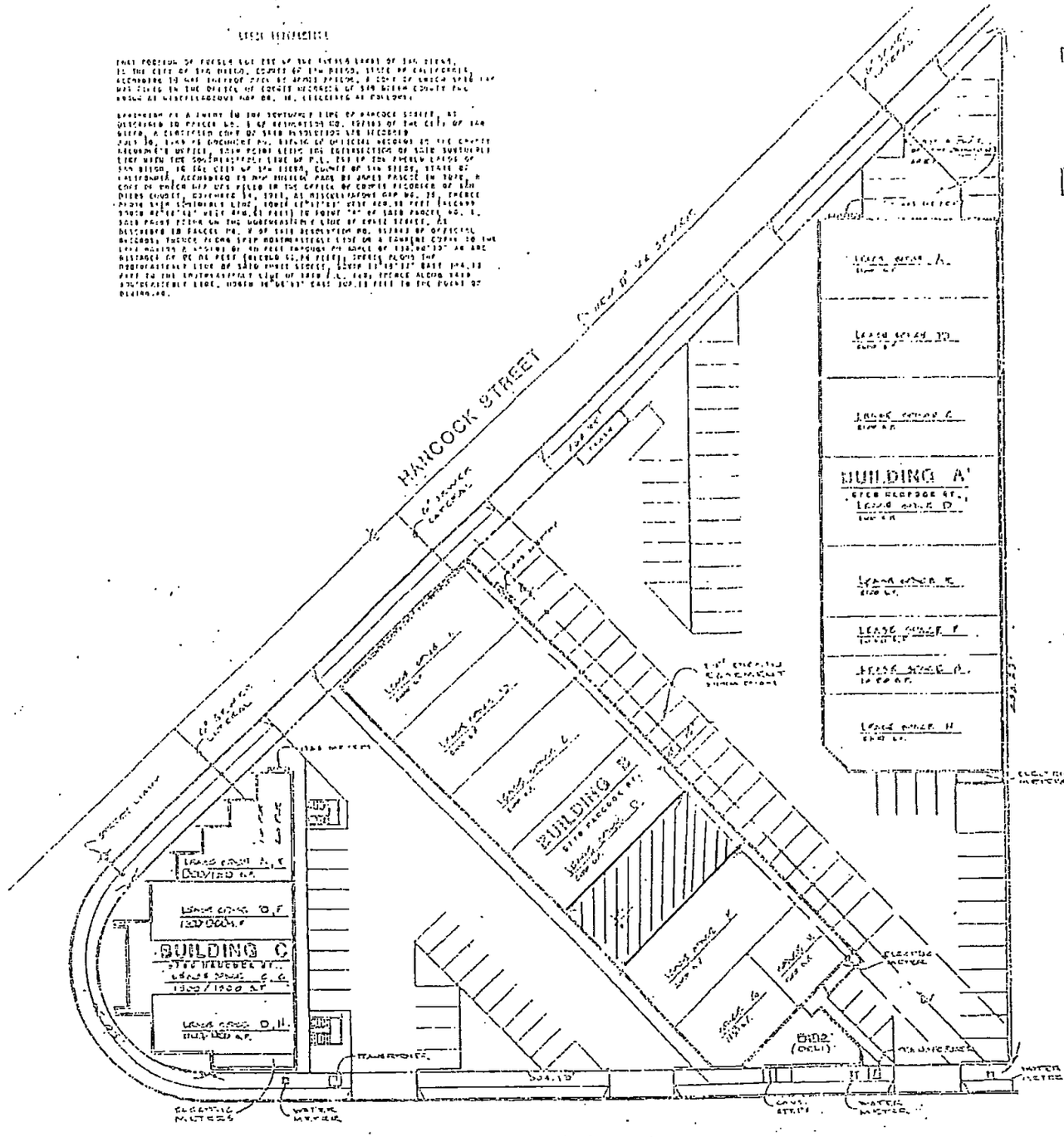
TENANTS SHALL FURNISH:

1. Its personal and corporate (if applicable) financial statements.
2. Completed Landlord furnished credit information forms.
3. Letter of reference from Tenant's bank.
4. If a corporation, its duly Authorized Corporate Resolution notifying the Lease. (SEE Exhibit C Item #11)

EXHIBIT A

LEGAL DESCRIPTION & SITE PLAN

EXHIBIT



TABULATION

OWNER
DEVELOPER:
LEASING AGENT:
M. C. STRAUSS CO.
607 CAMINO DE LA REINA
SUITE 1001
SAN DIEGO CA. 92108
PHONE (714) 260-02221

SITE & BUILDING SUMMARY

PROJECT DATA

SITE PLAN

LEASE PL

EXHIBIT

EXHIBIT A-1 TO LEASE (SUBLEASE)
MINIMUM STANDARD SUBLEASE CONDITIONS

(1) ASSIGNMENT AND SUBLEASING: Sublessee, shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and the City of San Diego, hereinafter, "City." An assignment by operation of law shall automatically terminate this lease.

(2) HOLD HARMLESS: Sublessee shall assume the defense of, indemnify and save harmless Lessee and City from all claims, expenses and liability of every nature, directly or indirectly arising from, or alleged to have arisen from the operations conducted on the leased premises or from any act or omission of Sublessee, its agents and invitees.

(3) INSURANCE: Sublessee shall be insured by an insurance carrier acceptable to the Lessee and City against loss from public liability arising from the use or condition of or operation conducted on the leased premises. Minimum coverage shall be as set forth in Paragraph 16-B hereof. A copy of the policy of insurance shall be filed with the City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or canceled without 30 days prior written notice to the. City by the insurance company,

(4) LEGAL PROCEEDINGS: Should it become necessary to Lessee or City to commence legal Proceedings to collect rent, to recover possessions or enforce any other provision of this lease, Sublessee agrees that the prevailing party shall be entitled to all legal costs in connection therewith, including a reasonable sum as attorney's fees

(5) SUBORDINATION: This agreement is in effect a sublease of a portion of the premises covered by that certain Lease Agreement dated September 13, 1977, as amended between the sublessor herein and the City of San Diego- This sublease is subject and subordinated to the covenants and conditions of said Lease Agreement notwithstanding any provision hereto contrary to or in conflict with said agreement.

(6) The property is subject to a City of San Diego ground lease mentioned hereinabove and lies with in the recently formed North Bay Redevelopment Area, The property will be redeveloped sometime in the future- Accordingly, Landlord and or city at its sole option may terminate this lease at anytime after Dec 1, 2003 with 6 months notice in writing, and without invalidating or superceding any of the rights contained here in this Addendum of the lease or the city land lease agreements there under

LESSEE'S INITIALS

LESSOR'S INITIALS

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EXHIBIT B

DEMISED PREMISES PLAN (IF AVAILABLE)

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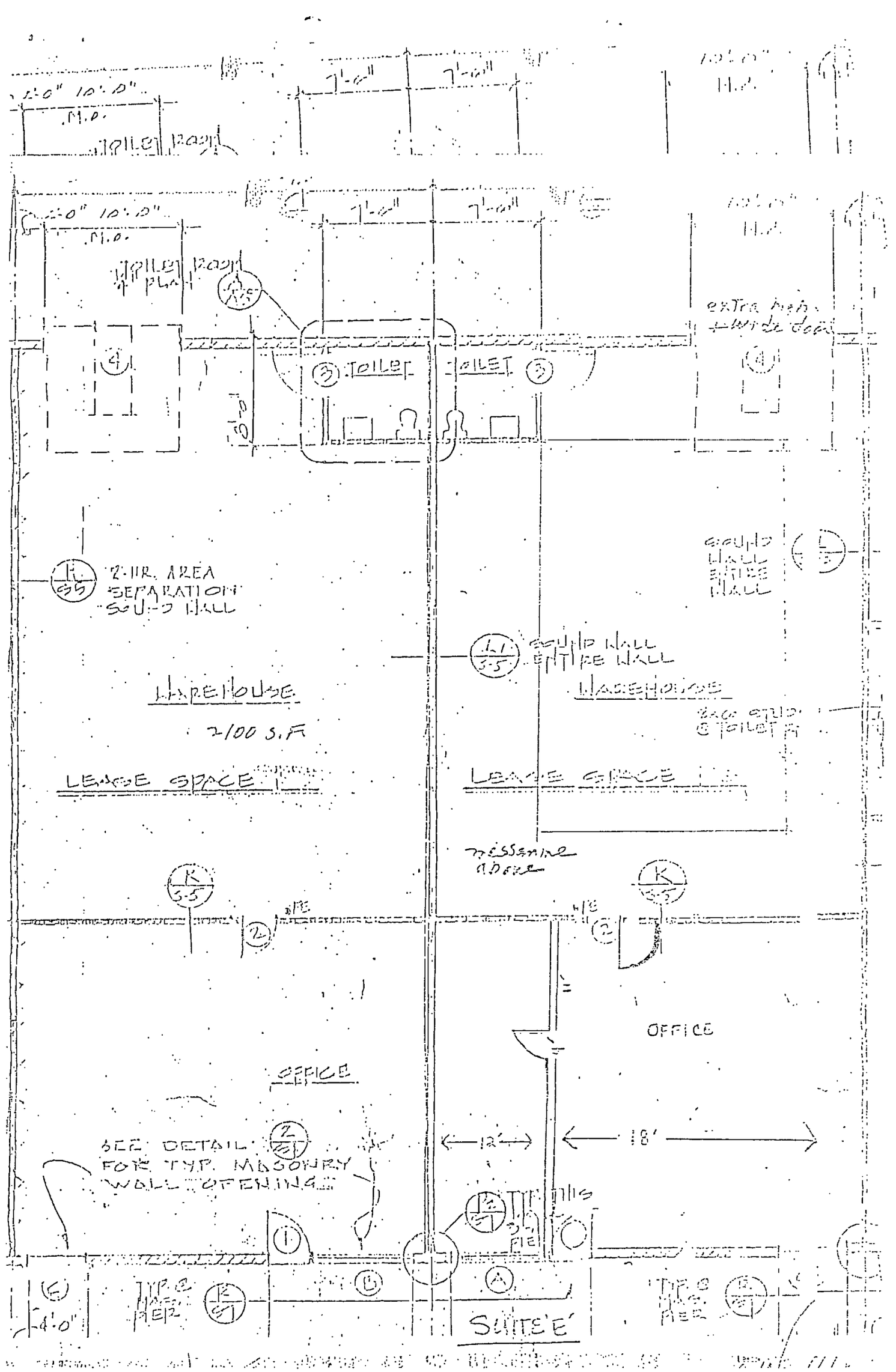


EXHIBIT B-1

Initials _____

Addendum to Commercial/Industrial Multi-Tenant Lease

1. Early Possession: With early move-in of Lessee, Lessee may not interfere with any tenant improvements needed to be done by Lessor. Additionally, M.C. Strauss Company is not responsible for loss, theft, or damage of any of Lessee's property should Lessee desire to move-in prior to commencement of Lease Term.

2. Term Adjustment: If the Commencement Date is other than the first day of a calendar month, the Term shall be deemed to have commenced on the first day of the next succeeding month.

3. Modified Common Area Operating Expenses: Lessor shall pay Tenant's portion of common area maintenance, taxes,and insurance.
   a. "Operating Costs" means all costs reasonably incurred by Lessor in accordance with generally accepted accounting principles, and fairly allocable to the applicable Calendar Year which relate to, or are fairly allocable to, the ownership and operation of the Common Areas. Lessor shall pay tenant's portion of common area maintenance, axes and insurance
   b. Periodic painting of the building exterior and common areas shall be included as a common area operating expense. If Lessor undertakes a program of preventive maintenance for the HVAC systems for all of the Tenants per Paragraph 7.1(b), the cost thereby shall be included as a common area expense.
   c. The common area definition shall also include lighting facilities, sewer, water, gas, electric, phone and other utility lines, storm drains, roads and approaches servicing the Center generally; and any other items that Lessor deems necessary and appropriate.
   d. Replacement costs, defined as that which cannot be repaired other than at a cost which is in excess of fifty percent (50%) of the cost of replacing such item, then such item shall be replaced and the cost prorated over sixty (60) months and Tenant shall pay one sixtieth ($\frac{1}{60}$) of the cost each month of the Lease term and extension thereto.

4. Utilities: Lessee shall pay before delinquency all charges for water, sewer, gas heat, electricity, power, telephone service and all and any other services or utilities used in, upon or about the Demised Premises by Lessee or any of its subtenants, licensees or concessionaries, provided, however, if any such services or utilities shall be billed to Lessor and not separately metered to the Demised Premises the mount thereof shall be prorated and Lessee shall pay to Lessor upon demand as additional rental hereunder an amount equal to that proportion of the total charges therefore which the number of square feet of Gross Floor Area in the Demised Premises bears to the total number of square feet of gross floor area of stores then rented as of the date of the utility bill served in the area and/or buildings covered by such combined charges. With respect to gas and electric service, which is not separately metered, Lessor may, at Lessor's option, in lieu of prorating on the fore-going basis, determine the amount of use of such services by Lessee on the basis of Lessee's estimated usage as determined by the utility company servicing the Demised Premises, or, if such company ceases providing such service, by a qualified electrical contractor selected by Lessor. Water is furnished to the part of the Common Area via as is central meter. Accordingly, Lessee will pay Lessor a flat charge of ___$50.00 per suite_____ a month for its share of the water for its premises. Water charges may be reevaluated and increased by Lessor based on the use of the premises especially due to the number of patrons of and Lessee's business use. Lessor may require a high water user such as a restaurant or beauty parlor to install a separate meter or if the cost is prohibitive, to install an inline meter at Lessee's expense to be able to determine Lessee's fair share for any excess use.

5. Continuous Operations: Lessee shall keep the Demised Premises open for business during all hours customarily maintained by business similar to Lessee's business in the trading area in which the Demised Premises are located. At all such times Lessee shall have upon the Demised Premises a sufficient number of employees and a sufficient stock of merchandise to adequately serve the patrons thereof or render the services offered. A business holiday of more than 30 days of consecutive closing in any one year shall be considered a default.

6. Locks: Should Lessee change the locks on their suite, Lessee must furnish Lessor with a copy of the new key which is for the protection of the Lessee and per the Lease.

7. Vacating Premises: The definition "ordinary wear and tear" shall NOT include such items as carpet cleaning, cleaning, patching and painting necessary to restore Premises to a releasable condition. Additionally, Tenant will be charged for repainting rear access doors, repairing store front doors, rekeying locks to the master system and removing alarm systems or personal property and/or debris, etc, upon Lease termination,

8. Insurance: Lessor's appropriate liability insurance coverage is $3,000,000. Therefore, Paragraph 8.1 and/or Paragraph 8.2 is amended to increase the ceiling to $3,000,000 and Lessee shall reimburse Lessor for its portion accordingly.

9. Assignment and Subletting:
(This is in addition to lease language and prevails in the event of conflict.)

a. Consent to Assignment or Subletting shall not be unreasonably withheld: Subject to a compatible and noncompetitive business use with respect to the other businesses in the Center and sufficient financial statement and credit record of assignee and reasonable experience in conducting the intended business, Lessor's consent to assign or sublet this Lease shall not be unreasonably withheld provided however, that Lease shall not be in default and/or if Lessee shall have, previously breached or otherwise failed to perform under this Lease since its inception, and Lessee did not cure that breach, Lessor, at its sole discretion, may declare this Sub-paragraph null and void. Any increase in rents shall become the property of the Lessor. Any such assignment or subleasing even with the approval of the Lessor, shall not relieve the Lessee from liability for payment of the rental herein provided or from the obligation to keep and be bound by the terms, conditions and covenants of this Lease.

b. Assignment or Transfer to a Corporation: Notwithstanding anything to the contrary set forth herein, Lessee may assign this Lease, without the consent of Lessor, to a corporation or other entity not less than fifty percent (50%) of the voting stock or controlling interest of which is owned by Lessee; provided that Lessee shall at all times remain liable for performance hereunder; and provided, further, that any transfer by Lessee of the controlling stock or interest in such corporation or other entity shall be a prohibited assignment hereunder.

c. Consent to be in writing: Lessee shall not assign, mortgage, pledge, hypothecate or encumber this lease or the leasehold interest created hereby or any interest herein or sublet the Demised Premises or any portion thereof, or license the use of all or any portion of the Demised Premises, without the written consent of Lessor first had and obtained. Without in any way limiting any other rights available to the Lessor at the time of any proposed assignment or subletting, Lessor expressly reserves the right to adjust the Guaranteed Minimum Monthly Rental to an amount derived by multiplying said guaranteed minimum monthly rental times a number equal to the percentage by which the Bureau of Labor Statistics, United States Department of Labor for Los Angeles-Riverside-Orange County under the heading of "All Items" for "All Urban Consumers" for the month in which the date of such assignment or subletting occurs has increased over the same Cost of Living Index figure for the month in which the Commencement Date under this Lease occurs (i.e., if the percentage of such increase is thirty percent (30%), then the guaranteed minimum monthly rental will be multiplied

times 130%). Tenant agrees to pay Lessor an administrative fee of $500 and to reimburse Lessor for Lessor's reasonable attorney fees incurred in conjunction with the processing and documentation of any such requested transfer, assignment, subletting, licensing or concession agreement

10. Broker's Fee:
    a. All Broker's fees as referred to in the Lease and Lease addendums shall be by separate agreement pursuant to a schedule to be agreed upon by Owner and Broker.
    b. However, it is understood and agreed that no commissions shall be paid on option exercises, or renewals, or expansions that unless at the invitation of the Owner first had obtained in writing.

11. Lessee's Financial Information: Lessee will furnish a credit report and financial statement at its expense, subject to Lessor's approval or reimburse Lessor $25 if Lessor obtains a credit report. Lessee also agrees to deliver to Lessor a resume of its business experience, a copy of its income tax returns for the prior year, a letter of reference from Lessee's bank, and a completed Lessor's "Credit Information" form. The Lease is contingent upon Lessor's review and approval to its sole satisfaction of Lessee's qualifications to lease. Said credit application must include but not be limited to listing specifics of next of kin, closest living relative not living with you, closest non-relative and who to notify in case of emergency.

12. Dispute or Delay: In the event of any dispute between the parties concerning the time of actual completion of Lessor's Work or Lessee's Work or any claimed excuse for delay in performance or non-performance thereof or whether such work has been adequately performed in a good and workmanlike manner and is satisfactory for the use intended, such dispute shall be referred to Lessor's architect whose determination with regard thereto shall be final and conclusive upon the parties.

13. Deletion: Wherever in this Lease a Section or Subsection is preceded by the word "Deleted" or "'Deleted," such Section or Subsection is deleted from this Lease in its entirety and is of no force or effect.

14. Parking: Lessee shall have the right to N/A parking spaces on level N/A at no cost to Lessee for the term of the Lease and any Option Periods. The surface parking is designated for customers and retail tenants only. All employees, visitors, guests of Lessee are not Permitted to use surface parking, but shall park on lower levels A & B of the parking structure, if any.

15. Attorney's Fees: The Lessor is entitled to attorney's fees or costs for the enforcement of the lease regardless of whether an action is filed, said fees and costs to be considered additional rent.

16. Lease Incentives: If Tenant is in default under this Lease at any time during the Term and without limiting the foregoing, if Landlord has given Tenant any lease incentives or other inducements or consideration in connection with this Lease ("Incentives"), including without limitation, any abatement of rent, the unamortized portion of any Tenant Improvement Allowance and/or leasing commissions then the incentives will terminate and Landlord may recover from Tenant the value of all such Incentives received by Tenant in addition to all other damages recoverable by Landlord pursuant to the provisions of this Lease.

A. Lessee is responsible for sending rent payments on the first of the month to:
M.C. Strauss Company
c/o Pacific Real Estate Group
990 Highland Dr., #212
Solana Beach, CA 920785

B. For any questions or building management problems, call:
Bob Benz, CCIM
Pacific Real Estate Group
990 Highland Dr., #212
Solana Beach, CA 92075
Tel. (858) 755-9007
Fax. (858) 755-7970

C. Required Personal Data:
Lessee's Home Address: 18174 DOWNINGLANE . SD. CA 92131
Home Phone: (858)549-2602 Home Fax: _____
In case of emergency: BOZENA KIK
Address: _____
Phone: _____ Fax: _____

Next of Kin (Name): _____
Address: _____
Phone: _____ Fax: _____

D. Other: Lessor reserves the right to change the management company and the address to which rent payments shall be made by delivering notice to Lessee in accordance with this Lease.

LESSEE'S INITIALS: _____

LESSOR'S INITIALS: _____

EXHIBIT D

TENANT IMPROVEMENTS AND ACCEPTANCE OF PREMISES SEE ATTACHED LETTER

Scope of Lessor's Work

Lessor shall provide Lessee, at the sole cost and expense of Lessor, the following "standard" improvements as follows:

1. Lessee acknowledges that the Demised Premises are being leased in "as is" condition and that Lessee has inspected some and the Demised Promises are in satisfactory condition.

Scope of Lessee's Work

All improvements desired by Lessee, shall be considered "Non-standard" and shall be at the sole cost and expense of Lessee including, but not limited to :

1. Permits, Plans, and supervision for any Tenant improvements.

2. Lessor grants permission to Lessee to install necessary and/or required improvements or modifications, subject to Lessor's prior written approval, to accommodate Lessee's intended business use, at Lessee's sole cost and expense, and in accordance with any and all governmental requirements including the obtaining of any required permits for the Demised Premises and said business.

Perform any and all additional work required to complete the Premises to a condition customary and ready for the normal operation of Lessee's business. Lessee shall be responsible to pay for any additional water, and/or sewer impact fees if imposed due to the nature of Lessee's business or use of Premises.

Within thirty (30) days following the execution of the Lease, Lessee, at Lessee's sole cost and expense, shall deliver to Lessor a fully dimensioned ¼-inch scale set of plans. Said plans shall show all storefronts, interior partitions, fixtures, lighting, electrical outlets, plumbing (including fixtures), floor coverings, ceiling and other improvements that Lessee wishes to construct and install upon Premises. Said plans shall be subject to Lessor's approval prior to start of any work by Lessee or his contractors, which shall not be unreasonably withheld, which shall thereafter be called "Lessee Plans Approved for Construction." Should Lessee fail to deliver to Lessor plans for "Lessee's Work" within thirty (30) days following execution of the Lease, Lessor may, at his option and with written notification to that effect to Lessee, terminate this Lease.

No changes, modifications or alterations to Lessee Plans Approved for Construction may be made without the written consent of Lessor. Any additional costs, including any increased fees which Lessor may be required to Pay for architectural, engineering and/or other similar services arising by reason of any subsequent change to Lessee Plans Approved for Construction made at the request of Lessee, shall be at the sole cost and expense of Lessee and shall be paid by Lessee to Lessor before the performance of the work requested by Lessee.

All of Lessee's work and improvements shall be performed by Lessee, at Lessee's sole cost and expense except as outlined above and pursuant to the plans and specifications approved by Lessor. It is understood that the approval of Lessor shall in no manner relieve Lessee of Lessee's obligation to obtain, at Lessee's sole cost and expense, all necessary and appropriate permits from all applicable governmental or public agencies for the construction of Lessee's improvements, installation of Lessee's personal property and the operation of Lessee's business at Premises.

Upon delivery of Premises to the Lessee, Lessee shall immediately and diligently proceed to install Lessee's Work as described in Lessee's Plans Approved for Construction at Lessee's sole cost and expense without interfering with other work being done, if any, in the building or shopping center.

All work done by Lessee shall be done by a licensed contractor and in compliance with all rules and regulations required by local building authorities, Lessor or his agents and in accordance with all uniform building codes as dictated by state, federal and local requirements.

Upon final completion of Lessee's Work, Lessee shall furnish Lessor with all certificates, approvals and permits "signed off" by local governmental building inspector, that were required to complete Lessee's Work. Lessor shall not be responsible for any loss or damage to Lessee's improvements/property that is installed or left on Premises.

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Lessee's entry upon Premises prior to commencement of the Term of this Lease shall be subject to all provisions of this Lease other than payment of rent. At all times after such entry, Lessee shall maintain an insurance policy that complies with the provisions of this Lease. The inability of Lessee to complete Lessee's Work in a timely manner and to a condition acceptable for conducting business, through no fault of Lessor, shall not delay the Term Commencement or payment of rent.

Lessee hereby indemnifies and holds Lessor free and harmless from and against any and all claims, demands and liabilities, including, but not limited to attorney costs, expenses and court costs, arising from or relating to Lessee's Work and improvements. It is the intent of the parties that this indemnification shall survive the expiration or sooner termination of this Lease.

LESSEE'S INITIALS: _____

LESSOR'S INITIALS: _____

EXHIBIT F

RENT ADJUSTMENT(S)

ADDENDUM TO
STANDARD LEASE

Dated October 17, 2006

By and Between (Lessor) Strauss Family Trust UDT 6/5/1992 M.C. Strauss Company

(Lessee) Leszek Kik dba Autohaus Munich

Property Address: 3770 Hancock Street, Suite #E

San Diego, CA 92110

Paragraph 1.5

A. **RENT ADJUSTMENTS:**

The monthly rent for each month of the adjustment period(s) specified below shall be increased using the method(s) indicated below:

(Check Method(s) to be Used and Fill in Appropriately)

☐ I. **Cost of Living Adjustment(s) (COL)**

(a) On (Fill in COL Adjustment Date(s): _____

the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted by the change, if any, from the Base Month specified below, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for (select one): ☐ CPI W (Urban Wage Earners and Clerical Workers) or ☐ CPI U (All Urban Consumers), for (Fill in Urban Area): _____ ,All Items (1982–1984 = 100), herein referred to as "C.P.I."

(b) The monthly rent payable in accordance with paragraph AI(a) of this Addendum shall be calculated as follows: the Base Rent set forth in paragraph 1.5 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the C.P.I. of the calendar month 2 (two) months prior to the month(s) specified in paragraph AI(a) above during which the adjustment is to take effect, and the denominator of which shall be the C.P.I. of the calendar month which is two (2) months prior to (select one): ☐ the first month of the term of this Lease as set forth in paragraph 1.3 ("Base Month") or ☐ (Fill in Other "Base Month"): _____. The sum so calculated shall constitute the new monthly rent hereundor, but in no event, shall any such new monthly rent be less than the rent payable for the month immediately preceding the date for rent adjustment, plus _____rounded up to the next dollar figure.

(c) In the event the compilation and/or publication of the C.P.I. shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the C.P.I. shall be used to make such calculation. In the event that Lessor and Lessee cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid equally by Lessor and Lessee.

☐ II. **Market Rental Value Adjustment(s) (MRV)**

(a) On (Fill in MRV Adjustment Date(s): _____

the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted to the "Market Rental Value" of the property as follows:

1) Four months prior to the Market Rental Value (MRV) Adjustment Date(s) described above, Lessor and Lessee shall meet to establish an agreed upon new MRV for the specified term. If agreement cannot be reached, then:

i) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the parties, or

ii) Both Lessor and Lessee shall each immediately select and pay the appraiser or broker of their choice to establish a MRV within the next 30 days. If, for any reason, either one of the appraisals is not completed within the next 30 days, as stipulated, then the appraisal that is completed at that time shall automatically become the new MRV. If both appraisals are completed and the two appraisers/brokers cannot agree on a reasonable average MRV then they shall immediately select a third mutually acceptable appraiser/broker to establish a third MRV within the next 30 days. The average of the two appraisals closest in value shall then become the new MRV. The costs of the third appraisal will be split equally between the parties.

2) In any event, the now MRV shall not be less than the rent payable for the month immediately preceding the date for rent adjustment.

(b) Upon the establishment of each New Market Rental Value as described in paragraph AII:

1) the monthly rental sum so calculated for each term as specified in paragraph AII(a) will become the new "Base Rent" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph AII(a) above and

2) the first month at each Market Rental Value term as specified in paragraph AII(a) shall become the new "Base Month" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph AI(b).

☛☐ III. **Fixed Rental Adjustment(s) (FRA)**

The monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be increased to the following amounts on the dates set forth below.

On (Fill in FRA Adjustment Date(s)):	The New Base Rental shall be:
November 1, 2007	$ 2,392.00 per month
	$
	$
	$

B. **NOTICE:** Unless specified otherwise herein, notice at any escalations other than Fixed Rental Adjustment(s) shall be made as specified in paragraph 23 of the attached Lease.

*C. **~~BROKER'S FEE:~~** *Deleted

~~The Real Estate Brokers specified in paragraph 1.10 of the attached Lease shall be paid a Brokerage Fee for each adjustement specified above in accordance with paragraph 15 of the attached Lease.~~

LESSEE'S INITIAL:

LESSOR'S INITIAL

Initials

Initials

EXHIBIT G

CENTER SIGN CRITERIA

The purpose of this sign criteria has been established for the intent of assuring an outstanding shopping center and mutual benefit of all Lessee's. Conformance will be strictly enforced. Any Installed non-conforming or unapproved signs will be brought into conformance at the expense of the Lessee.

A. Lessee shall be entitled to signage above the Premises. Signage shall be subject to City of San Diego and Lessors prior written approval. All costs associated with the design, construction, installation, as well as removal, shall be borne by Lessee. Lessee shall be required to remove all Lessee signage at the conclusion of Lessee's occupancy of the Premises. Ground level Lessee's shall be entitled to signage on the Center's pole sign at its expense and subject to availability.

B. General Requirements:

1. Lessee shall submit to the Lessor the exact sign specifications, copy and colors desired for Lessor's approval from a license and experienced sign company.

2. All approvals or disapprovals of sign submittals based on esthetics and design shall remain sole right of the Lessor and local governing authorities.

3. Selected sign company will be responsible for obtaining all permits and sign Installation.

4. No exposed lamp, raceways, crossovers, conduit, conductors, transformers or similar devices shall be permitted.

5. All maintenance of signage shall be the responsibility of the Lessee.

6. All signs shall be individually illuminated.

7. No audible, flashing or animated signs will be permitted.

8. No projections above or below the sign will be permitted.

9. Electrical service to all signs will be connected to Lessee's meter.

10. Lessee's signs shall be designed and installed in a manner compatible with and complimentary to adjacent and facing storefronts and the overall design concept of the center.

11. All penetrations of the building structure required for sign installation shall be sealed in a watertight condition and shall be patched to match adjacent finish. At termination of lease when sign is removed, Lessee or its sign company shall patch and paint and restore to "as was" condition.

12. No advertising placards, banners, pennants, names, insignias or other descriptive material shall be affixed or maintained upon the glass pane supports of the show windows and doors or upon the exterior was of building without the prior written approval of Lessor.

13. Logos require prior approval of lessor unless nationally recognized logos of a franchise.

14. Letter height restrictions:

a. One line of copy with the letter and logo height not to exceed 24 inches or to be less than 10 inches. Allowable, sign fascia coverage not to exceed seventy-five percent (75) of store frontage.

b. Two lines of copy will be allowed with the overall height of the two lines of letters not to exceed 30 inches with a maximum height of the letters not to exceed 18 inches or to be less than 16 inches.

15. Designs submitted for the City/County approval must follow ft following guidelines:

a. Drawings of elevations and sign with all measurements to scale.
b. Plot plan and legal description (plans to scale).
c. Sections drawings of sign and fascia showing construction and electrical details.
d. Color of plastic faces and logos.
e. Color of neon, size and intensity.
f. Letter style selection

16. Lessee is granted permission by Lessor to install a temporary sign banner at its expense above the premises while signs are being fabricated.

17. Lessee shall indemnify and hold harmless Lessor against any loss, cost, damages or liability caused to persons, property or otherwise caused by Lessee's sign Installations.

LESSEE'S INITIALS: _____ LESSOR'S INITIALS: _____

EXHIBIT H

SPECIAL USE OF PREMISES CLAUSE

A. Uses Of Premises:

Lessee shall occupy and use the premises solely for the operation of a Automobile Repair Facility ,and no other use.

B. Special Tenant Requirements: Tenant agrees as a condition of occupancy to the following additional requirements such as but not limited to:
   1) All automotive work shall be self contained within the premises.
   2) Excludes bodywork and painting.
   3) Maintain control over noise of cars and machinery so as not to disturb Co-Tenants.
   4) Control and disposal of Liquid Waste at Tenant's own expense, and in his containers and prevention of said Waste from building and or soiling the Premises.

LESSEE'S INITIALS:

LESSOR'S INITIALS:

Initials

Initials

ON FILE

EXHIBIT I
APPLICATION FOR LEASE AND CREDIT INFORMATION

The undersigned furnishes the following as a true and accurate statement of the financial condition of the undersigned. It is understood that the Landlord, in entering into a lease or other agreement, are doing so in reliance upon this financial statement and in consideration of such the undersigned agree that if any of the representations of the undersignec prove to be untrue, such shall be considered as a default under such lease or agreement.

NAME: _____ AGE: _____ SPOUSES NAME: _____

ADDRESS: _____ HOW LONG: _____

Previous Address - if less than five years: _____

SOCIAL SECURITY NO: _____ SPOUSE'S SOCIAL SECURITY NO: _____

PHONE: _____ OWN OR RENT: _____ NO. OF DEPENDENTS: _____

PRESENT EMPLOYER: _____ HOW LONG: _____

ADDRESS: _____

PHONE: _____ POSITION: _____

SPOUSE'S EMPLOYER: _____ PHONE: _____

IN CASE OF EMERGENCY CONTACT: NAME: _____

ADDRESS: _____ PHONE: _____

_____ RELATIONSHIP: _____

NEXT OF KIN NOT LIVING WITH YOU: NAME: _____

ADDRESS: _____ PHONE: _____

_____ RELATIONSHIP: _____

CLOSEST NON RELATIVE CONTACT: NAME: _____

ADDRESS: _____ PHONE: _____

_____ RELATIONSHIP: _____

BALANCE SHEET

Cash:	$ _____	Notes Payable - Total Owed: (List on Back)	$ _____
Stocks & Bonds: (List on Back)	$ _____		
		Accounts Payable - Total Owed: (List on Back)	$ _____
Notes / Accounts Receivable:	$ _____		
Life Insurance: (Not full value, only surrender value)	$ _____	Mortgages - Total Owed: (List on Back)	$ _____
Real Estate - Total Value: (List on Back)	$ _____	Automobiles - Total Owed:	$ _____
		Income Taxes - Accrued to Date:	$ _____
Automobiles:	$ _____	Other: _____	$ _____
	$ _____	_____	$ _____
		_____	$ _____
Personal Possessions:		**TOTAL LIABILITIES:**	$ _____
	$ _____		
	$ _____	**NET WORTH:**	$ _____
TOTAL ASSETS:	$ _____	**(Assets minus Liabilities)**	

ANNUAL INCOME & EXPENSE

Income:		**Expense:**	
Annual Salary:	$ _____	Annual Rental/Mortgage Payments	$ _____
Annual Rentals:	$ _____		
Annual Dividends:	$ _____	Annual Payments: (Notes & Accounts)	$ _____
Annual Interests:	$ _____		

Other Annual Income:	$	Annual Interest & Taxes:	$
		Personal Living Expense:	$
		Other Annual Expenses:	$
TOTAL ANNUAL INCOME:	$	**TOTAL ANNUAL EXPENSE:**	$

BANK REFERENCES

BANK & ADDRESS: _____ ACCT. NO.: _____

BANK & ADDRESS: _____ ACCT. NO.: _____

STOCKS & BONDS

Description	No. of Shares	Cost	Market Value
		$	$
		$	$
		$	$
		$	$
		$	$
TOTALS		$	$

REAL ESTATE - MORTGAGES

Description & Address	Original Cost	Present Value	Trust Deed or Mortgage Unpaid Bal.	Mo. Pay
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
TOTALS	$	$	$	$

NOTES & ACCOUNTS PAYABLE (Do not include Real Estate)

Description	Account Number	Total Amount Owed (DO NOT LIST PAYMENTS)
		$
		$
		$
		$
		$
		$
TOTAL		$

The undersigned further consent(s) to the addresses above making any inquires it deems necessary to reach a decision on this application, and consent(s) to the disclosure at any time of any credit information about me / us to any credit reporting agency or to any one with whom I/we have financial relations. The undersigned further understands that should a lease be entered into that the authorizing party will pay a $25.00 application credit check fee.

DATE: _____ SIGNATURE: _____

DATE: _____ SPOUSE'S SIGNATURE: _____

EXHIBIT J

GUARANTY OF LEASE (TENANT BY SIGNING LEASE IS ACTING AS A GUARANTOR) ✓

THIS GUARANTY OF LEASE ("Guaranty"), effective as of _____, 200_____, is executed by _____ ("Guarantor"), with reference to the following facts:

RECITALS

A. M.C. Strauss Company ("Lessor"), and _____ ("Lessee") have agreed to enter into that certain Lease ("Lease"), dated the same date as this Guaranty, covering Premises described therein, located in the City of San Diego, County of San Diego, State of California.

B. Lessor requires, as a condition to its execution of the Lease, that Guarantor guarantee the full performance of the obligations of Lessee thereunder.

C. Guarantor is willing to execute this Guaranty for the benefit of Lessor and as a material inducement to Lessor to enter into the Lease.

GUARANTY

NOW, THEREFORE, in order to induce Lessor to enter into the Lease, Guarantor agrees as follows:

1. **Guarantor's Obligations.** Guarantor hereby unconditional guarantees the full and timely performance of each and every obligation to be kept and performed by the Lessee pursuant to the terms of the Lease ("Lease Obligations") in accordance with the terms of and at the time and place specified therein, including, but not limited to, the payment of all rents and other charges accruing pursuant thereto.

2. **Term.** This Guaranty shall continue for the term of the Lease and any extension or renewal thereof. If the Lease terminates and Lessor has any rights which Lessor may enforce against Lessee after termination, Lessor may also enforce such rights against Guarantor.

3. **Primary Liability.** The Lease Obligations guaranteed by Guarantor under this Guaranty shall be primary and independent of the obligations of Lessee under the Lease. Lessor may bring a separate action or actions against Guarantor hereon and such actions may be brought either in conjunction with actions against Lessee or against Lessee directly, regardless of whether Lessor has commenced any action or obtained any judgment against Lessee. If Lessee defaults under the Lease, Lessor may proceed directly against Guarantor, without having commenced any action or obtained any judgment against Lessee, and without applying any property of Lessee (or any other person), if any, held by Lessor as security for the performance of the Lease Obligations. The liability of Guarantor hereunder shall not be released, diminished, or extinguished by Lessor's failure or delay in enforcing any of its rights.

4. **Continuation; No Release.** This Guaranty shall continue in favor of Lessor notwithstanding any modification, alteration, extension or renewal of the Lease entered into by the parties thereto, or their successors or assigns, and notwithstanding any assignment of the Lease, with or without the consent of Lessor. No such modification, alteration, extension, renewal or assignment shall affect this Guaranty or in any way release, diminish, or extinguish the liability of Guarantor hereunder.

5. **Assignment.** Lessor may, with notice to Guarantor, assign this Guaranty in whole, or in part in connection with any transfer of any interest in the Lease or the Premises, and no such assignment or transfer shall release, diminish, or extinguish or otherwise affect the liability of Guarantor hereunder. In such event the benefits of this Guaranty shall inure to the benefit of Lessor's successors and assigns.

6. **Security.** Guarantor authorizes Lessor, without further notice or demand and without affecting the liability of Guarantor hereunder, from time to time, to: (a) take and hold security (including the Security Deposit and any security filing consented to by Lessee) (the "Security") (if any) for performance of the Lease Obligations and exchange, enforce, waive or release any such Security; (b) apply such Security in whole or in part and direct the order or manner of sale thereof as Lessor, in Lessor's discretion, may determine; and (c) proceed against Lessee or proceed against and exhaust such Security held from Lessee; the provisions of this paragraph shall constitute a waiver of Guarantor's right to claim exoneration from the Lease Obligations for the foregoing actions.

7. **Events of Insolvency.**

7.1. **Defined.** The term "Event of Insolvency" shall mean any of the following:

(a) Lessee becomes insolvent or is adjudicated a bankrupt;

(b) Lessee files a petition for reorganization, arrangement or similar relief under any present or future provisions of the Federal Bankruptcy Code, or any other state or federal statute for the relief of debtors or any similar law;

(c) A court approves a petition filed against Lessee by its creditors for reorganization, arrangement or similar relief under any present or future provision of the Federal Bankruptcy Code, or any other state or federal statute for the relief of debtors or any other similar law;

(d) Lessee seeks a judicial readjustment of the rights of its creditors under any present or future federal or state law; or

(e) A receiver of all or part of Lessee's property and assets is appointed by any state or federal court.

7.2 **Effect.** This Guaranty shall in full force and effect, notwithstanding the occurrence of any Event of Insolvency affecting Lessee, or any successor or assignee of Lessee, or in the event of any disaffirmance, or abandonment by a trustee of Lessee, or in the event that the Lease is terminated, rejected or modified in the course of any proceeding relating to an Event of Insolvency. To the extent necessary to effectuate the purpose of this Guaranty, Guarantor hereby assigns to Lessor any rights Guarantor may have to file a claim and proof of claim in any bankruptcy or similar proceeding of Lessee any awards or payments thereon to which Guarantor would otherwise be entitled, to the extent of any unsatisfied Lease Obligations.

8. **Waiver of Defenses.** Guarantor waives any defense Guarantor may acquire by reason of Lessor's election of any remedy against Guarantor or Lessee, or both. In addition, Guarantor waives any defense arising by reason of any disability or other defense of Lessee, including, without limitation, any defense based upon: (a) invalidity of the Lease (b) any lack of authority of the officers, directors, partners or agents acting or purporting to act on behalf of Lessee or any principal of Lessee; or (c) by reason of the cessation from any cause whatsoever of the liability of Lessee other than full performance and discharge of the Lease Obligations.

9. **Waiver of Rights.** Guarantor waives the right to require Lessor: (a) to proceed against Lessee or any successor of Lessee; and (b) to pursue any other remedy in Lessor's power. Guarantor expressly waives the provisions of the California and/or Arizona Civil Code, which grants a surety certain rights to require a creditor to pursue alternative remedies before proceeding against a surety.

10. **Subrogation.** Until the Lease Obligations shall have been performed in full, Guarantor shall have no right of subrogation and waive any right to enforce any remedy which Lessor now has or may hereafter have against Lessee. Guarantor waives any right to participate in any security now or hereafter held by Lessor.

11. **Successive Demands.** Guarantor's liability shall extend to each and every payment to be made by Lessee and any additional Lease Obligation to be performed or observed by Lessee. Successive demands may be made upon, and successive actions for the enforcement of such demands may be brought against Guarantor upon successive defaults by Lessee and the enforcement of this Guaranty against Guarantor with respect to any Lease Obligation shall not operate to exhaust this Guaranty or operate as a waiver of the right to proceed under this Guaranty with respect to any future default or defaults.

12. General Provisions.

12.1 **Attorney's Fees.** Guarantor agrees to pay all costs and other expenses, including reasonable attorneys' fees and court costs, paid or incurred by Lessor in enforcing or attempting to enforce this Guaranty or the obligations guaranteed hereby. Guarantor is obligated as to attorney's fees and costs pursuant to Paragraphs 31 and 37.1 of the Lease, as to the obligations under the Lease and the Guaranty, and the provision in the Addendum as to attorneys fees made applicable here to the Lease and the Guaranty.

12.2 **Governing Law.** This Guaranty shall be enforceable by Lessor in accordance with the laws of the State of California and shall be construed in accordance therewith.

12.3 **Interest.** Interest shall accrue on all accounts which are not paid by Guarantor when due under the Lease, from the date due until due date paid by Guarantor, at the interest rate specified in the Lease, but not to exceed the maximum legal rate of interest.

12.4 **Joint and Several.** If Guarantor is more than one person, each person's obligations hereunder are joint and several and are independent of Lessee's obligations. Lessor may bring a separate action against any Guarantor whether the action is brought against any other Guarantor, or whether any other Guarantor is joined in the action.

12.5 **Modification.** This Guaranty may not be amended, modified, released, or terminated except by a written instrument executed by Guarantor and Lessor.

12.6 **Severability.** If any of Guarantor's obligations hereunder shall be held to be unenforceable, the remainder of this Guaranty and its application to all obligations other than those with respect to which is held unenforceable shall not be affected thereby and shall remain in full and effect.

12.7 **Successors.** The terms and provisions of this Guaranty shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto.

IN WITNESS WHEREOF, the undersigned has executed this guaranty of lease as of tile date first written above.

GUARANTOR:

Res. Address: _____
Phone: _____
Soccer#: _____
DL#: _____ DOB _____

By: _____

Res. Address: _____
Phone: _____
Soc Sec#: _____
DL#: _____ DOB _____

By: _____

EXHIBIT J-1

SPOUSAL CONSENT

To the Lease dated _____200___, by and between _____ _____, as Lessor, and _____, as Lessee, for the premises known as _____ _____.

The undersigned, being the spouse of the Guarantor to this Lease, hereby (a) consent to the Lease, (b) agree that all now owned and hereafter acquired community and quasi-community property of the undersigned and Guarantor shall be liable for the satisfaction of obligations imposed by the Lease, and (c) agree solely for purposes of subjecting any community or quasi-community property received pursuant to liability for satisfaction of the obligations imposed by the Lease, the undersigned have "incurred" the obligations of the Lease.

Spouse

_____

_____

_____

*See Below

*EXHIBIT K

MEMORANDUM
CERTIFICATE

This memorandum is made of _____ 19_____ with reference to that certain Lease Agreement (hereinafter referred to as the "Lease") dated _____ by and between _____ _____ as "Lessor" therein, and _____ as "Lessee."

The undersigned, as Lessee under said Lease, hereby confirms the following:

1. The Lessee accepted possession of the Demised Premises (as described in said Lease) on _____ and acknowledges that the premises are as represented by Lessor and in good order, condition and repair; and that the improvements, if any, required to be constructed for and/or furnished to Lessee by Lessor under said Lease have been so constructed and/or furnished and are satisfactorily completed in all respects.

2. That all conditions of said Lease to be performed by Lessor prerequisite to the full effectiveness of said Lease have been satisfied and that Lessor has fulfilled all of its duties of an inducement nature.

3. That in accordance with the provisions of Paragraph 4 of said Lease die Commencement Date (as the phrase "Commencement Date" is defined in said Lease) of the term is_____ and that, unless sooner terminated, the original term thereof expires on _____ .

4. That said Lease (as amended, if amended) is in full force and effect and that the same represents the entire agreement between Lessor and Lessee concerning said Lease.

5. That there are no existing defenses which Lessee has against the enforcement of said Lease by Lessor, and no offsets or credits against rentals except as may be expressly provided in said Lease.

6. That the minimum rental obligation of said Lease is presently in effect and that all rentals, charges and other obligations on the part of Lessee undersaid Lease commenced to accrue on _____ .

7. That the undersigned Lessee has no notice of any prior assignment, hypothecation or pledge of said Lease or of the rents thereunder.

LESSEE:	LESSOR:
BY: _____	BY: _____
ITS: _____	ITS:_____

This "Memorandum" is hereby approved in form and shall be completed (if necessary) pursuant with Paragraph 4.A of The Lease and incorporated as part of The Lease.

LESSEE'S INITIALS:	LESSOR'S INITIALS:
_____	_____

*Not Applicable if Term is fixed per the Lease.

EXHIBIT L

OPTION(S) TO EXTEND (DOES NOT APPLY)

ADDENDUM TO
STANDARD LEASE

Dated_____

By and Between (Lessor) M.C. Strauss Company_____

(Lessee)_____

Property Address: _____ Hancock Street, Suite _____, San Diego, CA 92110

Paragraph _____

A. **OPTION(S) TO EXTEND:**

Lessor hereby grants to Lessee the option to extend the term of this Lease for _____ additional _____ month period(s) commencing when the prior term expires upon each and all of the following terms and conditions:

(i) Lessee gives to Lessor, and Lessor actually receives on a date which is prior to the date that the option period would commence (if exercised) by at least _____ and not more than _____ months, a written notice of the exercise of the option(s) to extend this Lease for said additional term(s), time being of essence. If said notification of the exercise of said option(s) is (are) not so given and received, the option(s) shall automatically expire: said option(s) may (if more than one) only be exercised consecutively;

(ii) The provisions of paragraph 39, including the provision relating to default of Lessee set forth in paragraph 39.4 of this Lease are conditions of this Option;

(iii) All of the terms and conditions of this Lease except where specifically modified by this option shall apply;

(iv) The monthly rent for each month of the option period shall be calculated as follows, using the method(s) indicated below:

(Check Method(s) to be Used and Fill In Appropriately)

☐ I. **Cost of Living Adjustment(s) (COL)**

(a) On (Fill in COL Adjustment Date(s): _____
_____ the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted by the change, if any, from the Base Month specified below, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for (select one): ☐ CPI W (Urban Wage Earners and Clerical Workers) or ☐ CPI U (All Urban Consumers), for (Fill in Urban Area): _____
_____ All Items (1982–1984 = 100), herein referred to as "C.P.I."

(b) The monthly rent payable in accordance with paragraph AI(a) of this Addendum shall be calculated as follows: the Base Rent set forth in paragraph 1.5 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the C.P.I. of the calendar month 2 (two) months prior to the month(s) specified in paragraph AI(a) above during which the adjustment is to take effect, and the denominator of which shall be the C.P.I. of the calendar month which is two (2) months prior to (select one): ☐ the first month of the term of this Lease as set forth in paragraph 1.3 ("Base Month") or ☐ (Fill In Other "Base Month"): _____. The sum so calculated shall constitute the new monthly rent hereunder, but in no event, shall any such new monthly rent be less than the rent payable for the month immediately preceding the date for rent adjustment plus 5% increase and 5% for each option year rounded up to the next dollar figure.

(c) In the event the compilation and/or publication of the C.P.I. shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the C.P.I. shall be used to make such calculation. In the event that Lessor and Lessee cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid equally by Lessor and Lessee.

☐ II. **Market Rental Value Adjustment(s) (MRV)**

(a) On (Fill in MRV Adjustment Date(s): _____
_____ the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted to the "Market Rental Value" of the property as follows:

1) Four months prior to the Market Rental Value (MRV) Adjustment Date(s) described above, Lessor and Lessee shall meet to establish an agreed upon new MRV for the specified term. If agreement cannot be reached, then:

i) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the parties, or

ii) Both Lessor and Lessee shall each immediately select and pay the appraiser or broker of their choice to establish a MRV within the next 30 days. If, for any reason, either one of the appraisals is not completed within the next 30 days, as stipulated, then the appraisal that is completed at that time shall automatically become the new MRV. If both appraisals are completed and the two appraisers/brokers cannot agree on a reasonable average MRV then they shall immediately select a third mutually acceptable appraiser/broker to establish a third MRV within the next 30 days. The average of the two appraisals closest in value shall then become the new MRV. The costs of the third appraisal will be split equally between the parties.

2) In any event, the new MRV shall not be less than the rent payable for the month immediately preceding the date for rent adjustment plus five percent (5%, rounded up) and five percent (5%, rounded up) each succeeding option year.

(b) Upon the establishment of each New Market Rental Value as described In paragraph AII:

1) the monthly rental sum so calculated for each term as specified in paragraph AII(a) will become the new "Base Rent" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph AII(a) above and

2) the first month at each Market Rental Value term as specified in paragraph AII(a) shall become the new "Base Month" for the purpose of calculating any further Cost of Living Adjustments as specified In paragraph AI(b).

☐ III. **Fixed Rental Adjustment(s) (FRA)**

The monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be increased to the following amounts on the dates set forth below.

On (Fill in FRA Adjustment Date(s)):	The New Base Rental shall be:
_____	$_____
_____	$_____
_____	$_____
_____	$_____

B. **NOTICE:** Unless specified otherwise herein, notice at any escalations other than Fixed Rental Adjustment(s) shall be made as specified in paragraph 23 of the attached Lease.

*C. **BROKER'S FEE:** *Deleted

~~The Real Estate Brokers specified in paragraph 1.10 of the attached Lease shall be paid a Brokerage Fee for each adjustement specified above in accordance with paragraph 15 of the attached Lease.~~

D. **OPTION RIGHTS CONDITION:** Lessee's Option Rights are contingent upon Lessee not having previously breached or otherwise failed to perform under the Lease since its inception. Otherwise Landlord at its sole discretion may declare any option to extend null and void.

LESSEE'S INITIAL: _____ LESSOR'S INITIAL: _____

EXHIBIT M

SPECIAL ADDENDUM

This Addendum to Lease ("Addendum") is made a part of the Lease dated October 17, 2006 by and between MC Strauss Company ("Lessor") Leszek Kik dba: Autohaus Munich ("Lessee") for the Demised Premises commonly known as Sports Arena Business Park 3770 Hancock Street, Suite E, San Diego, CA 92110 . Should there be any conflicts between the terms and conditions of this Addendum and the Lease, this Addendum shall prevail.

1.TERMINATION OF FORMER LEASE:

The present Lease agreement and all Addendums/Amendments on the Demised Premises by and between MC Strauss Company and Leszek Kik dba: Autohaus Munich (hereinafter called "Previous Lease") shall be terminated and superseded by this lease agreement upon the Commencement Date hereof. However, it is understood and agreed that Lessee shall hold Lessor harmless from any Liability or claim under Previous Lease with respect to said Lease, (the Security Deposit $2,300.00 is acknowledged and hereby transferred to new Lease) and Lessee shall assume the responsibility for payment to Lessor (through escrow or otherwise, if any) of all past due rents, taxes, common area charges, and any other lawful charges due Lessor under Previous Lease and prior to the effective date of this Lease Agreement:

2. TENANT'S RIGHT TO TERMINATE:

Tenant shall have the right to terminate this agreement after October 31, 2007 with Sixty (60) Days prior written notice deliverd to Landlord or Landlord's Agent.

LESSEE: LESZEK KIK
DBA: AUTOHAUS MUNICH

By: _____

Its: _____

LESSOR: STRAUSS FAMILY TRUST UDT 6/5/92
DBA: MC STRAUSS COMPANY

By: _____

Its: _____

Initials

Initials

3770 F

AMENDMENT #1 TO LEASE

THIS AMENDMENT, made and entered into May 22, 2013, by and between Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company, as Lessor, and Amadeu Rodrigues, a married man, as Lessee, does hereby supplement, modify, and amend that certain Lease Agreement dated June 5, 2012, together with all modifications and amendments thereto (collectively, the "Lease"), by and between the above named parties for the premises located at 3770 Hancock Street, Suite F, San Diego, CA 92110.

The parties hereto agree as follows:

1. TERM. The Term of the Lease shall be extended for three (3) years to commence June 1, 2013 and expiring May 31, 2016 ("Extended Term").

2. BASE RENT/WATER &SEWER FEES. The Base Monthly Rents and Water/Sewer Fees for the Extended Term shall be as follows:

   June 1, 2013 through May 31, 2014: $1.05psf x 2,100sf = $2,205.00 per month
   June 1, 2014 through May 31, 2015: $1.10psf x 2,100sf = $2,310.00 per month
   June 1, 2015 through May 31, 2016: $1.15psf x 2,100sf = $2,415.00 per month

   Water & Sewer Fee shall remain the same at $75.00 per month.

3. OPTION TO EXTEND. The Option to Extend as defined in Exhibit L shall hereby be null and void and of no further force and effect.

4. CONFIDENTIALITY. Lessee shall keep the content and all copies of this Amendment and related documents now or hereafter entered into, and all proposals, materials, information and matters relating thereto, strictly confidential, and shall not disclose, disseminate or distribute any of the same, or permit the same to occur, except to the extent reasonably required for proper business purposes by Lessee's attorneys, insurers, auditors and lenders, and, in such event, Lessee shall obligate any such parties to whom disclosure is permitted to honor the confidentiality provisions hereto, except as may be required by Law or court proceedings.

5. COUNTERPARTS. This Amendment may be executed in one or more counterparts, each of which counterparts shall constitute an original and all of which counterparts together shall constitute one and the same Amendment. The delivery by Lessor or Lessee of a facsimile signature of this Amendment shall have the same legally binding effect as the delivery of an original signature.

6. ENFORCEABILITY. Lessor acknowledges and represents to Lessee that this Amendment is the binding obligation of Lessor enforceable in accordance with its terms and that Lessor has obtained the consent of its lender or any other third party from whom the Lessor is required to obtain consent for the execution and performance of this Amendment. Lessee acknowledges and represents to Lessor that this Amendment is the binding obligation of Lessee enforceable in accordance with its terms and that Lessee has obtained the consent of its lender, if any, or any other third party from whom the Lessee is required to obtain consent for the execution and performance of this Amendment.

7. CONFLICT OF PROVISIONS; RATIFICATION. In the event of a conflict between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall govern. Except as specifically referenced or addressed herein, all other terms, covenants, and provisions of the Lease are hereby ratified and confirmed and shall remain unchanged and in full force and effect throughout the Term.

8. ENTIRE AGREEMENT; BINDING. This Amendment represents the entire agreement between Lessor and Lessee regarding the subject matter contained in this Amendment and there are no other terms, obligations, covenants, representations, statements or conditions oral or otherwise of any kind whatsoever between the parties regarding the subject matter contained in this Amendment except as set forth in this Amendment. No amendment or modification to this Amendment shall be effective unless it is in writing and executed by both Lessor and Lessee. All references to the term "Lease" in this Amendment and the Lease shall mean the Lease as amended by this Amendment.

9. CAPTIONS. The captions and section numbers appearing in this Amendment are for convenience only and are not a part of this Amendment and do not in any way limit, amplify, define, construe or describe the scope or intent of the terms or provisions of this Amendment.

10. CAPITALIZED TERMS. All capitalized terms in this Amendment, unless specifically defined herein, shall have the same meaning as in the Lease

11. AUTHORITY TO EXECUTE. Lessor and Lessee represent and warrant to each other that the person executing this Amendment on behalf of such applicable party has the full right, power and authority to execute this Amendment and perform its obligations under this Amendment.

12. SEVERABILITY. If any provision of this Amendment is determined by a court having jurisdiction to be illegal, invalid or unenforceable under any present or future law, the remainder of this Amendment will not be affected thereby. It is the intention of the parties that if any provision is so held to be illegal, invalid or unenforceable, there will be added in lieu thereof a provision as similar in terms to such provision as is possible that is legal, valid and enforceable.

IN WITNESS WHEREOF, the parties have signed this Amendment effective on the date set forth above.

LESSOR:

STRAUSS FAMILY TRUST UDT
6/5/92, DBA: M.C. STRAUSS CO.

By: _____

Its: _____

LESSEE:

AMADEU RODRIGUES, A MARRIED MAN

By: _____
Amadeu Rodrigues

By and Between

Strauss Family Trust UDT 6/5/92
dba. M.C. Strauss Company

as Lessor

and

Amadeu Rodrigues, a married man

as Lessee

at Sports Arena Business Park
3770 Hancock Street, Suite F
San Diego, CA 92110

Dated for Reference Purposes
as of
June 5, 2012

Standard Commercial Multi-Tenant Lease

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Standard Commercial Multi-Tenant Lease

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STANDARD INDUSTRIAL/ COMMERCIAL
MULTI-TENANT LEASE—GROSS
AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

1. **Basic Provisions ("Basic Provisions").**

1.1 **Parties:** This Lease (**"Lease"**), dated for reference purposes only June 5, 2012, is made by and between Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company (**"Lessor"**) and Amadeu Rodrigues, a married man (**"Lessee"**), (**collectively the "Parties"**, or individually a **"Party"**).

1.2(a) **Premises:** That certain portion of the Project (as defined below), including all improvements therein or to be provided by Lessor under the terms of this Lease, commonly known by the street address of 3770 Hancock Street, Suite F ,located in the City of San Diego, County of San Diego, State of California, with zip code 92110, as outlined and cross-hatched on Exhibit A & A-1 attached hereto (**"Premises"**) and generally described as (describe briefly the nature of the Premises): Sport Arena Business Park, the demised premises consists of approx. 2,100 rentable square feet. The property is further described on Exhibit A & A.1. In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Areas (as defined in Paragraph 2.7 below) as hereinafter specified, but shall not have any rights to the roof, exterior walls or utility raceways of the building containing the Premises (**"Building"**) or to any other buildings In the Project. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the **"Project."** (See also Paragraph 2.)

1.2(b) **Parking:** See Exhibit C item 14 unreserved vehicle parking spaces (**"Unreserved Parking Spaces"**); and (Not applicable) reserved vehicle parking spaces (**"Reserved Parking Spaces"**). (See also Paragraph 2.6)

1.3 **Term:** One (1) year (**"Original Term"**) commencing June 1, 2012 (**"Commencement Date"**) and ending May 31, 2013 (**"Expiration Date"**). (See also Paragraph 3.) (see Exhibit K)

1.4 **Early Possession:** (Not applicable) (**"Early Possession Date"**).(See also Paragraphs 3.2 and 3.3.)

1.5 **Base Rent:** $ 1,800.00 per month (**"Base Rent"**), payable on the first day of each month commencing June 1, 2012. (See also Paragraph 4.)

0 If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted. See Exhibit F.

1.6 **Lessee's Share of Common Area Operating Expenses:** (Not applicable) percent (___%) (**"Lessee's Share"**).

1.7 **Base Rent and Other Monies paid Upon Execution:**

(a) Base Rent: $1,800.00 for the period June 1-30, 2012.

(b) Common Area Operating Expenses: $ *does not apply for the period *does not apply.

(c) Security Deposit: $ 1,000.00 to be paid in 3 installments: $300.00 due June 1, 2012 +$300.00 due July 1, 2012 +$400.00 due August 1, 2012 (**"Security Deposit"**). (See also Paragraph 5.)

(d) Other: $ 75.00 per month for monthly water/sewer fees (see Exhibit C, Item #4).

(e) Total Due Upon Execution of this Lease: $ 2,175.00 .

1.8 **Agreed Use:** Brazilian market and for no other purpose or use. See Exhibit H. (See also Paragraph 6.)

1.9 **Insuring Party:** Lessor is the **"Insuring Party"**. (See also Paragraph 8.)

1.10 **Real Estate Brokers:** (See also Paragraph 5).

(a) **Representation:** The following real estate brokers (the **"Brokers"**) and brokerage relationships exist in this transition (check applicable boxes):

0 (Not applicable) represents Lessor exclusively (**"Lessor's Broker"**);

0 (Not applicable) represents Lessee exclusively (**"Lessee's Broker"**); or

0 (Not applicable) represents both Lessor and Lessee (**"Dual Agency"**).

(b) **Payment to Brokers:** Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Brokers the brokerage fee agreed to in a separate written agreement (or if there is no such agreement, the sum of (Not applicable) or (N/A) % of the total Base Rent for the brokerage services rendered by the Brokers).

1.11 **Guarantor.** The obligations of the Lessee under this Lease are to be guaranteed by See Exhibits J and J.1 (**"Guarantor"**). (See also Paragraph 37.)

1.12 **Addenda and Exhibits:** Attached hereto is an Addendum or Addenda consisting of Paragraphs ----- through ----- and Exhibits A through N, all of which constitute a part of this lease.

2. **Premises.**

2.1 **Letting.** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of size set forth in this Lease, or that may have been used in calculating Rent, is an approximation which the Parties agree is reasonable and any payments based thereon are not subject to revision whether or not the actual size is more or less.

2.2 **Condition.** Lessor shall deliver that portion of the Premises contained within the Building (**"Unit"**) to Lessee broom clean and free of debris on the Commencement Date or the Early Possession Date, whichever first occurs (**"Start Date"**), and, so long as the required service contracts described in Paragraph 7.1(b) below are obtained by Lessee and in effect within thirty days following the Start Date, warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems (**"HVAC"**), loading doors, if any, and all other such elements in the Unit, other than those constructed by Lessee, shall be in good operating condition on said date and that the structural elements of the roof, bearing walls and foundation of the Unit shall be free of material defects. If a non-compliance with such warranty exists as of the Start Date, or if one of such systems or elements should malfunction or fail within the appropriate warranty period, Lessor shall, as Lessor's sole obligation with respect to such matter, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, malfunction or failure, rectify same at Lessor's expense. The warranty periods shall be as follows: (i) 6 months as to the HVAC systems, and (ii) 30 days as to the remaining systems and other elements of the Unit. If Lessee does not give Lessor the required notice within the appropriate warranty period, correction of any such non-compliance, malfunction or failure shall be the obligation of Lessee at Lessee's sole cost and expense (except for the repairs to the fire sprinkler systems, roof, foundations, and/or bearing walls—see Paragraph 7).

2.3 **Compliance.** Lessor warrants that the Improvements on the Premises and the Common Areas comply with the building codes that were in effect at the time that each such Improvement, or portion thereof and also with all applicable laws, covenants or restrictions of record, regulations, and ordinances in effect on the Start Date (**"Applicable Requirements"**). Said warranty does not apply to the use of which Lessee will put the Premises or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a).) made or to be made by Lessee. **NOTE: Lessee is responsible for determining whether or not the zoning is appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed.** If the Premises do not comply with said warranty; Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within 6 months following the Start Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense. If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Unit, Premises and/or Building, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Unit, Premises and/or Building (**"Capital Expenditure"**), Lessor and Lessee shall allocate the cost of such work as follows:

(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof, provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease and the cost thereof exceeds 6 months' Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within 10 days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and the amount equal to 6 months' Base

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Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least 90 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor and Lessee shall allocate the obligation to pay for the portion of such costs reasonably attributable to the Premises pursuant to the formula set out in Paragraph 7.1(d); provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with Interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor.

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to non-voluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall be fully responsible for the cost thereof, and Lessee shall not have any right to terminate this Lease.

2.4 **Acknowledgements.** Lessee acknowledges that: (a) it has been advised by Lessor and/or Brokers to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler Systems, security, environmental aspects, and compliance with Applicable Requirements and the Americans with Disabilities Act), and their suitability for Lessee's intended use, (b) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefore as the same relate to its occupancy of the Premises, and (c) neither Lessor, Lessor's Agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (ii) it is Lessor's solo responsibility to investigate the financial capability and/or suitability of all proposed tenants. (See Exhibit D)

2.5 **Lessee as Prior Owner/Occupant.** The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the Start Date Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.

2.6 **Vehicle Parking.** Lessee shall be entitled to use the number of Unreserved Parking Spaces and Reserved Parking Spaces specified in Paragraph 1.2(b) on those portions of the Common Areas designated from time to time by Lessor for parking. Lessee shall not use more parking spaces than said number. Said parking spaces shall be used for parking by vehicles no larger than full-size passenger automobiles or pick-up trucks, herein called **"Permitted Size Vehicles."** Lessor may regulate the loading and unloading of vehicles by adopting Rules and Regulations as provided in Paragraph 2.9. No vehicles other than Permitted Size Vehicles may be parked in the Common Area without the prior written permission of Lessor.

(a) Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, contractors or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.

(b) Lessee shall not service or store any vehicles in the Common Areas.

(c) If Lessee permits or allows any of the prohibited activities described in this Paragraph 2.6, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.7 **Common Areas—Definition.** The term **"Common Areas"** is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Project and interior utility raceways and installations within the Unit that are provided and designated by the Lessor from time to time for the general non-exclusive use of Lessor, Lessee and other tenants of the Project and their respective employees, suppliers, shippers, customers, contractors and invitees, including parking areas, loading and unloading areas, trash areas, roadways, walkways, driveways and landscaped areas.

2.8 **Common Areas—Lessee's Rights.** Lessor grants to Lessee, for the benefit of Lessee and its employees, suppliers, shippers, contractors, customers and invitees, during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Lessor under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Project. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Lessor or Lessor's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.9 **Common Areas—Rules and Regulations.** Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to establish, modify, amend and enforce reasonable rules and regulations **("Rules and Regulations")** for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Project and their invitees. Lessee agrees to abide by and conform to all such Rules and Regulations, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessor shall not be responsible to Lessee for the non-compliance with said Rules and Regulations by other tenants of the Project.

2.10 **Common Areas—Changes.** Lessor shall have the right, in Lessor's sole discretion, from time to time:

(a) To make changes to the Common Areas, including, without limitation, changes in the location, size, shape and number of driveways, entrances, parking spaces, Parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways;

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;

(c) To designate other land outside the boundaries of the Project to be a part of the Common Areas;

(d) To add additional buildings and improvements to the Common Areas;

(e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Project, or any portion thereof; and

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Project as Lessor may, in the exercise of sound business judgment, deem to be appropriate.

3. **Term.**

3.1 **Term.** The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3. (see Exhibit C #2)

3.2 **Early Possession.** If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early possession. All other terms of this Lease (including but not limited to the obligations to pay Lessee's Share of Common Area Operating Expenses, Real Property taxes and insurance premiums and to maintain the Premises) shall, however, be in effect during such period. Any such early possession shall not affect the Expiration Date. (See Exhibit C # 1)

3.3 **Delay In Possession.** Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession as agreed, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until it receives possession of the Premises. If possession is not delivered within 60 days after

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the Commencement Date, Lessee may, at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10 day period, Lessee's right to cancel shall terminate. Except as otherwise provided, if possession is not tendered to Lessee by the Start Date and Lessee does not terminate this Lease, as aforesaid, any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession of the Premises is not delivered within 4 months after the Commencement Date, this Lease shall terminate, unless other agreements are reached between Lessor and Lessee, in writing. (See Exhibit C #12)

3.4 **Lessee Compliance.** Lessor shall not be required to tender possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of Insurance (Paragraph 8.5). Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.

4. **Rent.**

4.1 **Rent Defined.** All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit) are deemed to be rent (**"Rent"**).

4.2 **Common Area Operating Expenses.** INTENTIONALLY DELETED

(a) **"Common Area operating Expenses"** are defined, for purposes of this Lease, as all costs incurred by Lessor relating to the ownership and operation of the Project, including, but not limited to, the following:

(i) The operation, repair and maintenance, in neat, clean, good order and condition, but not the replacement (see subparagraph (e)), of the following:

(aa) The Common Areas and Common Area improvements, including parking areas, loading and unloading areas, trash areas, roadways, parkways, walkways, driveways. landscaped areas, bumpers, irrigation systems, Common Area lighting facilities, fences and gates, elevators, roots, and roof drainage systems.

(bb) Exterior signs and any tenant directories.

(cc) Any fire sprinkler systems.

(ii) The cost of water, gas, electricity and telephone to service the Common Areas and any utilities not separately metered.

(iii) Trash disposal, pest control services, property management, security services, and the costs of any environmental inspections.

(iv) Reserves set aside for maintenance and repair of Common Areas.

(v) Any increase above the Base Real Property Taxes (as defined in Paragraph 10).

(vi) Any "Insurance Cost Increase" (as defined in Paragraph 8).

(vii) Any deductible portion of an insured loss concerning the Building or the Common Areas.

(viii) The cost of any Capital Expenditure to the Building or the Project not covered under the provisions of Paragraph 2.3 provided; however, that Lessor shall allocate the cost of any such Capital Expenditure over a 12 year period and Lessee shall not be required to pay more than Lessee's Share of 1/144th of the cost of such Capital Expenditure in any given month.

(ix) Any other services to be provided by Lessor that are stated elsewhere in this Lease to be a Common Area Operating Expense.

(b) Any Common Area Operating Expenses and Real Property Taxes that are specifically attributable to the Unit, the Building or to any other building in the Project or to the operation, repair and maintenance thereof, shall be allocated entirely to such Unit, Building, or other building. However, any Common Area Operating Expenses and Real Property Taxes, that are not specifically attributable to the Building or to any other building or to the operation, repair and maintenance thereof, shall be equitably allocated by Lessor to all buildings in the Project. (See Exhibit C, Items 3 & 4.)

(c) The inclusion of the improvements, facilities and services set forth in Subparagraph 4.2(a) shall not be deemed to impose an obligation upon Lessor to either have said improvements or facilities or to provide those services unless the Project already has the same, Lessor already provides the services, or Lessor has agreed elsewhere in this Lease to provide the same or some of them.

(d) INTENTIONALLY DELETED

(e) When a capital component such as the roof, foundations, exterior walls or a Common Area capital improvement, such as the parking lot paving, elevators, fences, etc. requires replacement, rather than repair or maintenance, Lessor shall, at Lessor's expense, be responsible for such replacement. Such expenses and/or costs are not Common Area Operating Expenses.

4.3 **Payment.** Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States, without offset or deduction (except as specifically permitted in this Lease), on or before the day on which it is due. Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a Waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating. In the event that any check, draft, or other instrument of payment given by Lessee to Lessor is dishonored for any reason, Lessee agrees to pay to Lessor the sum of $25.

5. **Security Deposit.** Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease. Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of the Security Deposit, Lessee shall within 10 days after written request therefor deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sub lessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, In Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within 14 days after the expiration or termination of this Lease, if Lessor elects to apply the Security Deposit only to unpaid Rent, and otherwise within 30 days after the Premises have been vacated pursuant to Paragraph 7.4(c) below, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease.

6. Use.

6.1 **Use.** Lessee shall use and occupy the Premises only for the Agreed Use and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties. (See Exhibit C, Item 5.)

6.2 **Hazardous Substances,**

(a) **Reportable Uses Require Consent.** The term **"Hazardous Substance"** as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either; (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, by-products or fractions thereof. Lessee shall not engage in any activity in or on the

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Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee's expense) with all Applicable Requirements. **"Reportable Use"** shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability; including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit.

(b) **Duty to Inform Lessor.** If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(c) **Lessee Remediation.** Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) **Lessee Indemnification.** Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, or any Third party (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from areas outside of the Project). Lessee's obligations shall Include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

(e) **Lessor Indemnification.** Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which existed as a result of Hazardous Substances on the Premises prior to the Start Date or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

(f) **Investigations and Remediations.** Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to the Start Date, unless such remediation measure is required as a result of Lessee's use (including "Alterations," as defined in Paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessor's investigative and remedial responsibilities.

(g) **Lessor Termination Option.** If a Hazardous Substance Condition (see Paragraph 9.1(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and affect, or (ii) if the estimated cost to remediate such condition exceeds 12 times the then monthly Base Rent or $100,000, whichever is greater, give written notice to Lessee, within 30 days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within 10 days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to 12 times the then monthly Base Rent or $100.000, whichever is greater. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation, as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

6.3 **Lessee's Compliance with Applicable Requirements.** Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the Premises, without regard to whether said requirements are now in effect or become effective after the Start Date. Lessee shall, within 10 days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements.

6.4 **Inspection Compliance.** Lessor and Lessor's **"Lender"** (as defined in Paragraph 30) and consultants shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a contamination is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination.

7. **Maintenance; Repairs, Utility Installations; Trade Fixtures and Alterations.**

7.1 **Lessee's Obligations.**

(a) **In General.** Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance), 6.3 (Lessee's Compliance with Applicable Requirements), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole expense, keep the Premises, Utility Installations (intended for Lessee's exclusive use, no matter where located), and Alterations in good order, condition and repair (whether or not the portion of the Premises requiring repairs, or the means or repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, but not limited to, all equipment or facilities, such as plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fixtures, interior walls, interior surfaces of exterior walls, ceilings, floors, windows, doors, plate glass, and skylights but excluding any items which are the responsibility of Lessor pursuant to Paragraph 7.2. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Paragraph 7.1(b) below. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair. (See Exhibit C, Item 6.)

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(b) **Service Contracts.** Lessee shall, at Lessee's sole expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in the maintenance of the following equipment and improvements, if any, if and when installed on the Premises: (I) HVAC equipment, (ii) boiler and pressure vessels, (iii) clarifiers, and (iv) any other equipment, if reasonably required by Lessor. However, Lessor reserves the right, upon notice to Lessee, to procure and maintain any or all of such service contracts, and if Lessor so elects, Lessee shall reimburse Lessor, upon demand, for the cost thereof.

(c) **Failure to Perform.** If Lessee fails to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after 10 days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, and Lessee shall promptly reimburse Lessor for the cost thereof.

(d) **Replacement.** Subject to Lessee's indemnification of Lessor as set forth in Paragraph 8.7 below, and without relieving Lessee of liability resulting from Lessee's failure to exercise and perform good maintenance practices, if an item described in Paragraph 7.1(b) cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such item, then such item shall be replaced by Lessor, and the cost thereof shall be prorated between the Parties and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease, on the date on which Base Rent is due, an amount equal to the product of multiplying the cost of such replacement by a fraction, the numerator of which is one, and the denominator of which is 144 (ie. 1/144th of the cost per month). Lessee shall pay interest on the unamortized balance at a rate that is commercially reasonable in the judgment of Lessor's accountants. Lessee may, however, prepay its obligation at any time.

7.2 **Lessor's Obligations.** Subject to the Provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 4.2 (Common Area Operating Expenses), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler system, Common Area fire alarm and/or smoke detection systems, fire hydrants, parking lots, walkways, parkways, driveways, landscaping, fences, signs and utility systems serving the Common Areas and all parts thereof, as well as providing the services for which there is a Common Area Operating Expense pursuant to Paragraph 4.2. Lessor shall not be obligated to paint the exterior or interior surfaces of exterior walls nor shall Lessor be obligated to maintain, repair or replace windows, doors or plate glass of the Premises. Lessee expressly waives the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease

7.3 **Utility Installations; Trade Fixtures; Alterations.**

(a) **Definitions.** The term **"Utility Installations"** refers to all floor and window coverings, air lines, power panels, electrical distribution, security and fire protection systems, communication systems, lighting fixtures, HVAC equipment, plumbing, and fencing in or on the Premises. The term **"Trade Fixtures"** shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term **"Alterations"** shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. **"Lessee Owned Alterations and/or Utility Installations"** are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a).

(b) **Consent.** Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, and the cumulative cost thereof during this Lease as extended does not exceed a sum equal to 3 month's Base Rent in the aggregate or a sum equal to one month's Base Rent in any one year. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor.

(c) **Indemnification.** Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or material men's lien against the Premises or any interest therein, Lessee shall give Lessor not less than 10 days notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to 150% of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys' fees and costs.

7.4 **Ownership; Removal; Surrender; and Restoration.**

(a) **Ownership.** Subject to Lessor's right to require removal or elect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

(b) **Removal.** By delivery to Lessee of written notice from Lessor not earlier than 90 and not later than 30 days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent.

(c) **Surrender; Restoration.** Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris, and in good operating order. condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing, if this Lease is for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures. Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall also completely remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Project) even if such removal would require Lessee to perform or pay for work that exceeds statutory requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below. (See Exhibit C, Item 7.)

8. Insurance Indemnity.

8.1 **Payment of Premium Increases.**

(a) As used herein, the term **"Insurance Cost Increase"** is defined as any increase in the actual cost of the insurance applicable to the Building and/or the Project and required to be carried by Lessor, pursuant to Paragraphs 8.2(b), 8.3(a) and 8.3(b) (**"Required Insurance"**), over and above the Base Premium, as hereinafter defined, calculated on an annual basis. Insurance Cost Increase shall include, but not be limited to, requirements of the holder of a mortgage or deed of trust covering the Premises, Building and/or Project, increased valuation of the Premises, Building and/or Project, and/or a general premium rate increase. The term Insurance Cost Increase shall not, however, include any premium increases resulting from the nature of the occupancy of any other tenant of the Building. If the parties insert a dollar amount in Paragraph 1.9, such amount shall be considered the **"Base Premium."** The Base Premium shall be the annual premium

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applicable to the 12 month period immediately preceding the Start Date. If, however, the Project was not insured for the entirety of such 12 month period, then the Base Premium shall be the lowest annual premium reasonably obtainable for the Required Insurance as of the Start Date, assuming the most nominal use possible of the Building. In no event, however, shall Lessee be responsible for any portion of the premium cost attributable to liability insurance coverage in excess of $2,000,000 procured under Paragraph 8.2(b).

(b) INTENTIONALLY DELETED

8.2 **Liability Insurance.**

(a) **Carried by Lessee.** Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $1,000,000 per occurrence with an annual aggregate of not less than $2,000,000, an "Additional Insured-Managers or Lessor's of Premises Endorsement" and contain the "Amendment of the Pollution Exclusion Endorsement" for damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "Insured Contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance carried by Lessee shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only. (See Exhibit C, Item 8.)

(b) **Carried by Lessor.** Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 **Property Insurance – Building, Improvements and Rental Value.**

(a) **Building and Improvements.** Lessor shall obtain and keep in force a policy or policies of insurance in the name of Lessor, with loss Payable to Lessor, any ground-lessor, and to any Lender insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full replacement cost of the Premises, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available insurable value thereof. Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee under Paragraph 8.4. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed $1,000 per occurrence.

(b) **Rental Value.** Lessor shall also obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one year with an extended period of indemnity for an additional 180 days ("Rental Value Insurance"). Said insurance shall contain an agreed valuation provision, in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next 12 month perio d.

(c) **Adjacent Premises.** Lessee shall pay for any increase in the premiums for the property insurance of the Building and for the Common Areas or other buildings in the Project if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(d) **Lessee's Improvements.** Since Lessor is the Insuring Party, Lessor shall not be required to insure Lessee Owned Alterations and Utility Installations unless the item in question has become the property of Lessor under the terms of this Lease.

8.4 **Lessee's Property; Business Interruption Insurance.**

(a) **Property Damage.** Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures, and Lessee Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed $1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of Personal Property, Trade Fixtures and Lessee Owned Alterations and Utility Installations. Lessee shall provide Lessor with written evidence that such insurance in force.

(b) **Business Interruption.** Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all Perils commonly insured against by prudent Lessee's in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

(c) **No Representation of Adequate Coverage.** Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.

8.5 **Insurance Policies.** Insurance required herein shall be by companies duty licensed or admitted to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B+, V, as set forth in the most current issue of "Best's Insurance Guide," or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required Insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates evidencing the existence and amounts of the required Insurance. No such policy shall be cancelable or subject to modification except after 30 days prior written notice to Lessor. Lessee shall, at least 30 days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same.

8.6 **Waiver of Subrogation.** Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of Insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation, that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 **Indemnity.** Except for Lessor's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified.

8.8 **Exemption of Lessor from Liability.** Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the Building, or from other sources or places. Lessor shall not be liable for any damages arising from any act or neglect of any other tenant of Lessor nor from the failure of Lessor to enforce the provisions of any other lease in the Project. Notwithstanding Lessor's negligence or breach of this Lease, Lessor shall under no circumstances be liable for injury to Lessee's business or for any loss of income or profit there from.

9. **Damage or Destruction.**

9.1 Definitions.

(a) **"Premises Partial Damage"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which can reasonably be repaired in 3 months or less from the date of the damage or destruction, and the cost thereof does not exceed a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

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(b) **"Premises Total Destruction"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility installations and Trade Fixtures, which cannot reasonably be repaired in 3 months or less from the date of the damage or destruction and/or the cost thereof exceeds a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) **"Insured Loss"** shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

(d) **"Replacement Cost"** shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) **"Hazardous Substance Condition"** shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises.

9.2 **Partial Damage – Insured Loss.** If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force end effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is $5,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said 10 day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 **Partial Damage – Uninsured Loss.** If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective 60 days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 **Total Destruction.** Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate 60 days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6

9.5 **Damage Near End of Term.** If at any time during the last 6 months of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective 60 days following the date of occurrence of such damage by giving a written termination notice to Lessee within 30 days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is 10 days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished.

9.6 **Abatement of Rent; Lessee's Remedies.**

(a) **Abatement.** In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from the Rental Value Insurance. All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) **Remedies.** If Lessor shall be obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within 90 days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than 60 days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within 30 days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such 30 days, this Lease shall continue in full force and effect. "Commence" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 **Termination; Advance Payments.** Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

9.8 **Waive Statutes.** Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith.

10. Real Property Taxes.

10.1 **Definitions.**

(a) **"Real Property Taxes."** As used herein, the term **"Real Property Taxes"** shall include a form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Project, Lessor's right to other income there from, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Project address and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Project is located. The term "Real Property Taxes" shall also include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Project or any portion thereof or a change in the improvements thereon.

(b) **"Base Real Property Taxes."** As used herein, the term **"Base Real Property Taxes"** shall be the amount of Real Property Taxes, which are assessed against the Premises, Building, Project or Common Areas in the calendar year during which the Lease is executed. In calculating Real Property Taxes for any calendar year, the Real Property Taxes for any real estate tax year shall be

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included in the calculation of Real Property Taxes for such calendar year based upon the number of days which such calendar year and tax year have in common.

10.2 **Payment of Taxes.** Lessor shall pay the Real Property Taxes applicable to the Project, and except as otherwise provided in Paragraph 10.3, any increases in such amounts over the Base Real Property Taxes shall be included in the calculation of Common Area Operating Expenses in accordance with the provisions of Paragraph 4.2.

10.3 **Additional Improvements.** Common Area Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Project by other Lessee's or by Lessor for the exclusive enjoyment of such other lessees. Notwithstanding Paragraph 10.2 hereof, Lessee shall, however, pay to Lessor at the time Common Area Operating Expenses are payable under Paragraph 4.2, the entirety of any increase in Real Property Taxes if assessed solely by reason of Alterations, Trade Fixtures or Utility Installations placed upon the Premises by Lessee or at Lessee's request.

10.4 **Joint Assessment.** If the Building is not separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.5 **Personal Property Taxes.** Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within 10 days after receipt of a written statement getting forth the taxes applicable to Lessee's property.

11. **Utilities.** Lessee shall pay for all water, gas, heat, light, power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. Notwithstanding the provisions of Paragraph 4.2, if at any time in Lessor's sole judgment, Lessor determines that Lessee is using a disproportionate amount of water, electricity or other commonly metered utilities, or that Lessee is generating such a large volume of trash as to require an increase in the size of the dumpster and/or an increase in the number of times per month that the dumpster is emptied, then Lessor may increase Lessee's Base Rent by an amount equal to such increased costs.

12. **Assignment and Subletting.** (see Exhibit C #9)

12.1 **Lessor's Consent Required.**

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, **"assign or assignment"**) or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent.

(b) A change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of 25% or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than 25% of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. **"Net Worth of Lessee"** shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.

(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a noncurable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, (i) the Purchase Price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to 110% of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

12.2 **Terms and Conditions Applicable to Assignment and Subletting.**

(a) Regardless of Lessor's consent, any assignment or subletting shall not: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) after the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefore to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of $1,000 or 10% of the current monthly Base Rent applicable to the portion of the Premises which is the subject of the proposed assignment or sublease, whichever is greater, as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested.

(f) Any assignee of, or sublessee under, this lease shall, by reason of accepting such assignment or entering into such sublease, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

12.3 **Additional Terms and Conditions Applicable to Subletting.** The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the

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expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. **Default; Breach; Remedies.**

13.1 **Default; Breach.** A **"Default"** is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A **"Breach"** is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or Property, where such failure continues for a period of 3 business days following written notice to Lessee.

(c) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 41 (easements), or (viii) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Lessee.

(d) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 2.9 hereof, other than those described in subparagraphs 13.1(a), (b) or (c), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

(e) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a **"debtor"** as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(f) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.

(g) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 **Remedies.** If Lessee fails to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. The costs and expenses of any such performance by Lessor shall be due and payable by Lessee upon receipt of invoice therefor. If any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor, at its option, may require all future payments to be made by Lessee to be by cashier's check. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result there from, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover damages under Paragraph 12. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 **Inducement Recapture.** Any agreement for free or abated rent or other charges, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as **"Inducement Provisions,"** shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and condition, of this Lease. Upon Breach of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or

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the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance. (See Exhibit C #16)

13.4 **Late Charges.** Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within 5 days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a one-time late charge equal to 10% of each such overdue amount or $100, whichever is greater. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment, acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for 3 consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 **Interest.** Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due as to scheduled payments (such as Base Rent) or within 30 days following the date on which it was due for non-scheduled payment, shall bear interest from the date when due, as to scheduled payments, or the 31st day after it was due as to non-scheduled payments. The interest (**"Interest"**) charged shall be equal to the prime rate reported in the Wall Street Journal as published closest prior to the date when due plus 4%, but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 **Breach by Lessor.**

(a) **Notice of Breach.** Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than 30 days after receipt by Lessor, and any Lender whose name and address shall have been furnished Lessee in writing for such Purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than 30 days are reasonably required for its Performance, then Lessor shall not be in breach of Performance is commenced within such 30 day period and thereafter diligently pursued to completion.

(b) **Performance by Lessee on Behalf of Lessor.** In the event that neither Lessor nor Lender cures said breach within 30 days after receipt of said notice, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from Rent an amount equal to the greater of one Base Rent of the Security Deposit, and to pay an excess of such expense under protest, reserving Lessee's right to reimbursement from Lessor. Lessee shall document the cost of said cure and supply said documentation to Lessor.

14. **Condemnation.** If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively **"Condemnation"**) this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs first. If more than 10% of the floor area of the Unit, or more then 25% of Lessee's Reserved Parking Spaces, is taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within 10 days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within 10 days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided however, that Lessee shall be entitled to any compensation for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefore. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation.

15. **Brokerage Fees.** (see Exhibit C #10)

15.1 **Additional Commission.** In addition to the payments owed pursuant to Paragraph 1.10 above, and unless Lessor and the Brokers Otherwise agree in writing, Lessor agrees that: (a) if Lessee exercises any Option, (b) if Lessee acquires from Lessor any rights to the Premises or other premises owned by Lessor and located within the Project, (c) if Lessee remains in Possession of the Premises, with the consent of Lessor, after the expiration of this Lease or (d) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then, Lessor shall pay Brokers a fee in accordance with the schedule of the Brokers in effect at the time of the execution of this Lease.

15.2 **Assumption of Obligations.** Any buyer or transferee of Lessor's interest in this Lease shall be deemed to have assumed Lessor's obligation hereunder. Brokers shall be third party beneficiaries of the provisions of Paragraphs 1.10, 15, 22 and 31. If Lessor fails to pay to Brokers any amounts due as and for brokerage fees pertaining to this Lease when due, then such amounts shall accrue Interest. In addition, if Lessor fails to pay any amounts to Lessee's Broker when due, Lessee's Broker may send written notice to Lessor and Lessee of such failure and if Lessor fails to pay such amounts within 10 days after said notice, Lessee shall pay said monies to its Broker and offset such amounts against Rent. In addition, Lessee's Broker shall be deemed to be a third party beneficiary of any commission agreement entered into by and/or between Lessor and Lessor's Broker for the limited purpose of collecting any brokerage fee owed.

15.3 **Representations and Indemnities of Broker Relationships.** Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any) in connection with this Lease, and that no one other than said named Brokers is entitled to any commission or finder's fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

16. **Estoppel Certificates.**

(a) Each Party (as **"Responding Party"**) shall within 10 days after written notice from the other Party (the **"Requesting Party"**) execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current **"Estoppel Certificate"** form published by the American Industrial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

(b) It the Responding Party shall fail to execute or deliver the Estoppel Certificate within such 10 day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance. Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate.

(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past 3 years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. **Definition of Lessor.** The term **"Lessor"** as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Except as provided in Paragraph 15, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor

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shall be binding only upon the Lessor as hereinabove defined. Notwithstanding the above, and subject to the provisions of Paragraph 20 below, the original Lessor under this Lease, and all subsequent holders of the Lessor's interest in this Lease shall remain liable and responsible with regard to the potential duties and liabilities of Lessor pertaining to Hazardous Substances as outlined in Paragraph 6.2 above.

18. **Severability.** The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. **Days.** Unless otherwise specifically indicated to the contrary, the word **"days"** as used in this Lease shall mean and refer to calendar days.

20. **Limitation on Liability.** Subject to the provisions of Paragraph 17 above, the obligations of Lessor under this Lease shall not constitute personal obligations of Lessor, the individual partners of Lessor or its or their individual partners, directors, officers or shareholders, and Lessee shall look to the Premises, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with respect to this Lease, and shall not seek recourse against the individual partners of Lessor, or its or their individual partners, directors, officers or shareholders, or any of their personal assets for such satisfaction.

21. **Time of Essence.** Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

22. **No Prior or Other Agreements; Broker Disclaimer.** This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the use, nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees), of any Broker with respect to negotiation, execution, delivery or performance by either Lessor or Lessee under this Lease or any amendment or modification hereto shall be limited to an amount up to the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

23. **Notices.**

23.1 **Notice Requirements.** All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may, by written notice to the other, specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing.

23.2 **Date of Notice.** Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery dale is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 48 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices transmitted by facsimile transmission or similar means shall be deemed delivered upon telephone confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

24. **Waivers.** No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of monies or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

25. **Disclosures Regarding The Nature of a Real Estate Agency Relationship.**

(a) When entering into a discussion with a real estate agent regarding a real estate transaction, a Lessor or Lessee should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Lessor and Lessee acknowledge being advised by the Brokers in this transaction, as follows:

(i) Lessor's Agent. A Lessor's agent under a listing agreement with the Lessor acts as the agent for the Lessor only. A Lessor's agent or subagent has the following affirmative obligations: To the Lessor: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessor. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(ii) Lessee's Agent. An agent can agree to act as agent for the Lessee only. In these situations, the agent is not the Lessor's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Lessor. An agent acting only for a Lessee has the following affirmative obligations. To the Lessee: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessee. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that not known to, or within the diligent attention and observation of the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not Involve the affirmative duties set forth above.

(iii) Agent Representing Both Lessor and Lessee. A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Lessor and the Lessee in a transaction, but only with the knowledge and consent of both the Lessor and the Lessee. In a dual agency situation, the agent has the following affirmative obligations to both the Lessor and the Lessee: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Lessor or the Lessee. b. Other duties to the Lessor and the Lessee as stated above in subparagraphs (i) or (ii). In representing both Lessor and Lessee, the agent may not without the express permission of the respective Party, disclose to the other Party that the Lessor will accept rent in an amount less than that indicated in the listing or that the Lessee is willing to pay a higher rent than that offered. The above duties of the agent in a real estate transaction do not relieve a Lessor or Lessee from the responsibility to protect their own interests. Lessor and Lessee should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

(b) Brokers have no responsibility with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees), of any Broker with respect to any breach of duty, error or omission relating to this Lease shall not exceed the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

(c) Buyer and Seller agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

26. **No Right To Holdover.** Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 150% of the Base Rent applicable immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

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27. **Cumulative Remedies.** No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. **Covenants and Conditions; Construction of Agreement.** All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

29. **Binding Effect; Choice of Law.** This Lease shall be binding upon the parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. **Subordination; Attornment; Non-Disturbance.**

30.1 **Subordination.** This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, **"Security Device"**), now or hereafter placed upon the Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as **"Lender"**) shall have no liability or obligation to perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to Lessee, whereupon this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 **Attornment.** Subject to the non-disturbance provisions of Paragraph 30.3, Lessee agrees to attorn to a Lender or any other party who acquires ownership of the Premises by reason of a foreclosure of a Security Device, and that in the event of such foreclosure, such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (b) be subject to any offsets or defenses which Lessee might have against any prior lessor, (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor.

30.3 **Non-Disturbance.** With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a **"Non-Disturbance Agreement"**) from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within 60 days after the execution of this Lease, Lessor shall use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to provide the Non-Disturbance Agreement within said 60 days, then Lessee may, at Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 **Self-Executing.** The agreements contained in this Paragraph 30 shall be affective without the execution or any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

31. **Attorneys' Fees.** If any Party or Broker brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, **"Prevailing Party"** shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgement, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach ($200 is a reasonable minimum per occurrence for such services and consultation). (see Exhibit C #15)

32. **Lessor's Access; Showing Premises; Repairs.** Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times for the purpose of showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary. All such activities shall be without abatement of rent or liability to Lessee. Lessor may at any time place on the Premises any Ordinary **"For Sale"** signs and Lessor may during the last 6 months of the term hereof place on the Premises any ordinary **"For Lease"** signs. Lessee may at any time place on the Premises any ordinary **"For Sublease"** sign.

33. **Auctions.** Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessor's prior written consent. Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

34. **Signs.** Except for ordinary "For Sublease" signs which may be placed only on the Premises, Lessee shall not place any sign upon the Project without Lessor's prior written consent. All signs must comply with all Applicable Requirements. (see Exhibit G)

35. **Termination; Merger.** Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subtenancies. Lessor's failure within 10 days following any such event to elect to the contrary by written notice to the holder of any such lesser interest shall constitute Lessor's election to have such event constitute the termination of such interest.

36. **Consents.** Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an Invoice and supporting documentation therefor. Lessor's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within 10 business days following such request.

37. **Guarantor.**

37.1 **Execution.** The Guarantors, if any, shall each execute a guaranty in the form most recently published by the American Industrial Real Estate Association, and each such Guarantor shall have the same obligations as Lessee under this Lease.

37.2 **Default.** It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantors behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect.

38. **Quiet Possession.** Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. **Options.** If Lessee is granted an option, as defined below, then the following provisions shall apply. (see Exhibit L, if any)

39.1 **Definition. "Option"** shall mean: (a) the right to extend the term of or renew this Lease or to extend or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Promises or other property of Lessor; (c) the right to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

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39.2 **Options Personal To Original Lessee.** Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting.

39.3 **Multiple Options.** In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised

39.4 **Effect of Default on Options.**

(a) Lessee shall have no right to exercise an Option; (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), (ii) Lessor gives to Lessee 3 or more notices of separate Default during any 12 month period, whether or not the Defaults are cured, or (iii) if Lessee commits a Breach of this Lease.

40. **Security Measures.** Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

41. **Reservations.** Lessor reserves the right, (i) to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, (ii) to cause the recordation of parcel maps and restrictions, and (iii) to create and/or install new utility raceways, so long as such easements, rights dedications, maps, restrictions, and utility raceways do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate such rights.

42. **Performance Under Protest.** If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make Payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay.

43. **Authority.** If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duty authorized to execute and deliver this Lease an its behalf. Each party shall, within 30 days after request, deliver to the other party satisfactory evidence of such authority.

44. **Conflict.** Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions. (see Exhibit C #13)

45. **Offer.** Preparation of this Lease by either party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

46. **Amendments.** This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

47. **Multiple Parties.** If more than one person or entity is named herein as either Lessor or Lessee, such multiple Parties shall have joint and several responsibility to comply with the terms of this Lease.

48. **Waiver of Jury Trial.** The Parties hereby waive their respective rights to trial by jury in any action or proceeding involving the Property or arising out of this Agreement.

49. **Mediation and Arbitration of Disputes.** An Addendum requiring the Mediation and/or the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease is not attached to this Lease.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL, AND TAX CONSEQUENCES OF THIS LEASE.
2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

WARNING: IF THE PREMISES ARE LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES ARE LOCATED.

The parties hereto have executed this lease at the place and on the dates specified above their respective signatures.

Executed at: Solana Beach, CA
on: July 9, 2012

By LESSOR:
Strauss Family Trust UDT 6/5/92 dba:M.C. Strauss Company

By: M.C. Strauss
Name Printed: M.C. Strauss
Title: TTEE

Address: 990 Highland Drive #200
Solana Beach, CA 92075

Telephone: (858) 792-7500
Facsimile: (858) 792-7834
Federal ID No.

Executed at:
on:

By LESSEE:
Amadeu Rodrigues, a married man

By: Amadeu Rodrigues
Name Printed: Amadeu Rodrigues
Title: BRAZIL BY THE BAY MARKET

Address:

Telephone: (X) 619- 692 0120
Facsimile: ( )
Federal ID No.

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These forms are often modified to meet changing requirements of law and needs of the industry. Always write or call to make sure you are utilizing the most current form: American Industrial Real Estate Association, 700 South Flower Street, Suite 600, Los Angeles, CA 90017. (213) 687-8777.

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TENANTS SHALL FURNISH:

1. Its personal and corporate (if applicable) financial statements.
2. Completed Landlord furnished credit information forms.
3. Letter of reference from Tenant's bank.
4. If a corporation, its duly Authorized Corporate Resolution notifying the Lease. (SEE Exhibit C Item #11)

EXHIBIT A

LEGAL DESCRIPTION & SITE PLAN

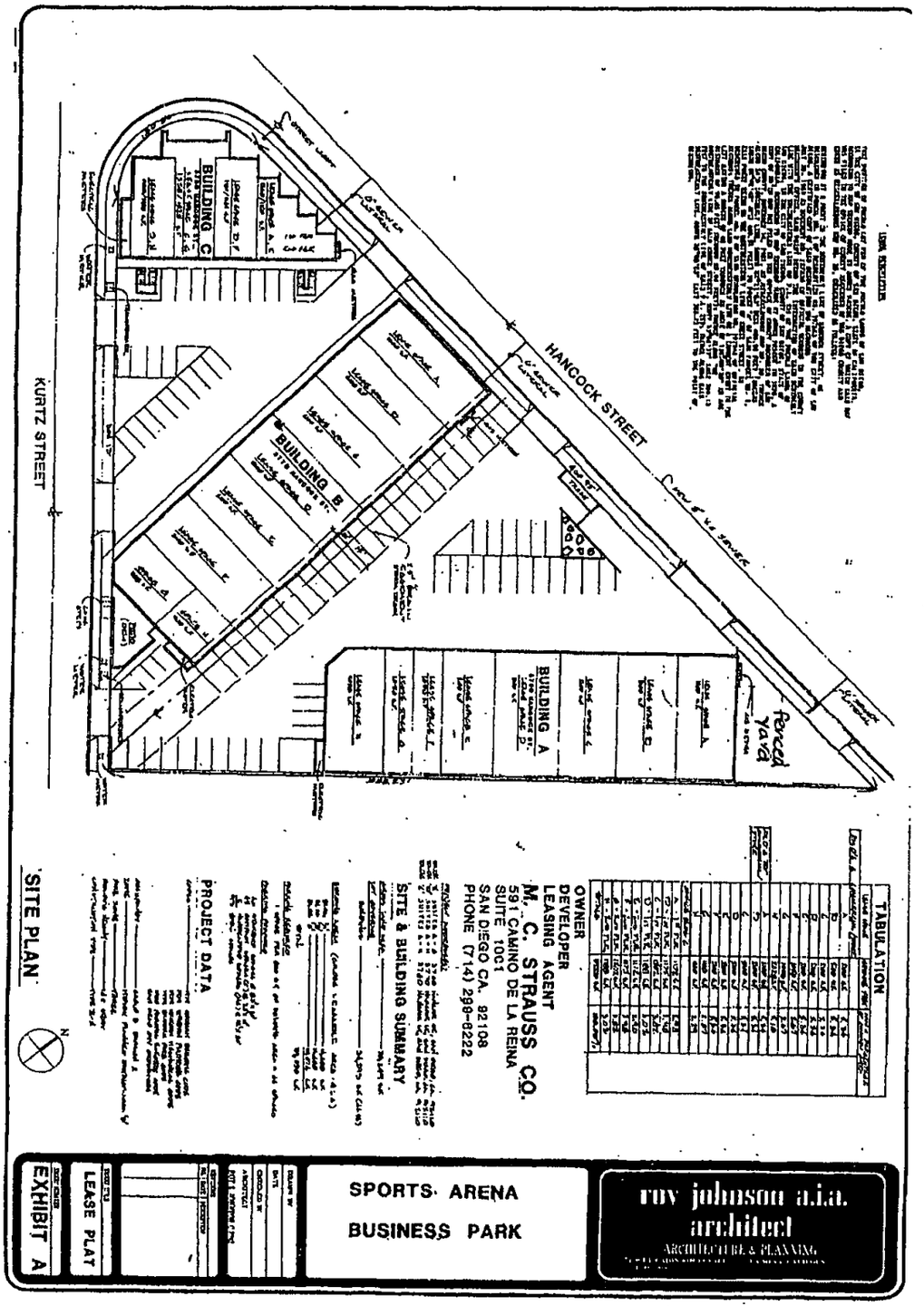


EXHIBIT A

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EXHIBIT A-1 TO LEASE (SUBLEASE)
MINIMUM STANDARD SUBLEASE CONDITIONS

(1) ASSIGNMENT AND SUBLEASING: Sublessee, shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and the City of San Diego, hereinafter, "City." An assignment by operation of law shall automatically terminate this lease.

(2) HOLD HARMLESS: Sublessee shall assume the defense of, indemnify and save harmless Lessee and City from all claims, expenses and liability of every nature, directly or indirectly arising from, or alleged to have arisen from the operations conducted on the leased premises or from any act or omission of Sublessee, its agents and invitees.

(3) INSURANCE: Sublessee shall be insured by an insurance carrier acceptable to the Lessee and City against loss from public liability arising from the use or condition of or operation conducted on the leased premises. Minimum coverage shall be as set forth in Paragraph 16-B hereof. A copy of the policy of insurance shall be filed with the City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or canceled without 30 days prior written notice to the. City by the insurance company,

(4) LEGAL PROCEEDINGS: Should it become necessary to Lessee or City to commence legal Proceedings to collect rent, to recover possessions or enforce any other provision of this lease, Sublessee agrees that the prevailing party shall be entitled to all legal costs in connection therewith, including a reasonable sum as attorney's fees

(5) SUBORDINATION: This agreement is in effect a sublease of a portion of the premises covered by that certain Lease Agreement dated September 13, 1977, as amended between the sublessor herein and the City of San Diego- This sublease is subject and subordinated to the covenants and conditions of said Lease Agreement notwithstanding any provision hereto contrary to or in conflict with said agreement.

(6) The property is subject to a City of San Diego ground lease mentioned hereinabove and lies with in the recently formed North Bay Redevelopment Area, The property will be redeveloped sometime in the future- Accordingly, Landlord and or city at its sole option may terminate this lease at anytime after Dec 1, 2003 with 6 months notice in writing, and without invalidating or superceding any of the rights contained here in this Addendum of the lease or the city land lease agreements there under

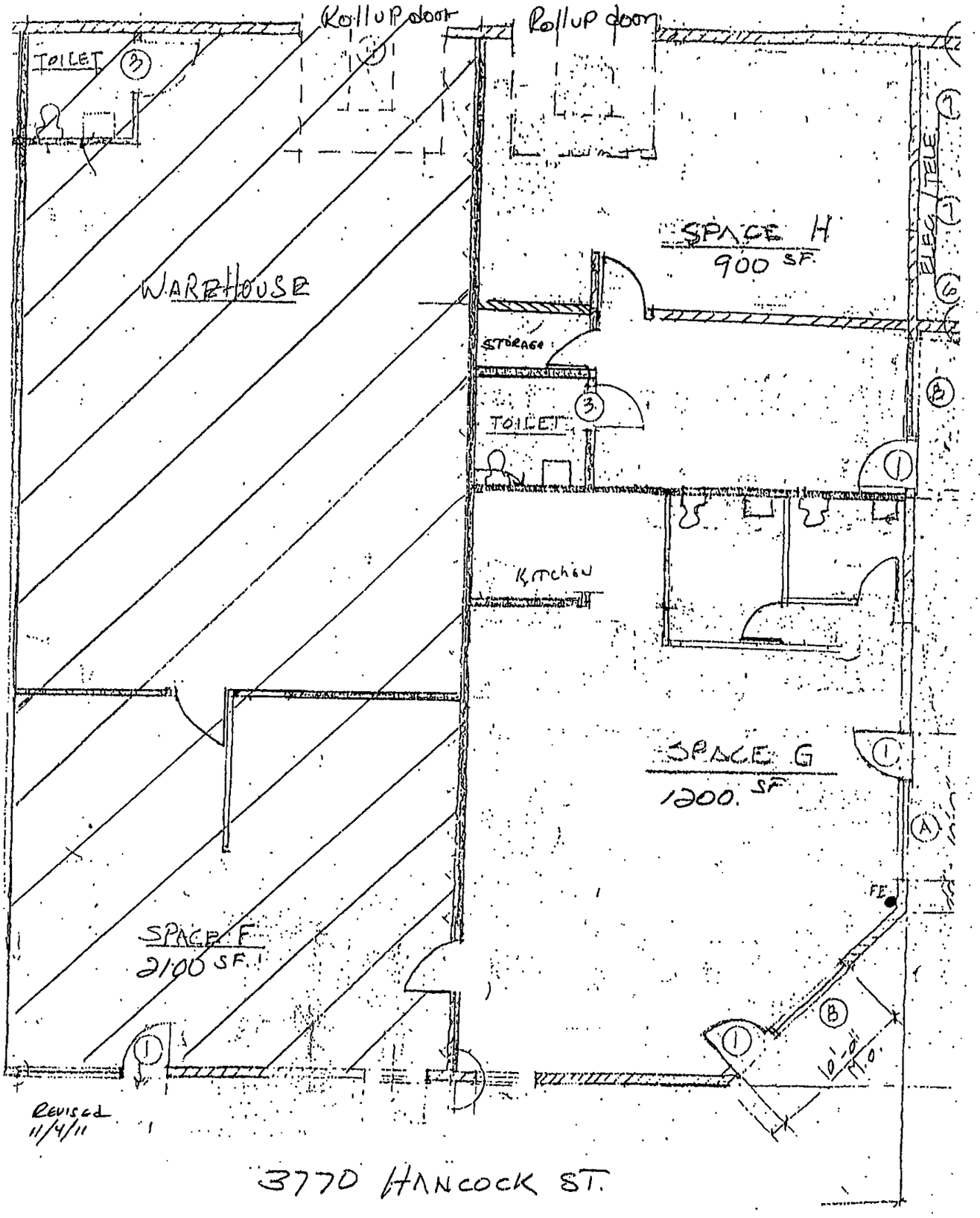
LESSOR'S INITIALS _____

LESSEE'S INITIALS AR

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. EXHIBIT B

DEMISED PREMISES PLAN (IF AVAILABLE)



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Addendum to Commercial/Industrial Multi-Tenant Lease

1. Early Possession: With early move-in of Lessee, Lessee may not interfere with any tenant improvements needed to be done by Lessor. Additionally, M.C. Strauss Company is not responsible for loss, theft, or damage of any of Lessee's property should Lessee desire to move-in prior to commencement of Lease Term.

2. Term Adjustment: If the Commencement Date is other than the first day of a calendar month, the Term shall be deemed to have commenced on the first day of the next succeeding month.

3. Modified Common Area Operating Expenses: Lessor shall pay Tenant's portion of common area maintenance, taxes,and insurance.
   a. "Operating Costs" means all costs reasonably incurred by Lessor in accordance with generally accepted accounting principles, and fairly allocable to the applicable Calendar Year which relate to, or are fairly allocable to, the ownership and operation of the Common Areas. Lessor shall pay tenant's portion of common area maintenance, axes and insurance
   b. Periodic painting of the building exterior and common areas shall be included as a common area operating expense. If Lessor undertakes a program of preventive maintenance for the HVAC systems for all of the Tenants per Paragraph 7.1(b), the cost thereby shall be included as a common area expense.
   c, The common area definition shall also include lighting facilities, sewer, water, gas, electric, phone and other utility lines, storm drains, roads and approaches servicing the Center generally; and any other items that Lessor deems necessary and appropriate.
   d. Replacement costs, defined as that which cannot be repaired other than at a cost which is in excess of fifty percent (50%) of the cost of replacing such item, then such item shall be replaced and the cost prorated over sixty (60) months and Tenant shall pay one sixtieth ($^{1}/_{60}$) of the cost each month of the Lease term and extension thereto.

4. Utilities: Lessee shall pay before delinquency all charges for water, sewer, gas heat, electricity, power, telephone service and all and any other services or utilities used in, upon or about the Demised Premises by Lessee or any of its subtenants, licensees or concessionaries, provided, however, if any such services or utilities shall be billed to Lessor and not separately metered to the Demised Premises the mount thereof shall be prorated and Lessee shall pay to Lessor upon demand as additional rental hereunder an amount equal to that proportion of the total charges therefore which the number of square feet of Gross Floor Area in the Demised Premises bears to the total number of square feet of gross floor area of stores then rented as of the date of the utility bill served in the area and/or buildings covered by such combined charges. With respect to gas and electric service, which is not separately metered, Lessor may, at Lessor's option, in lieu of prorating on the fore-going basis, determine the amount of use of such services by Lessee on the basis of Lessee's estimated usage as determined by the utility company servicing the Demised Premises, or, if such company ceases providing such service, by a qualified electrical contractor selected by Lessor. Water is furnished to the part of the Common Area via as is central meter. Accordingly, Lessee will pay Lessor a flat charge of ___(per Section 1.7 (d))___ a month for its share of the water for its premises. Water charges may be reevaluated and increased by Lessor based on the use of the premises especially due to the number of patrons of and Lessee's business use. Lessor may require a high water user such as a restaurant or beauty parlor to install a separate meter or if the cost is prohibitive, to install an inline meter at Lessee's expense to be able to determine Lessee's fair share for any excess use.

5. Continuous Operations: Lessee shall keep the Demised Premises open for business during all hours customarily maintained by business similar to Lessee's business in the trading area in which the Demised Premises are located. At all such times Lessee shall have upon the Demised Premises a sufficient number of employees and a sufficient stock of merchandise to adequately serve the patrons thereof or render the services offered. A business holiday of more than 30 days of consecutive closing in any one year shall be considered a default.

6. Locks: Should Lessee change the locks on their suite, Lessee must furnish Lessor with a copy of the new key which is for the protection of the Lessee and per the Lease.

7. Vacating Premises: The definition "ordinary wear and tear" shall NOT include such items as carpet cleaning, cleaning, patching and painting necessary to restore Premises to a releasable condition. Additionally, Tenant will be charged for repainting rear access doors, repairing store front doors, rekeying locks to the master system and removing alarm systems or personal property and/or debris, etc, upon Lease termination,

8. Insurance: Lessor's appropriate liability insurance coverage is $3,000,000. Therefore, Paragraph 8.1 and/or Paragraph 8.2 is amended to increase the ceiling to $3,000,000 and Lessee shall reimburse Lessor for its portion accordingly.

9. Assignment and Subletting:
(This is in addition to lease language and prevails in the event of conflict.)

a. Consent to Assignment or Subletting shall not be unreasonably withheld: Subject to a compatible and noncompetitive business use with respect to the other businesses in the Center and sufficient financial statement and credit record of assignee and reasonable experience in conducting the intended business, Lessor's consent to assign or sublet this Lease shall not be unreasonably withheld provided however, that Lease shall not be in default and/or if Lessee shall have, previously breached or otherwise failed to perform under this Lease since its inception, and Lessee did not cure that breach, Lessor, at its sole discretion, may declare this
Sub-paragraph null and void. Any increase in rents shall become the property of the Lessor. Any such assignment or subleasing even with the approval of the Lessor, shall not relieve the Lessee from liability for payment of the rental herein provided or from the obligation to keep and be bound by the terms, conditions and covenants of this Lease.

b. Assignment or Transfer to a Corporation: Notwithstanding anything to the contrary set forth herein, Lessee may assign this Lease, without the consent of Lessor, to a corporation or other entity not less than fifty percent (50%) of the voting stock or controlling interest of which is owned by Lessee; provided that Lessee shall at all times remain liable for performance hereunder; and provided, further, that any transfer by Lessee of the controlling stock or interest in such corporation or other entity shall be a prohibited assignment hereunder.

c. Consent to be in writing: Lessee shall not assign, mortgage, pledge, hypothecate or encumber this lease or the leasehold interest created hereby or any interest herein or sublet the Demised Premises or any portion thereof, or license the use of all or any portion of the Demised Premises, without the written consent of Lessor first had and obtained. Without in any way limiting any other rights available to the Lessor at the time of any proposed assignment or subletting, Lessor expressly reserves the right to adjust the Guaranteed Minimum Monthly Rental to an amount derived by multiplying said guaranteed minimum monthly rental times a number equal to the percentage by which the Bureau of Labor Statistics, United States Department of Labor for Los Angeles-Riverside-Orange County under the heading of "All Items" for "All Urban Consumers" for the month in which the date of such assignment or subletting occurs has increased over the same Cost of Living Index figure for the month in which the Commencement Date under this Lease occurs (i.e., if the percentage of such increase is thirty percent (30%), then the guaranteed minimum monthly rental will be multiplied

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times 130%). Tenant agrees to pay Lessor an administrative fee of $500 and to reimburse Lessor for Lessor's reasonable attorney fees incurred in conjunction with the processing and documentation of any such requested transfer, assignment, subletting, licensing or concession agreement

10. Broker's Fee:
    a. All Broker's fees as referred to in the Lease and Lease addendums shall be by separate agreement pursuant to a schedule to be agreed upon by Owner and Broker.
    b. However, it is understood and agreed that no commissions shall be paid on option exercises, or renewals, or expansions that unless at the invitation of the Owner first had obtained in writing.

11. Lessee's Financial Information: Lessee will furnish a credit report and financial statement at its expense, subject to Lessor's approval or reimburse Lessor $35 if Lessor obtains a credit report. Lessee also agrees to deliver to Lessor a resume of its business experience, a copy of its income tax returns for the prior year, a letter of reference from Lessee's bank, and a completed Lessor's "Credit Information" form. The Lease is contingent upon Lessor's review and approval to its sole satisfaction of Lessee's qualifications to lease. Said credit application must include but not be limited to listing specifics of next of kin, closest living relative not living with you, closest non-relative and who to notify in case of emergency.

12. Dispute or Delay: In the event of any dispute between the parties concerning the time of actual completion of Lessor's Work or Lessee's Work or any claimed excuse for delay in performance or non-performance thereof or whether such work has been adequately performed in a good and workmanlike manner and is satisfactory for the use intended, such dispute shall be referred to Lessor's architect whose determination with regard thereto shall be final and conclusive upon the parties.

13. Deletion: Wherever in this Lease a Section or Subsection is preceded by the word "Deleted" or "*Deleted," such Section or Subsection is deleted from this Lease in its entirety and is of no force or effect.

14. Parking: Lessee shall have the right to N/A parking spaces on level N/A at no cost to Lessee for the term of the Lease and any Option Periods. The surface parking is designated for customers and retail tenants only, All employees, visitors, guests of Lessee are not Permitted to use surface parking, but shall park on lower levels A & B of the parking structure, if any.

15. Attorney's Fees: The Lessor is entitled to attorney's fees or costs for the enforcement of the lease regardless of whether an action is filed, said fees and costs to be considered additional rent.

16. Lease Incentives: If Tenant is in default under this Lease at any time during the Term and without limiting the foregoing, if Landlord has given Tenant any lease incentives or other inducements or consideration in connection with this Lease ("Incentives"), including without limitation, any abatement of rent, the unamortized portion of any Tenant Improvement Allowance and/or leasing commissions then the incentives will terminate and Landlord may recover from Tenant the value of all such Incentives received by Tenant in addition to all other damages recoverable by Landlord pursuant to the provisions of this Lease.

17. Confidentiality: Lessee shall keep the content and all copies of this Lease and related documents now or hereafter entered into, and all proposals, materials, information and matters relating thereto, strictly confidential, and shall not disclose, disseminate or distribute any of the same, or permit the same to occur, except to the extent reasonably required for proper business purposes by Lessee's attorneys, insurers, auditors and lenders, and, in such event, Lessee shall obligate any such parties to whom disclosure is permitted to honor the confidentiality provisions hereto, except as may be required by Law or court proceedings.

18. Substitute Premises: Lessor shall have the right from time to time during the term of this lease to relocate the Premises within the Project on the following terms and conditions: (i) the square footage of the substitute premise ("Substitute Premises") are equal to the square footage of the Premises (subject to a variation of up to fifteen percent (15%) in the square footage of the Substitute Premises, provided that the amount of rent payable under this lease is not thereby increased); (ii) Lessor shall pay the cost of providing Lessee Improvements (defined below) in the Substitute Premises substantially comparable to the Tenant Improvements in the Premises; (iii) Lessor shall pay the expenses directly related to and reasonably incurred by Lessee in connection with such relocation to the Substitute Premises; and (iv) Lessor shall not be liable for (a) any loss of business or good will, or (b) any damage to Lessee's Property or other personal property relocated, unless caused by Lessor or it's employees gross negligence or willful misconduct. Lessor shall deliver to Lessee written notices of Lessor's election to relocate the Premises specifying the new location at least thirty (30) days prior to the date the relocation is to be effective. If the relocation of the Premises is unacceptable to Lessee, then Lessee may terminate this lease during a period of thirty (30) days after receipt of Lessor's notice to relocate, by delivering written notice to Lessor within the thirty (30) day period. Such notice of termination shall be effective upon receipt thereof by Lessor. If Lessee elects to terminate this Lease pursuant to this Section, then the parties shall be discharged from all obligations hereunder, other than those that have accrued prior to the actual date of Lessee's termination of this Lease or which specifically survive the termination of this Lease and Lessee shall be granted a reasonable period of tenancy in order to relocate to suitable premises.

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A. Lessee is responsible for sending rent payments on the first of the month to:

MC Strauss Company
990 Highland Drive, Suite 200
Solana Beach, CA 92075

B. For any questions or building management problems, call:

MC Strauss Company
990 Highland Drive, Suite 200
Solana Beach, CA 92075
Phone: 858-792-7500; Fax: 858-792-7834

C. Required Personal Data:
Lessee's Home Address: 6910 QUEMOY CT
Home Phone: 858.277-4515 Home Fax: _____

In case of emergency: BRAVO BY THE BAY
Address: _____
Phone: 619-692 14 10 Fax: _____

Next of Kin (Name): Cristina Marchi
Address: _____
Phone: 619. 948-4062 Fax: _____

D. Other: Lessor reserves the right to change the management company and the address to which rent payments shall be made by delivering notice to Lessee in accordance with this Lease.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: AR

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EXHIBIT D

TENANT IMPROVEMENTS AND ACCEPTANCE OF PREMISES

Scope of Lessor's Work

Lessor shall provide Lessee, at the sole cost and expense of Lessor, the following "standard" improvements as follows:

1. Lessee acknowledges that the Demised Premises are being leased in "as is" condition and that Lessee has inspected some and the Demised Promises are in satisfactory condition.

Scope of Lessee's Work

All improvements desired by Lessee, shall be considered "Non-standard" and shall be at the sole cost and expense of Lessee including, but not limited to :

1. Permits, Plans, and supervision for any Tenant improvements.

2. Lessor grants permission to Lessee to install necessary and/or required improvements or modifications, subject to Lessor's prior written approval, to accommodate Lessee's intended business use, at Lessee's sole cost and expense, and in accordance with any and all governmental requirements including the obtaining of any required permits for the Demised Premises and said business.

Perform any and all additional work required to complete the Premises to a condition customary and ready for the normal operation of Lessee's business. Lessee shall be responsible to pay for any additional water, and/or sewer impact fees if imposed due to the nature of Lessee's business or use of Premises.

Within thirty (30) days following the execution of the Lease, Lessee, at Lessee's sole cost and expense, shall deliver to Lessor a fully dimensioned 1/4-inch scale set of plans. Said plans shall show all storefronts, interior partitions, fixtures, lighting, electrical outlets, plumbing (including fixtures), floor coverings, ceiling and other improvements that Lessee wishes to construct and install upon Premises. Said plans shall be subject to Lessor's approval prior to start of any work by Lessee or his contractors, which shall not be unreasonably withheld, which shall thereafter be called "Lessee Plans Approved for Construction." Should Lessee fail to deliver to Lessor plans for "Lessee's Work" within thirty (30) days following execution of the Lease, Lessor may, at his option and with written notification to that effect to Lessee, terminate this Lease.

No changes, modifications or alterations to Lessee Plans Approved for Construction may be made without the written consent of Lessor. Any additional costs, including any increased fees which Lessor may be required to Pay for architectural, engineering and/or other similar services arising by reason of any subsequent change to Lessee Plans Approved for Construction made at the request of Lessee, shall be at the sole cost and expense of Lessee and shall be paid by Lessee to Lessor before the performance of the work requested by Lessee.

All of Lessee's work and improvements shall be performed by Lessee, at Lessee's sole cost and expense except as outlined above and pursuant to the plans and specifications approved by Lessor. It is understood that the approval of Lessor shall in no manner relieve Lessee of Lessee's obligation to obtain, at Lessee's sole cost and expense, all necessary and appropriate permits from all applicable governmental or public agencies for the construction of Lessee's improvements, installation of Lessee's personal property and the operation of Lessee's business at Premises.

Upon delivery of Premises to the Lessee, Lessee shall immediately and diligently proceed to install Lessee's Work as described in Lessee's Plans Approved for Construction at Lessee's sole cost and expense without interfering with other work being done, if any, in the building or shopping center.

All work done by Lessee shall be done by a licensed contractor and in compliance with all rules and regulations required by local building authorities, Lessor or his agents and in accordance with all uniform building codes as dictated by state, federal and local requirements.

Upon final completion of Lessee's Work, Lessee shall furnish Lessor with all certificates, approvals and permits "signed off" by local governmental building inspector, that were required to complete Lessee's Work. Lessor shall not be responsible for any loss or damage to Lessee's improvements/property that is installed or left on Premises.

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Lessee's entry upon Premises prior to commencement of the Term of this Lease shall be subject to all provisions of this Lease other than payment of rent, At all times after such entry, Lessee shall maintain an insurance policy that complies with the provisions of this Lease. The inability of Lessee to complete Lessee's Work in a timely manner and to a condition acceptable for conducting business, through no fault of Lessor, shall not delay the Term Commencement or payment of rent.

Lessee hereby indemnifies and holds Lessor free and harmless from and against any and all claims, demands and liabilities, including, but not limited to attorney costs, expenses and court costs, arising from or relating to Lessee's Work and improvements. It is the intent of the parties that this indemnification shall survive the expiration or sooner termination of this Lease.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: A.R

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*NOT APPLICABLE

*EXHIBIT E

ESTIMATED OPERATING EXPENSES (GROSS LEASE)

~~The operating expenses are estimated at $_____ per square foot annually or _____ ($_____ psf x _____ sq. ft. /12 = $_____) per month for the Demised Premises until adjusted per the Lease.~~

LESSOR'S INITIALS:

_____

LESSEE'S INITIALS:

_____

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*NOT APPLICABLE

*EXHIBIT F

RENT ADJUSTMENT(S)

ADDENDUM TO
STANDARD LEASE

Dated _____

By and Between (Lessor) M.C. Strauss Company

(Lessee) _____

Property Address: Hancock Street, Suite #

San Diego, CA 92110

Paragraph _____

A. **RENT ADJUSTMENTS:**

The monthly rent for each month of the adjustment period(s) specified below shall be increased using the method(s) indicated below:

(Check Method(s) to be Used and Fill in Appropriately)

0 I. **Cost of Living Adjustment(s) (COL)**

(a) On (Fill in COL Adjustment Date(s): _____
_____
the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted by the change, if any, from the Base Month specified below, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for (select one): 0 CPI-W (Urban Wage Earners and Clerical Workers) or 0 CPI-U (All Urban Consumers), for (Fill in Urban Area): _____, All Items (1982-1984 = 100), herein referred to as "C.P.I."

(b) The monthly rent payable in accordance with paragraph A(a) of this Addendum shall be calculated as follows: the Base Rent set forth in paragraph 1.5 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the C.P.I. of the calendar month 2 (two) months prior to the month(s) specified in paragraph A(a) above during which the adjustment is to take effect, and the denominator of which shall be the C.P.I. of the calendar month which is two (2) months prior to (select one): 0 the first month of the term of this Lease as set forth in paragraph 1.3 ("Base Month") or 0 (Fill in Other "Base Month"): _____. The sum so calculated shall constitute the new monthly rent hereunder, but in no event, shall any such new monthly rent be less than the rent payable for the month immediately preceding the date for rent adjustment, plus _____ rounded up to the next dollar figure.

(c) In the event the compilation and/or publication of the C.P.I. shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the C.P.I. shall be used to make such calculation. In the event that Lessor and Lessee cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid equally by Lessor and Lessee.

0 II. **Market Rental Value Adjustment(s) (MRV)**

(a) On (Fill in MRV Adjustment Date(s): _____
_____
the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted to the "Market Rental Value" of the property as follows:

1) Four months prior to the Market Rental Value (MRV) Adjustment Date(s) described above, Lessor and Lessee shall meet to establish an agreed upon new MRV for the specified term. If agreement cannot be reached, then:
i) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the parties, or
ii) Both Lessor and Lessee shall each immediately select and pay the appraiser or broker of their choice to establish a MRV within the next 30 days. If, for any reason, either one of the appraisals is not completed within the next 30 days, as stipulated, then the appraisal that is completed at that time shall automatically become the new MRV. If both appraisals are completed and the two appraisers/brokers cannot agree on a reasonable average MRV then they shall immediately select a third mutually acceptable appraiser/broker to establish a third MRV within the next 30 days. The average of the two appraisals closest in value shall then become the new MRV. The costs of the third appraisal will be split equally between the parties.

2) In any event, the new MRV shall not be less than the rent payable for the month immediately preceding the date for rent adjustment.

(b) Upon the establishment of each New Market Rental Value as described in paragraph A.II:

1) the monthly rental sum so calculated for each term as specified in paragraph A.II(a) will become the new "Base Rent" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph A.II(a) above and
2) the first month at each Market Rental Value term as specified in paragraph A.II(a) shall become the new "Base Month" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph A.I(b).

0 III. **Fixed Rental Adjustment(s) (FRA)**

The monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be increased to the following amounts on the dates set forth below:

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~~On (Fill in FRA Adjustment Date(s)): The New Base Rental shall be:~~

~~$~~
~~$~~
~~$~~
~~$~~

~~B. **NOTICE:** Unless specified otherwise herein, notice at any escalations other than Fixed Rental Adjustment(s) shall be made as specified in paragraph 23 of the attached Lease.~~

*C. ~~**BROKER'S FEE:**~~ ***Deleted**

~~The Real Estate Brokers specified in paragraph 1.10 of the attached Lease shall be paid a Brokerage Fee for each adjustement specified above in accordance with paragraph 15 of the attached Lease.~~

LESSOR'S INITIAL: LESSEE'S INITIAL:

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EXHIBIT G

CENTER SIGN CRITERIA

The purpose of this sign criteria has been established for the intent of assuring an outstanding shopping center and mutual benefit of all Lessee's. Conformance will be strictly enforced. Any Installed non-conforming or unapproved signs will be brought into conformance at the expense of the Lessee.

A. Lessee shall be entitled to signage above the Premises. Signage shall be subject to City of San Diego and Lessors prior written approval. All costs associated with the design, construction, installation, as well as removal, shall be borne by Lessee. Lessee shall be required to remove all Lessee signage at the conclusion of Lessee's occupancy of the Premises. Ground level Lessee's shall be entitled to signage on the Center's pole sign at its expense and subject to availability.

B. General Requirements:

1. Lessee shall submit to the Lessor the exact sign specifications, copy and colors desired for Lessor's approval from a license and experienced sign company.

2. All approvals or disapprovals of sign submittals based on esthetics and design shall remain sole right of the Lessor and local governing authorities.

3. Selected sign company will be responsible for obtaining all permits and sign Installation.

4. No exposed lamp, raceways, crossovers, conduit, conductors, transformers or similar devices shall be permitted.

5. All maintenance of signage shall be the responsibility of the Lessee.

6. All signs shall be individually illuminated.

7. No audible, flashing or animated signs will be permitted.

8. No projections above or below the sign will be permitted.

9. Electrical service to all signs will be connected to Lessee's meter.

10. Lessee's signs shall be designed and installed in a manner compatible with and complimentary to adjacent and facing storefronts and the overall design concept of the center.

11. All penetrations of the building structure required for sign installation shall be sealed in a watertight condition and shall be patched to match adjacent finish. At termination of lease when sign is removed, Lessee or its sign company shall patch and paint and restore to "as was" condition.

12. No advertising placards, banners, pennants, names, insignias or other descriptive material shall be affixed or maintained upon the glass pane supports of the show windows and doors or upon the exterior was of building without the prior written approval of Lessor.

13. Logos require prior approval of lessor unless nationally recognized logos of a franchise.

14. Letter height restrictions:

a. One line of copy with the letter and logo height not to exceed 24 inches or to be less than 10 inches. Allowable, sign fascia coverage not to exceed seventy-five percent (75) of store frontage.

b. Two lines of copy will be allowed with the overall height of the two lines of letters not to exceed 30 inches with a maximum height of the letters not to exceed 18 inches or to be less than 16 inches.

15. Designs submitted for the City/County approval must follow ft following guidelines:

a. Drawings of elevations and sign with all measurements to scale.
b. Plot plan and legal description (plans to scale).
c. Sections drawings of sign and fascia showing construction and electrical details.
d. Color of plastic faces and logos.
e. Color of neon, size and intensity.
f. Letter style selection

16. Lessee is granted permission by Lessor to install a temporary sign banner at its expense above the premises while signs are being fabricated.

17. Lessee shall indemnify and hold harmless Lessor against any loss, cost, damages or liability caused to persons, property or otherwise caused by Lessee's sign Installations.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: A.R

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EXHIBIT 6-1

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EXHIBIT H

SPECIAL USE OF PREMISES CLAUSE

A. Uses Of Premises:

Lessee shall occupy and use the premises solely for the operation of a Brazilian market and for no other purpose or use.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: _____

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EXHIBIT I
APPLICATION FOR LEASE AND CREDIT INFORMATION

The undersigned furnishes the following as a true and accurate statement of the financial condition of the undersigned. It is understood that the Landlord, in entering into a lease or other agreement, are doing so in reliance upon this financial statement and in consideration of such the undersigned agree that if any of the representations of the undersigned prove to be untrue, such shall be considered as a default under such lease or agreement.

NAME: Amadeu AGE: 44 SPOUSES NAME: Eliana

ADDRESS: 6910 QUEMOY CT HOW LONG: 12 years

CITY, STATE, ZIP San Diego CA

Previous Address - if less than five years:

SOCIAL SECURITY NO: 941-86-2917 SPOUSE'S SOCIAL SECURITY NO:

PHONE: 858. 277-7525 OWN OR (RENT): NO. OF DEPENDENTS: 01

PRESENT EMPLOYER: Owner. Brasil By the Bay Market HOW LONG: 03

ADDRESS: 3770 Hancock st suite # F

PHONE: 619-504-9900 POSITION: Owner

SPOUSE'S EMPLOYER: PHONE:

IN CASE OF EMERGENCY CONTACT: NAME:

ADDRESS: Helena Janeiro PHONE: 858. 945-5720

RELATIONSHIP: Sister-Law

NEXT OF KIN NOT LIVING WITH YOU: NAME:

ADDRESS: PHONE:

RELATIONSHIP:

CLOSEST NON RELATIVE CONTACT: NAME:

ADDRESS: Don Marchi PHONE:

254-1028 RELATIONSHIP: Friends

BALANCE SHEET

Cash:	$	Notes Payable - Total Owed: (List on Back)	$
Stocks & Bonds: (List on Back)	$		
		Accounts Payable - Total Owed: (List on Back)	$
Notes / Accounts Receivable:	$		
Life Insurance: (Not full value, only surrender value)	$	Mortgages - Total Owed: (List on Back)	$
Real Estate - Total Value: (List on Back)	$	Automobiles - Total Owed:	$
		Income Taxes - Accrued to Date:	$
Automobiles:	$	Other:	$
	$		$
			$
Personal Possessions:		**TOTAL LIABILITIES:**	$
	$		
	$	**NET WORTH:**	$
TOTAL ASSETS:	$	**(Assets minus Liabilities)**	

ANNUAL INCOME & EXPENSE

Income:		**Expense:**	
Annual Salary:	$ 55.000	Annual Rental/Mortgage Payments	$ 18.000
Annual Rentals:	$ 00.000		
Annual Dividends:	$	Annual Payments:	$

Initials

Initials

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Annual Interests:	$	(Notes & Accounts)	
Other Annual Income:	$ 6.000	Annual Interest & Taxes:	$
		Personal Living Expense:	$ 12.000
		Other Annual Expenses:	$ 3.000
TOTAL ANNUAL INCOME:	$ 61.000	**TOTAL ANNUAL EXPENSE:**	$ 33.000

BANK REFERENCES

BANK & ADDRESS: Union Bank / Point Loma ACCT. NO.: 0100048914

BANK & ADDRESS: Bank of America / P.B ACCT. NO.: 000599004911

STOCKS & BONDS

Description	No. of Shares	Cost	Market Value
		$	$
		$	$
		$	$
		$	$
		$	$
TOTALS		$	$

REAL ESTATE - MORTGAGES

Description & Address	Original Cost	Present Value	Trust Deed or Mortgage Unpaid Bal.	Mo. Pay.
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
TOTALS	$	$	$	$

NOTES & ACCOUNTS PAYABLE (Do not include Real Estate)

Description	Account Number	Total Amount Owed (DO NOT LIST PAYMENTS)
		$
		$
		$
		$
		$
		$
TOTAL		$

The undersigned further consent(s) to the addresses above making any inquires it deems necessary to reach a decision on this application, and consent(s) to the disclosure at any time of any credit information about me / us to any credit reporting agency or to any one with whom I/we have financial relations. The undersigned further understands that should a lease be entered into that the authorizing party will pay a $35.00 application credit check fee.

DATE: 7-5-2012 SIGNATURE: Amadeu Rodrigues

DATE: _____ SPOUSE'S SIGNATURE: _____

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*Lessee by signing the Lease is acting as a guarantor

*EXHIBIT J

GUARANTY OF LEASE

THIS GUARANTY OF LEASE ("Guaranty"), effective as of _____, 200____, is executed by _____ ("Guarantor"), with reference to the following facts:

RECITALS

A. M.C. Strauss Company ("Lessor"), and _____ ("Lessee") have agreed to enter into that certain Lease ("Lease"), dated the same date as this Guaranty, covering Premises described therein, located in the City of San Diego, County of San Diego, State of California.

B. Lessor requires, as a condition to its execution of the Lease, that Guarantor guarantee the full performance of the obligations of Lessee thereunder.

C. Guarantor is willing to execute this Guaranty for the benefit of Lessor and as a material inducement to Lessor to enter into the Lease.

GUARANTY

NOW, THEREFORE, in order to induce Lessor to enter into the Lease, Guarantor agrees as follows:

1. **Guarantor's Obligations.** Guarantor hereby unconditional guarantees the full and timely performance of each and every obligation to be kept and performed by the Lessee pursuant to the terms of the Lease ("Lease Obligations") in accordance with the terms of and at the time and place specified therein, including, but not limited to, the payment of all rents and other charges accruing pursuant thereto.

2. **Term.** This Guaranty shall continue for the term of the Lease and any extension or renewal thereof. If the Lease terminates and Lessor has any rights which Lessor may enforce against Lessee after termination, Lessor may also enforce such rights against Guarantor.

3. **Primary Liability.** The Lease Obligations guaranteed by Guarantor under this Guaranty shall be primary and independent of the obligations of Lessee under the Lease. Lessor may bring a separate action or actions against Guarantor hereon and such actions may be brought either in conjunction with actions against Lessee or against Lessee directly, regardless of whether Lessor has commenced any action or obtained any judgment against Lessee. If Lessee defaults under the Lease, Lessor may proceed directly against Guarantor, without having commenced any action or obtained any judgment against Lessee, and without applying any property of Lessee (or any other person), if any, held by Lessor as security for the performance of the Lease Obligations. The liability of Guarantor hereunder shall not be released, diminished, or extinguished by Lessor's failure or delay in enforcing any of its rights.

4. **Continuation; No Release.** This Guaranty shall continue in favor of Lessor notwithstanding any modification, alteration, extension or renewal of the Lease entered into by the parties thereto, or their successors or assigns, and notwithstanding any assignment of the Lease, with or without the consent of Lessor. No such modification, alteration, extension, renewal or assignment shall affect this Guaranty or in any way release, diminish, or extinguish the liability of Guarantor hereunder.

5. **Assignment.** Lessor may, with notice to Guarantor, assign this Guaranty in whole, or in part in connection with any transfer of any interest in the Lease or the Premises, and no such assignment or transfer shall release, diminish, or extinguish or otherwise affect the liability of Guarantor hereunder. In such event the benefits of this Guaranty shall inure to the benefit of Lessor's successors and assigns.

6. **Security.** Guarantor authorizes Lessor, without further notice or demand and without affecting the liability of Guarantor hereunder, from time to time, to: (a) take and hold security (including the Security Deposit and any security filing consented to by Lessee) (the "Security") (if any) for performance of the Lease Obligations and exchange, enforce, waive or release any such Security; (b) apply such Security in whole or in part and direct the order or manner of sale thereof as Lessor, in Lessor's discretion, may determine; and (c) proceed against Lessee or proceed against and exhaust such Security held from Lessee; the provisions of this paragraph shall constitute a waiver of Guarantor's right to claim exoneration from the Lease Obligations for the foregoing actions.

7. **Events of Insolvency.**

7.1. **Defined.** The term "Event of Insolvency" shall mean any of the following:

(a) Lessee becomes insolvent or is adjudicated a bankrupt;

(b) Lessee files a petition for reorganization, arrangement or similar relief under any present or future provisions of the Federal Bankruptcy Code, or any other state or federal statute for tile relief of debtors or any similar law;

(c) A court approves a petition filed against Lessee by its creditors for reorganization, arrangement or similar relief under any present or future provision of tile Federal Bankruptcy Code, or any other state or federal statute for the relief of debtors or any other similar law;

(d) Lessee seeks a judicial readjustment of the rights of its creditors under any present or future federal or state law; or

(e) A receiver of all or part of Lessee's property and assets is appointed by any state or federal court.

7.2 **Effect.** This Guaranty shall in full force and effect, notwithstanding the occurrence of any Event of Insolvency affecting Lessee, or any successor or assignee of Lessee, or in the event of any disaffirmance, or abandonment by a trustee of Lessee, or in the event that the Lease is terminated, rejected or modified in the course of any proceeding relating to an Event of Insolvency. To the extent necessary to effectuate the purpose of this Guaranty, Guarantor hereby assigns to Lessor any rights Guarantor may have to file a claim and proof of claim in any bankruptcy or similar proceeding of Lessee any awards or payments thereon to which Guarantor would otherwise be entitled, to the extent of any unsatisfied Lease Obligations.

8. **Waiver of Defenses.** Guarantor waives any defense Guarantor may acquire by reason of Lessor's election of any remedy against Guarantor or Lessee, or both. In addition, Guarantor waives any defense arising by reason of any disability or other defense of Lessee, including, without limitation, any defense based upon: (a) invalidity of the Lease (b) any lack of authority of the officers, directors, partners or agents acting or purporting to act on behalf of Lessee or any principal of Lessee; or (c) by reason of the cessation from any cause whatsoever of the liability of Lessee other than full performance and discharge of the Lease Obligations.

9. **Waiver of Rights.** Guarantor waives the right to require Lessor: (a) to proceed against Lessee or any successor of Lessee; and (b) to pursue any other remedy in Lessor's power. Guarantor expressly waives the provisions of the California and/or Arizona Civil Code, which grants a surety certain rights to require a creditor to pursue alternative remedies before proceeding against a surety.

10. **Subrogation.** Until the Lease Obligations shall have been performed in full, Guarantor shall have no right of subrogation and waive any right to enforce any remedy which Lessor now has or may hereafter have against Lessee. Guarantor waives any right to participate in any security now or hereafter held by Lessor.

11. **Successive Demands.** Guarantor's liability shall extend to each and every payment to be made by Lessee and any additional Lease Obligation to be performed or observed by Lessee. Successive demands may be made upon, and successive actions for the enforcement of such demands may be brought against Guarantor upon successive defaults by Lessee and the enforcement of this Guaranty against Guarantor with respect to any Lease Obligation shall not operate to exhaust this Guaranty or operate as a waiver of the right to proceed under this Guaranty with respect to any future default or defaults.

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~~12. General Provisions.~~

~~12.1 **Attorney's Fees.** Guarantor agrees to pay all costs and other expenses, including reasonable attorneys' fees and court costs, paid or incurred by Lessor in enforcing or attempting to enforce this Guaranty or the obligations guaranteed hereby. Guarantor is obligated as to attorney's fees and costs pursuant to Paragraphs 31 and 37.1 of the Lease, as to the obligations under the Lease and the Guaranty, and the provision in the Addendum as to attorneys fees made applicable here to the Lease and the Guaranty.~~

~~12.2 **Governing Law.** This Guaranty shall be enforceable by Lessor in accordance with the laws of the State of California and shall be construed in accordance therewith.~~

~~12.3 **Interest.** Interest shall accrue on all accounts which are not paid by Guarantor when due under the Lease, from the date due until due date paid by Guarantor, at the interest rate specified in the Lease, but not to exceed the maximum legal rate of interest.~~

~~12.4 **Joint and Several.** If Guarantor is more than one person, each person's obligations hereunder are joint and several and are independent of Lessee's obligations. Lessor may bring a separate action against any Guarantor whether the action is brought against any other Guarantor, or whether any other Guarantor is joined in the action.~~

~~12.5 **Modification.** This Guaranty may not be amended, modified, released, or terminated except by a written instrument executed by Guarantor and Lessor.~~

~~12.6 **Severability.** If any of Guarantor's obligations hereunder shall be held to be unenforceable, the remainder of this Guaranty and its application to all obligations other than those with respect to which is held unenforceable shall not be affected thereby and shall remain in full and effect.~~

~~12.7 **Successors.** The terms and provisions of this Guaranty shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto.~~

~~IN WITNESS WHEREOF, the undersigned has executed this guaranty of lease as of tile date first written above.~~

GUARANTOR:

Res. Address: _____
Phone: _____
Soc Sec#: _____
DL#: _____ DOB _____

By: _____

Res. Address: _____
Phone: _____
Soc Sec#: _____
DL#: _____ DOB _____

By: _____

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EXHIBIT J-1

SPOUSAL CONSENT

To the Lease dated June 5, 2012, by and between Strauss Family Trust UDT 6/5/92 dba: MC Strauss Company, as Lessor, and Amadeu Rodrigues, a married man, as Lessee, for the premises known as 3770 Hancock Street, Suite F, San Diego, CA 92110.

The undersigned, being the spouse of the Tenant or Guarantor to this Lease, hereby (a) consent to the Lease, (b) agree that all now owned and hereafter acquired community and quasi-community property of the undersigned and Tenant or Guarantor shall be liable for the satisfaction of obligations imposed by the Lease, and (c) agree solely for purposes of subjecting any community or quasi-community property received pursuant to liability for satisfaction of the obligations imposed by the Lease, the undersigned have "incurred" the obligations of the Lease.

Spouse: Eliana Janeiro

Eliana Janeiro

SSN#

05-29-1967

Date of Birth Driver License#

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*NOT APPLICABLE

*EXHIBIT K

MEMORANDUM
CERTIFICATE

This memorandum is made of _____ 19____ with reference to that certain Lease Agreement (hereinafter referred to as the "Lease") dated _____ by and between _____ as "Lessor" therein, and _____ as "Lessee."

The undersigned, as Lessee under said Lease, hereby confirms the following:

1. The Lessee accepted possession of the Demised Premises (as described in said Lease) on _____ and acknowledges that the premises are as represented by Lessor and in good order, condition and repair; and that the improvements, if any, required to be constructed for and/or furnished to Lessee by Lessor under said Lease have been so constructed and/or furnished and are satisfactorily completed in all respects.

2. That all conditions of said Lease to be performed by Lessor prerequisite to the full effectiveness of said Lease have been satisfied and that Lessor has fulfilled all of its duties of an inducement nature.

3. That in accordance with the provisions of Paragraph 4 of said Lease die Commencement Date (as the phrase "Commencement Date" is defined in said Lease) of the term is _____ and that, unless sooner terminated, the original term thereof expires on _____.

4. That said Lease (as amended, if amended) is in full force and effect and that the same represents the entire agreement between Lessor and Lessee concerning said Lease.

5. That there are no existing defenses which Lessee has against the enforcement of said Lease by Lessor, and no offsets or credits against rentals except as may be expressly provided in said Lease.

6. That the minimum rental obligation of said Lease is presently in effect and that all rentals, charges and other obligations on the part of Lessee under said Lease commenced to accrue on _____.

7. That the undersigned Lessee has no notice of any prior assignment, hypothecation or pledge of said Lease or of the rents thereunder.

LESSOR: _____ LESSEE:

By: _____ By: _____

Its: _____ Its: _____

This "Memorandum" is hereby approved in form and shall be completed (if necessary) pursuant with Paragraph 4.A of The Lease and incorporated as part of The Lease.

LESSOR'S INITIALS: _____ LESSEE'S INITIALS:

_____ _____

*Not Applicable if Term Date is fixed per the Lease.

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EXHIBIT L

OPTION(S) TO EXTEND

ADDENDUM TO
STANDARD LEASE

Dated June 5, 2012

By and Between (Lessor) Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company
(Lessee) Amadeu Rodrigues, a married man

Property Address: 3770 Hancock Street, Suite #F
San Diego, CA 92110

Paragraph 39

A. **OPTION(S) TO EXTEND:**

Lessor hereby grants to Lessee the option to extend the term of this Lease for one (1) additional one (1) year period(s) commencing when the prior term expires upon each and all of the following terms and conditions:

(i) Lessee gives to Lessor, and Lessor actually receives on a date which is prior to the date that the option period would commence (if exercised) by at least six (6) months and not more than nine (9) months, a written notice of the exercise of the option(s) to extend this Lease for said additional term(s), time being of essence. If said notification of the exercise of said option(s) is (are) not so given and received, the option(s) shall automatically expire; said option(s) may (if more than one) only be exercised consecutively;

(ii) The provisions of paragraph 39, including the provision relating to default of Lessee set forth in paragraph 39.4 of this Lease are conditions of this Option;

(iii) All of the terms and conditions of this Lease except where specifically modified by this option shall apply;

(iv) The monthly rent for each month of the option period shall be calculated as follows, using the method(s) indicated below:

(Check Method(s) to be Used and Fill In Appropriately)

0 **I. Cost of Living Adjustment(s) (COL)**

(a) On (Fill in COL Adjustment Date(s): _____ the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted by the change, If any, from the Base Month specified below, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for (select one): 0 CPI W (Urban Wage Earners and Clerical Workers) or q CPI U (All Urban Consumers), for (Fill in Urban Area): _____ All Items (1982–1984 = 100), herein referred to as "C.P.I."

(b) The monthly rent payable in accordance with paragraph AI(a) of this Addendum shall be calculated as follows: the Base Rent set forth in paragraph 1.5 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the C.P.I. of the calendar month 2 (two) months prior to the month(s) specified in paragraph AI(a) above during which the adjustment is to take effect, and the denominator of which shall be the C.P.I. of the calendar month which is two (2) months prior to (select one): 0 the first month of the term of this Lease as set forth in paragraph 1.3 ("Base Month") or 0 (Fill In Other "Base Month"): _____. The sum so calculated shall constitute the new monthly rent hereunder, but in no event, shall any such new monthly rent be less than the rent payable for the month Immediately preceding the date for rent adjustment plus 5% increase and 5% for each option year rounded up to the next dollar figure.

(c) In the event the compilation and/or publication of the C.P.I. shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the C.P.I. shall be used to make such calculation. In the event that Lessor and Lessee cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid equally by Lessor and Lessee.

✓ **II. Market Rental Value Adjustment(s) (MRV)**

(a) On (Fill in MRV Adjustment Date(s): June 1. 2013 the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted to the "Market Rental Value" of the property as follows:

1) Four months prior to the Market Rental Value (MRV) Adjustment Date(s) described above, Lessor and Lessee shall meet to establish an agreed upon new MRV for the specified term. If agreement cannot be reached, then:

i) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the parties, or

ii) Both Lessor and Lessee shall each immediately select and pay the appraiser or broker of their choice to establish a MRV within the next 30 days. If, for any reason, either one of the appraisals is not completed within the next 30 days, as stipulated, then the appraisal that is completed at that time shall automatically become the new MRV. If both appraisals are completed and the two appraisers/brokers cannot agree on a reasonable average MRV then they shall Immediately select a third mutually acceptable appraiser/broker to establish a third MRV within the next 30 days. The average of the two appraisals closest in value shall then become the new MRV. The costs of the third appraisal will be split equally between the parties.

2) In any event, the now MRV shall not be less than the rent payable for the month Immediately preceding the date for rent adjustment plus five percent (5%, rounded up) and five percent (5%, rounded up) each succeeding option year.

(b) Upon the establishment of each New Market Rental Value as described In paragraph AII:

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1) the monthly rental sum so calculated for each term as specified in paragraph AII(a) will become the new "Base Rent" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph AII(a) above and

2) the first month at each Market Rental Value term as specified in paragraph AII(a) shall become the new "Base Month" for the purpose of calculating any further Cost of Living Adjustments as specified In paragraph AI(b).

θ **III. Fixed Rental Adjustment(s) (FRA)**

The monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be increased to the following amounts on the dates set forth below.

On (Fill in FRA Adjustment Date(s)):	The New Base Rental shall be:
_____	$_____
_____	$_____
_____	$_____
_____	$_____

B. **NOTICE:** Unless specified otherwise herein, notice at any escalations other than Fixed Rental Adjustment(s) shall be made as specified in paragraph 23 of the attached Lease.

*C. **Broker's Fee: *Deleted**

The Real Estate Brokers specified in paragraph 1.10 of the attached Lease shall be paid a Brokerage Fee for each adjustement specified above in accordance with paragraph 15 of the attached Lease.

D. **OPTION RIGHTS CONDITION:** Lessee's Option Rights are contingent upon Lessee not having previously breached or otherwise failed to perform under the Lease since its inception. Otherwise Landlord at its sole discretion may declare any option to extend null and void.

LESSOR'S INITIAL: _____ LESSEE'S INITIAL: _____

*NOT APPLICABLE

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*EXHIBIT M

SPECIAL ADDENDUM

This Addendum to Lease ("Addendum") is made a part of the Lease dated _____ by and between _____ ("Lessor") and _____ ("Lessee") for the Demised Premises commonly known as _____. Should there be any conflicts between the terms and conditions of this Addendum and the Lease, this Addendum shall prevail.

1. Termination of Former Lease:

The present Lease agreement on the Demised Premises by and, between, _____, and _____ dated _____ and Estopple dated _____ _____ (hereinafter called "Previous Lease") shall be terminated and superseded by this lease agreement upon the Commencement Date hereof. However, it is understood and agreed that Lessee shall hold Lessor harmless from any Liability or claim under Previous Lease with respect to said Lease, (the Security Deposit $ _____ is acknowledged and hereby transferred to new Lease) and Lessee shall assume the responsibility for payment to Lessor (through escrow or otherwise, if any) of all past due rents, taxes, common area charges, and any other lawful charges due Lessor under Previous Lease and prior to the effective date of this Lease Agreement.

2. OTHER (IF ANY):

LESSOR:

By: _____

Its: _____

LESSEE:

By: _____

Its: _____

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Exhibit N

SPORTS ARENA BUSINESS PARK

RULES AND REGULATIONS

1. Use of Premises.

(a) All floor area, including vestibules, entrances and returns, doors, fixtures, windows and plate glass shall be maintained in a safe, neat and clean condition.

(b) All trash, refuse and waste material shall be regularly removed from the premises of each occupant and until removal shall be stored (i) in adequate containers, which containers shall be located so as not to be visible to the general public in the Center; and (ii) so as not to constitute any health or fire hazard or nuisance to any occupant.

(c) No portion of the Premises or Center shall be used for lodging purposes.

(d) Neither sidewalks nor walkways shall be used to display, store or place any merchandise, equipment or devices.

(e) No advertising medium, device, instrument or apparatus shall be utilized which can be heard or experienced outside the Premises including, without limiting the generality of the foregoing, flashing lights, searchlights, loudspeakers, phonographs, organs, radios, television or video monitors.

(f) No auction, fire, bankruptcy, or going-out-of-business sale shall be conducted in, at, or about the Center or any portion or portions thereof, except pursuant to court order.

(g) No use shall be made of the Center or any portion or portions thereof which would (i) violate any law, ordinance or regulation; (ii) constitute a nuisance; (iii) constitute a hazardous use; or (iv) violate, suspend; or void any policy or policies of insurance.

(h) All occupants of the Center shall use their best efforts to cause all trucks servicing retail facilities within the Center to load and unload prior to the hours of the Center opening for business to general public.

2. Conduct of Persons.

The following rules and regulations govern the use of roadways, walkways, the Center, parking areas and other common areas and facilities:

(a) No person shall use any roadway or walkway except as a means of egress from or ingress to any floor area or parking area within the Center or adjacent public streets. Such use shall be in an orderly manner and in accordance with directional or other signs or guides. Roadways shall not be used at a speed in excess of ten (10) miles per hour or any lesser posted speed limit and shall not be used for parking or stopping, except for the immediate loading or unloading of passengers. No walkways, hallways or corridors shall be used for other than pedestrian travel.

(b) No person shall use any parking area, except for ingress and egress to and from the Center and for the parking of motors vehicles during the period of time such person or the occupants of such vehicle are customers or business invitees of the establishments within the Center. All motor vehicles shall be parked in an orderly manner within the painted lines defining the individual parking places. During peak periods of business activity, limitations may be imposed as to the length of time for parking use. Such limitations may be made in specified areas.

(c) No person shall use any utility area, truck court or other area reserved for use in connection with the conduct of business, except for the specific purpose for which permission to use such area is given.

(d) No tenant, contractor, agent or employee of any business in the Center shall use any area for motor vehicle parking, except the area or areas specifically designated by Landlord for employee parking and for the particular period of time such use is to be made as determined, or as established by ordinance.

(e) Unless the following prohibitions are forbidden by law, no person shall, in or on any part of the common areas:

(i) Vend, peddle, store, display, place or solicit orders for sales or distribution of any merchandise, equipment, device, service, periodical, book, pamphlet or other matter whatsoever.

(ii) Exhibit any sign, placard, banner, notice or other written material; distribute any circular, booklet, handbill, placard, or other material; solicit signatures or registration for membership in any organization, group or association or contribution for any purpose; parade, rally, patrol, picket, demonstrate, or engage in any conduct that might tend to interfere with or impede the use of any of the common areas by any person entitled to use the same, create a disturbance, attract attention or harass, annoy, disparage or be detrimental to the interest of any of the retail establishments within the Center.

(iii) Throw, discard, or deposit any paper, glass or extraneous matter of any kind, except in designated receptacles, or create litter or hazards of any kind.

(iv) Use any sound-making device of any kind or create or produce in any manner noise or sound that is annoying, unpleasant, or distasteful to occupants or invitees.

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(vi) Deface, damage or demolish any sign, light standard or fixture, landscaping material or other improvements within the Center, or the property of customers, business invitees or employees situated within the Center.

The listing of specific items as being prohibited is not intended to be exclusive, but to indicate in general the manner in which the right to use the common areas solely as a means of access and convenience in shopping at the establishments in the Center is limited and controlled.

3. Prohibited Operations and Nuisances.

No use or operation will be made, conducted or permitted on any part of the Center site, which use or operation is clearly objectionable to the development or operation of the Center. Included among the uses or operations which are objectionable are uses or operations which produce or are accompanied by the following characteristics, which list is not intended to be all inclusive:

(a) Any noise, litter, dust, dirt, odor or other activity which may constitute a public or private nuisance;

(b) Any unusual firing, explosive or other damaging or dangerous hazards (including the storage, display or sale of explosives or fireworks);

(c) Any trailer court, mobile home park, labor camp, junkyard, stockyard or animal raising;

(d) The sale, distribution or growth of marijuana.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: _____

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3770 G

AMENDMENT #3 TO LEASE

THIS AMENDMENT, made and entered into May 27, 2014, by and between Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company, as Lessor and Maria Helena Janeiro, DBA: Brazil By The Bay, as Lessee, does hereby supplement, modify, and amend that certain Amendment #2 to Lease dated November 27, 2011, Amendment #1 to Lease dated July 17, 2008 and Lease Agreement dated November 15, 2005, together with all modifications and amendments thereto (collectively, the "Lease"), by and between the above named parties for the premises located at 3770 Hancock Street, Suite G, San Diego, CA 92110.

The parties hereto agree as follows:

1. TERM. The Lease Term shall extend for twenty-four (24) months commencing April 1, 2014 and expiring March 31, 2016 ("Extended Term").
2. MONTHLY BASE RENT. The Monthly Base Rents for the Extended Term shall be as follows:

   4/1/14 – 3/31/16: $2.00psf x 1,150sf = $2,300.00 per month

   Monthly Water/Sewer Fee shall be at $100.00 per month

3. LANDSCAPING. Lessee shall be billed a one-time amount of $500.00 to reimburse Lessor for landscaping as agreed by both parties. Lessee shall pay such amount within ten (10) days after receipt of Lessor's invoice.

4. CONFIDENTIALITY. Tenant shall keep the content and all copies of this Amendment and related documents now or hereafter entered into, and all proposals, materials, information and matters relating thereto, strictly confidential, and shall not disclose, disseminate or distribute any of the same, or permit the same to occur, except to the extent reasonably required for proper business purposes by Tenant's attorneys, insurers, auditors and lenders, and, in such event, Tenant shall obligate any such parties to whom disclosure is permitted to honor the confidentiality provisions hereto, except as may be required by Law or court proceedings.

5. ACCESSIBILITY. The Premises has not undergone an inspection by a Certified Access Specialist (CASp).

6. COUNTERPARTS. This Amendment may be executed in one or more counterparts, each of which counterparts shall constitute an original and all of which counterparts together shall constitute one and the same Amendment. The delivery by Landlord or Tenant of a facsimile signature of this Amendment shall have the same legally binding effect as the delivery of an original signature.

7. ENFORCEABILITY. Landlord acknowledges and represents to Tenant that this Amendment is the binding obligation of Landlord enforceable in accordance with its terms and that Landlord has obtained the consent of its lender or any other third party from whom the Landlord is required to obtain consent for the execution and performance of this Amendment. Tenant acknowledges and represents to Landlord that this Amendment is the binding obligation of Tenant enforceable in accordance with its terms and that Tenant has obtained the consent of its lender, if any, or any other third party from whom the Tenant is required to obtain consent for the execution and performance of this Amendment.

8. CONFLICT OF PROVISIONS; RATIFICATION. In the event of a conflict between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall govern. Except as specifically referenced or addressed herein, all other terms, covenants, and provisions of the Lease are hereby ratified and confirmed and shall remain unchanged and in full force and effect throughout the Extended Term.

9. ENTIRE AGREEMENT; BINDING. This Amendment represents the entire agreement between Landlord and Tenant regarding the subject matter contained in this Amendment and there are no other terms, obligations, covenants, representations, statements or conditions oral or otherwise of any kind whatsoever between the parties regarding the subject matter contained in this Amendment except as set forth in this Amendment. No amendment or modification to this Amendment shall be effective unless it is in writing and executed by both Landlord and Tenant. All references to the term "Lease" in this Amendment and the Lease shall mean the Lease as amended by this Amendment.

10. CAPTIONS. The captions and section numbers appearing in this Amendment are for convenience only and are not a part of this Amendment and do not in any way limit, amplify, define, construe or describe the scope or intent of the terms or provisions of this Amendment.

11. CAPITALIZED TERMS. All capitalized terms in this Amendment, unless specifically defined herein, shall have the same meaning as in the Lease.

12. AUTHORITY TO EXECUTE. Landlord and Tenant represent and warrant to each other that the person executing this Amendment on behalf of such applicable party has the full right, power and authority to execute this Amendment and perform its obligations under this Amendment.

13. SEVERABILITY. If any provision of this Amendment is determined by a court having jurisdiction to be illegal, invalid or unenforceable under any present or future law, the remainder of this Amendment will not be affected thereby. It is the intention of the parties that if any provision is so held to be illegal, invalid or unenforceable, there will be added in lieu thereof a provision as similar in terms to such provision as is possible that is legal, valid and enforceable.

IN WITNESS WHEREOF, the parties have signed this Amendment effective on the date set forth above.

LESSOR:
STRAUSS FAMILY TRUST UDT
6/5/92 DBA: M.C. STRAUSS CO.

By: _____

Its: TEE

LESSEE:
MARIA HELENA JANEIRO
DBA: BRAZIL BY THE BAY

By: _____
Maria Helena Janeiro

05/22/2014

M.C. STRAUSS
COMPANY

January 25, 2012

All Tenants
Sports Arena Business Park
3760, 3770, 3780 Hancock Street
San Diego, CA

RE: Rules and Regulations
Sports Arena Business Park, San Diego, CA

Dear Tenant:

Pursuant to Section 2.9 of your Lease, enclosed please find the Rules and Regulations that will take effective immediately for Sports Arena Business Park.

The Rules and Regulations shall be inserted into your existing Lease agreement as Exhibit N and shall be made a part of the Lease.

Sincerely,

M.C. Strauss
Strauss Family Trust

Enclosure

1/26/12
Mailed letter to Tenants.

990 HIGHLAND DRIVE #200 SOLANA BEACH, CALIFORNIA 92075
PHONE (858) 792-7500 FAX (858) 792-7834

Exhibit N

SPORTS ARENA BUSINESS PARK

RULES AND REGULATIONS

1. Use of Premises.

(a) All floor area, including vestibules, entrances and returns, doors, fixtures, windows and plate glass shall be maintained in a safe, neat and clean condition.

(b) All trash, refuse and waste material shall be regularly removed from the premises of each occupant and until removal shall be stored (i) in adequate containers, which containers shall be located so as not to be visible to the general public in the Center; and (ii) so as not to constitute any health or fire hazard or nuisance to any occupant.

(c) No portion of the Premises or Center shall be used for lodging purposes.

(d) Neither sidewalks nor walkways shall be used to display, store or place any merchandise, equipment or devices.

(e) No advertising medium, device, instrument or apparatus shall be utilized which can be heard or experienced outside the Premises including, without limiting the generality of the foregoing, flashing lights, searchlights, loudspeakers, phonographs, organs, radios, television or video monitors.

(f) No auction, fire, bankruptcy, or going-out-of-business sale shall be conducted in, at, or about the Center or any portion or portions thereof, except pursuant to court order.

(g) No use shall be made of the Center or any portion or portions thereof which would (i) violate any law, ordinance or regulation; (ii) constitute a nuisance; (iii) constitute a hazardous use; or (iv) violate, suspend; or void any policy or policies of insurance.

(h) All occupants of the Center shall use their best efforts to cause all trucks servicing retail facilities within the Center to load and unload prior to the hours of the Center opening for business to general public.

2. Conduct of Persons.

The following rules and regulations govern the use of roadways, walkways, the Center, parking areas and other common areas and facilities:

(a) No person shall use any roadway or walkway except as a means of egress from or ingress to any floor area or parking area within the Center or adjacent public streets. Such use shall be in an orderly manner and in accordance with directional or other signs or guides. Roadways shall not be used at a speed in excess of ten (10) miles per hour or any lesser posted speed limit and shall not be used for parking or stopping, except for the immediate loading or unloading of passengers. No walkways, hallways or corridors shall be used for other than pedestrian travel.

(b) No person shall use any parking area, except for ingress and egress to and from the Center and for the parking of motors vehicles during the period of time such person or the occupants of such vehicle are customers or business invitees of the establishments within the Center. All motor vehicles shall be parked in an orderly manner within the painted lines defining the individual parking places. During peak periods of business activity, limitations may be imposed as to the length of time for parking use. Such limitations may be made in specified areas.

(c) No person shall use any utility area, truck court or other area reserved for use in connection with the conduct of business, except for the specific purpose for which permission to use such area is given.

(d) No tenant, contractor, agent or employee of any business in the Center shall use any area for motor vehicle parking, except the area or areas specifically designated by Landlord for employee parking and for the particular period of time such use is to be made as determined, or as established by ordinance.

(e) Unless the following prohibitions are forbidden by law, no person shall, in or on any part of the common areas:

(i) Vend, peddle, store, display, place or solicit orders for sales or distribution of any merchandise, equipment, device, service, periodical, book, pamphlet or other matter whatsoever.

(ii) Exhibit any sign, placard, banner, notice or other written material; distribute any circular, booklet, handbill, placard, or other material; solicit signatures or registration for membership in any organization, group or association or contribution for any purpose; parade, rally, patrol, picket, demonstrate, or engage in any conduct that might tend to interfere with or impede the use of any of the common areas by any person entitled to use the same, create a disturbance, attract attention or harass, annoy, disparage or be detrimental to the interest of any of the retail establishments within the Center.

(iii) Throw, discard, or deposit any paper, glass or extraneous matter of any kind, except in designated receptacles, or create litter or hazards of any kind.

(iv) Use any sound-making device of any kind or create or produce in any manner noise or sound that is annoying, unpleasant, or distasteful to occupants or invitees.

(vi) Deface, damage or demolish any sign, light standard or fixture, landscaping material or other improvements within the Center, or the property of customers, business invitees or employees situated within the Center.

The listing of specific items as being prohibited is not intended to be exclusive, but to indicate in general the manner in which the right to use the common areas solely as a means of access and convenience in shopping at the establishments in the Center is limited and controlled.

3. Prohibited Operations and Nuisances.

No use or operation will be made, conducted or permitted on any part of the Center site, which use or operation is clearly objectionable to the development or operation of the Center. Included among the uses or operations which are objectionable are uses or operations which produce or are accompanied by the following characteristics, which list is not intended to be all inclusive:

(a) Any noise, litter, dust, dirt, odor or other activity which may constitute a public or private nuisance;

(b) Any unusual firing, explosive or other damaging or dangerous hazards (including the storage, display or sale of explosives or fireworks);

(c) Any trailer court, mobile home park, labor camp, junkyard, stockyard or animal raising;

(d) The sale, distribution or growth of marijuana.

AMENDMENT #2 TO LEASE

THIS AMENDMENT, made and entered into NOVEMBER 27th, 2011, by and between Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company, as Lessor and Maria Helena Janeiro, DBA: Brazil By The Bay, as Lessee, does hereby supplement, modify, and amend that certain Amendment #1 to Lease dated July 17, 2008 and Lease Agreement dated November 15, 2005, (collectively, the "Lease"), by and between the above named parties for the premises located at 3770 Hancock Street, Suite G, San Diego, CA 92110.

The parties hereto agree as follows:

1. OPTION TO EXTEND. Lessee is exercising its Option to Extend per Paragraph 4 of Amendment #1 to Lease dated July 18, 2008 commencing December 1, 2011 and expiring November 30, 2013.
2. BASE RENT. The Base Monthly Rents for the Option Extend shall be as follows:

   12/1/11 thru 11/30/13: $1.95psf x 1,150sf = $2,240.00 per month

3. LESSEE. Effective as of the date of this Amendment, Shannon D. Beckwith is hereby deleted as Lessee under the Lease. Accordingly, Maria Helena Janeiro shall remain as the Lessee and hereby assumes and agrees to be bound by all the terms and conditions of the Lease.

4. CONFIDENTIALITY. Tenant shall keep the content and all copies of this Amendment and related documents now or hereafter entered into, and all proposals, materials, information and matters relating thereto, strictly confidential, and shall not disclose, disseminate or distribute any of the same, or permit the same to occur, except to the extent reasonably required for proper business purposes by Tenant's attorneys, insurers, auditors and lenders, and, in such event, Tenant shall obligate any such parties to whom disclosure is permitted to honor the confidentiality provisions hereto, except as may be required by Law or court proceedings.

5. COUNTERPARTS. This Amendment may be executed in one or more counterparts, each of which counterparts shall constitute an original and all of which counterparts together shall constitute one and the same Amendment. The delivery by Landlord or Tenant of a facsimile signature of this Amendment shall have the same legally binding effect as the delivery of an original signature.

6. ENFORCEABILITY. Landlord acknowledges and represents to Tenant that this Amendment is the binding obligation of Landlord enforceable in accordance with its terms and that Landlord has obtained the consent of its lender or any other third party from whom the Landlord is required to obtain consent for the execution and performance of this Amendment. Tenant acknowledges and represents to Landlord that this Amendment is the binding obligation of Tenant enforceable in accordance with its terms and that Tenant has obtained the consent of its lender, if any, or any other third party from whom the Tenant is required to obtain consent for the execution and performance of this Amendment.

7. CONFLICT OF PROVISIONS; RATIFICATION. In the event of a conflict between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall govern. Except as specifically referenced or addressed herein, all other terms, covenants, and provisions of the Lease are hereby ratified and confirmed and shall remain unchanged and in full force and effect throughout the Option Term.

8. ENTIRE AGREEMENT; BINDING. This Amendment represents the entire agreement between Landlord and Tenant regarding the subject matter contained in this Amendment and there are no other terms, obligations, covenants, representations, statements or conditions oral or otherwise of any kind whatsoever between the parties regarding the subject matter contained in this Amendment except as set forth in this Amendment. No amendment or modification to this Amendment shall be effective unless it is in writing and executed by both Landlord and Tenant. All references to the term "Lease" in this Amendment and the Lease shall mean the Lease as amended by this Amendment.

9. CAPTIONS. The captions and section numbers appearing in this Amendment are for convenience only and are not a part of this Amendment and do not in any way limit, amplify, define, construe or describe the scope or intent of the terms or provisions of this Amendment.

10. CAPITALIZED TERMS. All capitalized terms in this Amendment, unless specifically defined herein, shall have the same meaning as in the Lease

11. AUTHORITY TO EXECUTE. Landlord and Tenant represent and warrant to each other that the person executing this Amendment on behalf of such applicable party has the full right, power and authority to execute this Amendment and perform its obligations under this Amendment.

12. SEVERABILITY. If any provision of this Amendment is determined by a court having jurisdiction to be illegal, invalid or unenforceable under any present or future law, the remainder of this Amendment will not be affected thereby. It is the intention of the parties that if any provision is so held to be illegal, invalid or unenforceable, there will be added in lieu thereof a provision as similar in terms to such provision as is possible that is legal, valid and enforceable.

IN WITNESS WHEREOF, the parties have signed this Amendment effective on the date set forth above.

LESSOR:
STRAUSS FAMILY TRUST UDT
6/5/92 DBA: M.C. STRAUSS CO.

By: _____
Its: Trustee

LESSEE:
MARIA HELENA JANEIRO
DBA BRAZIL BY THE BAY

By: _____
Maria Helena Janeiro

AMENDMENT #1 TO LEASE

THIS AMENDMENT, made and entered into this 17th Day of July 2008, by and between Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company, as Lessor and Shannon D. Beckwith and Maria H. Janeiro, Husband and Wife DBA Brazil By The Bay, as Lessee, does hereby supplement, modify, and amend that certain Lease Agreement dated November 15, 2005, by and between the above named parties for the premises located at 3770 Hancock Street, Suite G, San Diego, CA 92110.

The parties hereto agree as follows:

1. TERM. The Lease Term shall be extended for Three (3) years commencing December 1, 2008 and terminating November 30, 2011 ("Extended Term").

2. BASE RENT. The monthly Base Rent for the Extended Term shall be as follows:

Months One through Twelve	$2,070.00 per month;
Months Thirteen through Twenty-Four	$2,153.00 per month;
Months Twenty-Five through Thirty-Six	$2,240.00 per month.

3. WATER & SEWER FEES. The Monthly Water and Sewer fees for the Extended Term shall be $100.00 per month.

4. OPTION TO EXTEND. In lieu of Lessee exercising its existing 1-2yr Option to Extend per Exhibit L of the Lease Agreement, Lessee has agreed to extend its initial Term as stated in the above Paragraph 1 of this Amendment. Additionally, Lessor grants Lessee, One (1) additional Two (2) year Option to Extend beyond the Extended Term granted herein under similar Terms and Conditions as set forth in the Lease Agreement.

5. DEFINED TERMS. All initial capitalized terms used in this Amendment shall have the same meaning given such terms in the Lease, unless otherwise defined in this Amendment.

6. COUNTERPARTS. This Amendment may be executed in one or more counterparts, each of which counterparts shall constitute an original and all of which counterparts together shall constitute one and the same Amendment. The delivery by Landlord or Tenant of a facsimile signature of this Amendment shall have the same legally binding effect as the delivery of an original signature.

7. ENFORCEABILITY. Landlord acknowledges and represents to Tenant that this Amendment is the binding obligation of Landlord enforceable in accordance with its terms and that Landlord has obtained the consent of its lender or any other third party from whom the Landlord is required to obtain consent for the execution and performance of this Amendment. Tenant acknowledges and represents to Landlord that this Amendment is the binding obligation of Tenant enforceable in accordance with its terms and that Tenant has obtained the consent of its lender, if any, or any other third party from whom the Tenant is required to obtain consent for the execution and performance of this Amendment.

8. CONFLICT OF PROVISIONS; RATIFICATION. In the event of a conflict between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall govern. Except as specifically referenced or addressed herein, all other terms, covenants, and provisions of the Lease are hereby ratified and confirmed and shall remain unchanged and in full force and effect throughout the Term.

9. ENTIRE AGREEMENT; BINDING. This Amendment represents the entire agreement between Landlord and Tenant regarding the subject matter contained in this Amendment and there are no other terms, obligations, covenants, representations, statements or conditions oral or otherwise of any kind whatsoever between the parties regarding the subject matter contained in this Amendment except as set forth in this Amendment. No amendment or modification to this Amendment shall be effective unless it is in writing and executed by both Landlord and Tenant. All references to the term "Lease" in this Amendment and the Lease shall mean the Lease as amended by this Amendment.

10. CAPTIONS. The captions and section numbers appearing in this Amendment are for convenience only and are not a part of this Amendment and do not in any way limit, amplify, define, construe or describe the scope or intent of the terms or provisions of this Amendment.

11. AUTHORITY TO EXECUTE. Landlord and Tenant represent and warrant to each other that the person executing this Amendment on behalf of such applicable party has the full right, power and authority to execute this Amendment and perform its obligations under this Amendment.

12. SEVERABILITY. If any provision of this Amendment is determined by a court having jurisdiction to be illegal, invalid or unenforceable under any present or future law, the remainder of this Amendment will not be affected thereby. It is the intention of the parties that if any provision is so held to be illegal, invalid or unenforceable, there will be added in lieu thereof a provision as similar in terms to such provision as is possible that is legal, valid and enforceable.

IN WITNESS WHEREOF, the parties have signed this Amendment effective on the date set forth above.

LESSOR:
STRAUSS FAMILY TRUST UDT 6/5/92 DBA: M.C. STRAUSS CO.

By: _____
Its: Trustee
Date: 8/29/08

LESSEE:
SHANNON D. BECKWITH & MARIA H. JANEIRO
HUSBAND & WIFE, DBA BRAZIL BY THE BAY

By: _____
Shannon D. Beckwith

By: _____
Maria H. Janeiro

Date: 08/24/08

By and Between

Strauss Family Trust UDT 6/5/1992

DBA M.C. Strauss Company/Sports Arena Business Park

as: Landlord / Lessor

and

Shannon D. Beckwith and Maria H. Janeiro,

Husband and Wife

DBA Brazil By The Bay

As Tenant / Lessee

At 3770 Hancock Street, Suite G
San Diego, CA 92110

Dated for Reference Purposes
As of November 15, 2005

Standard Commercial Multi-Tenant Lease

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Standard Commercial Multi-Tenant Lease

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STANDARD INDUSTRIAL/ COMMERCIAL
MULTI-TENANT LEASE—GROSS
AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

1. **Basic Provisions ("Basic Provisions").**

1.1 **Parties:** This Lease (**"Lease"**), dated for reference purposes only November 15, 2005, is made by and between Strauss Family Trust UDT 6/5/*1992 dba M.C. Strauss Company (**"Lessor"**) and Shannon D. Beckwith and Maria H. Janeiro, Husband and Wife DBA Brazil By The Bay (**"Lessee"**), (**collectively the "Parties"**, or individually a **"Party"**).

1.2(a) **Premises:** That certain portion of the Project (as defined below), Including all Improvements therein or to be provided by Lessor under the terms of this Lease, commonly known by the street address of 3770 Hancock Street, Suite G, San Diego, CA 92110 located In the City of San Diego, County of San Diego, State of California, with zip code 92110, as outlined on Exhibit A & A-1 attached hereto (**"Premises"**) and generally described as (describe briefly the nature of the Premises): Sport Arena Business Park, The demised premises consists of approx. 1,150 square feet. The property is further described on Exhibit A & A.1

In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Areas (as defined in Paragraph 2.7 below) as hereinafter specified, but shall not have any rights to the roof, exterior walls or utility raceways of the building containing the Premises (**"Building"**) or to any other buildings In the Project. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the **"Project."** (See also Paragraph 2.)

1.2(b) **Parking:** See Exhibit C item 14 unreserved vehicle parking spaces (**"Unreserved Parking Spaces"**); and N/A reserved vehicle parking spaces (**"Reserved Parking Spaces"**). (See also Paragraph 2.6)

1.3 **Term:** Three (3) years and No months (**"Original Term"**) commencing December 1, 2005 (**"Commencement Date"**) and ending November 30, 2008 (**"Expiration Date"**). (See also Paragraph 3.) (see Exhibit K)

1.4 **Early Possession:** upon signing, payments and certificate of insurance (**"Early Possession Date"**). (See also Paragraphs 3.2 and 3.3.)

1.5 **Base Rent:** One Thousand Nine Hundred Ninety-One and No/Cents Dollars ($1,991.00) per month (**"Base Rent"**), payable on the First day of each month commencing December 1, 2005. (See also Paragraph 4.)

☐ If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted. See Exhibit F.

1.6 **Lessee's Share of Common Area Operating Expenses:** N/A percent (___%) (**"Lessee's Share"**).

1.7 **Base Rent and Other Monies paid Upon Execution:**

(a) Base Rent: $1,991.00 for the period First Month's Base Rent.

(b) Common Area Operating Expenses: $ *does not apply for the period *does not apply.

(c) Security Deposit: $3,500.00 transferred from previous lease (**"Security Deposit"**). (See also Paragraph 5.)

(d) Other: $60.00 for first month water and sewer fee.

(e) Total Due Upon Execution of this Lease: Monies due December 1, 2005.

1.8 **Agreed Use:** Restaurant serving food, beer and wine only. only. See Exhibit H. (See also Paragraph 6.)

1.9 **Insuring Party:** Lessor is the **"Insuring Party"**. (See also Paragraph 8.)

1.10 **Real Estate Brokers:** (See also Paragraph 5).

(a) **Representation:** The following real estate brokers (the **"Brokers"**) and brokerage relationships exist in this transition (check applicable boxes):

☒ Pacific Real Estate Group represents Lessor exclusively (**"Lessor's Broker"**);

☐ _____ represents Lessee exclusively (**"Lessee's Broker"**); or

☐ _____ represents both Lessor and Lessee (**"Dual Agency"**).

(b) **Payment to Brokers:** Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Brokers the brokerage fee agreed to in a separate written agreement (or if there is no such agreement, the sum of --- or ---% of the total Base Rent for the brokerage services rendered by the Brokers).

1.11 **Guarantor.** The obligations of the Lessee under this Lease are to be guaranteed by See Exhibits J and J.1 (**"Guarantor"**). (See also Paragraph 37.)

1.12 **Addenda and Exhibits:** Attached hereto is an Addendum or Addenda consisting of Paragraphs ----- through ----- and Exhibits A through M, all of which constitute a part of this lease.

2. **Premises.**

2.1 **Letting.** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of size set forth in this Lease, or that may have been used in calculating Rent, is an approximation which the Parties agree is reasonable and any payments based thereon are not subject to revision whether or not the actual size is more or less.

2.2 **Condition.** Lessor shall deliver that portion of the Premises contained within the Building (**"Unit"**) to Lessee broom clean and free of debris on the Commencement Date or the Early Possession Date, whichever first occurs (**"Start Date"**), and, so long as the required service contracts described in Paragraph 7.1(b) below are obtained by Lessee and in effect within thirty days following the Start Date, warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems (**"HVAC"**), loading doors, if any, and all other such elements in the Unit, other than those constructed by Lessee, shall be in good operating condition on said date and that the structural elements of the roof, bearing walls and foundation of the Unit shall be free of material defects. If a non-compliance with such warranty exists as of the Start Date, or if one of such systems or elements should malfunction or fail within the appropriate warranty period, Lessor shall, as Lessor's sole obligation with respect to such matter, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, malfunction or failure, rectify same at Lessor's expense. The warranty periods shall be as follows: (i) 6 months as to the HVAC systems, and (ii) 30 days as to the remaining systems and other elements of the Unit. If Lessee does not give Lessor the required notice within the appropriate warranty period, correction of any such non-compliance, malfunction or failure shall be the obligation of Lessee at Lessee's sole cost and expense (except for the repairs to the fire sprinkler systems, roof, foundations, and/or bearing walls—see Paragraph 7).

2.3 **Compliance.** Lessor warrants that the Improvements on the Premises and the Common Areas comply with the building codes that were in effect at the time that each such Improvement, or portion thereof and also with all applicable laws, covenants or restrictions of record, regulations, and ordinances in effect on the Start Date (**"Applicable Requirements"**). Said warranty does not apply to the use of which Lessee will put the Premises or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a).) made or to be made by Lessee. **NOTE: Lessee is responsible for determining whether or not the zoning is appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed.** If the Premises do not comply with said warranty; Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within 6 months following the Start Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense. If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Unit, Premises and/or Building, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Unit, Premises and/or Building (**"Capital Expenditure"**), Lessor and Lessee shall allocate the cost of such work as follows:

(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof, provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease and the cost thereof exceeds 6 months' Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within 10 days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and the amount equal to 6 months' Base

Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least 90 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor and Lessee shall allocate the obligation to pay for the portion of such costs reasonably attributable to the Premises pursuant to the formula set out in Paragraph 7.1(d); provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with Interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor.

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to non-voluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall be fully responsible for the cost thereof, and Lessee shall not have any right to terminate this Lease.

2.4 **Acknowledgements.** Lessee acknowledges that: (a) it has been advised by Lessor and/or Brokers to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler Systems, security, environmental aspects, and compliance with Applicable Requirements and the Americans with Disabilities Act), and their suitability for Lessee's intended use, (b) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefore as the same relate to its occupancy of the Premises, and (c) neither Lessor, Lessor's Agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (ii) it is Lessor's solo responsibility to investigate the financial capability and/or suitability of all proposed tenants. (See Exhibit D)

2.5 **Lessee as Prior Owner/Occupant.** The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the Start Date Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.

2.6 **Vehicle Parking.** Lessee shall be entitled to use the number of Unreserved Parking Spaces and Reserved Parking Spaces specified in Paragraph 1.2(b) on those portions of the Common Areas designated from time to time by Lessor for parking. Lessee shall not use more parking spaces than said number. Said parking spaces shall be used for parking by vehicles no larger than full-size passenger automobiles or pick-up trucks, herein called **"Permitted Size Vehicles."** Lessor may regulate the loading and unloading of vehicles by adopting Rules and Regulations as provided in Paragraph 2.9. No vehicles other than Permitted Size Vehicles may be parked in the Common Area without the prior written permission of Lessor.

(a) Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, contractors or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.

(b) Lessee shall not service or store any vehicles in the Common Areas.

(c) If Lessee permits or allows any of the prohibited activities described in this Paragraph 2.6, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.7 **Common Areas—Definition.** The term **"Common Areas"** is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Project and interior utility raceways and installations within the Unit that are provided and designated by the Lessor from time to time for the general non-exclusive use of Lessor, Lessee and other tenants of the Project and their respective employees, suppliers, shippers, customers, contractors and invitees, including parking areas, loading and unloading areas, trash areas, roadways, walkways, driveways and landscaped areas.

2.8 **Common Areas—Lessee's Rights.** Lessor grants to Lessee, for the benefit of Lessee and its employees, suppliers, shippers, contractors, customers and invitees, during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Lessor under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Project. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Lessor or Lessor's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.9 **Common Areas—Rules and Regulations.** Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to establish, modify, amend and enforce reasonable rules and regulations (**"Rules and Regulations"**) for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Project and their invitees. Lessee agrees to abide by and conform to all such Rules and Regulations, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessor shall not be responsible to Lessee for the non-compliance with said Rules and Regulations by other tenants of the Project.

2.10 **Common Areas—Changes.** Lessor shall have the right, in Lessor's sole discretion, from time to time:

(a) To make changes to the Common Areas, including, without limitation, changes in the location, size, shape and number of driveways, entrances, parking spaces, Parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways;

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;

(c) To designate other land outside the boundaries of the Project to be a part of the Common Areas;

(d) To add additional buildings and improvements to the Common Areas;

(e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Project, or any portion thereof; and

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Project as Lessor may, in the exercise of sound business judgment, deem to be appropriate.

3. **Term.**

3.1 **Term.** The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3. (see Exhibit C #2)

3.2 **Early Possession.** If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early possession. All other terms of this Lease (including but not limited to the obligations to pay Lessee's Share of Common Area Operating Expenses, Real Property taxes and insurance premiums and to maintain the Premises) shall, however, be in effect during such period. Any such early possession shall not affect the Expiration Date. (See Exhibit C # 1)

3.3 **Delay In Possession.** Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession as agreed, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until it receives possession of the Premises. If possession is not delivered within 60 days after the Commencement Date, Lessee may, at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10 day period, Lessee's right to cancel shall terminate. Except as otherwise provided, if possession is not tendered to Lessee by the Start Date and Lessee does not terminate this Lease, as aforesaid, any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession of the Premises is not delivered within 4 months after the Commencement Date, this Lease shall terminate, unless other agreements are reached between Lessor and Lessee, in writing. (See Exhibit C #12)

3.4 **Lessee Compliance.** Lessor shall not be required to tender possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of Insurance (Paragraph 8.5). Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.

4. **Rent.**

4.1 **Rent Defined.** All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit) are deemed to be rent (**"Rent"**).

4.2 **Common Area Operating Expenses.** Lessee shall pay to Lessor during the term hereof, in addition to the Base Rent, Lessee's Share (as specified in Paragraph 1.6) of all Common Area Operating Expenses, as hereinafter defined, during each calendar year of the term of this Lease, in accordance with the following provisions:

(a) **"Common Area operating Expenses"** are defined, for purposes of this Lease, as all costs incurred by Lessor relating to the ownership and operation of the Project, including, but not limited to, the following:

(i) The operation, repair and maintenance, in neat, clean, good order and condition, but not the replacement (see subparagraph (e)), of the following:

(aa) The Common Areas and Common Area improvements, including parking areas, loading and unloading areas, trash areas, roadways, parkways, walkways, driveways. landscaped areas, bumpers, irrigation systems, Common Area lighting facilities, fences and gates, elevators, roots, and roof drainage systems.

(bb) Exterior signs and any tenant directories.

(cc) Any fire sprinkler systems.

(ii) The cost of water, gas, electricity and telephone to service the Common Areas and any utilities not separately metered.

(iii) Trash disposal, pest control services, property management, security services, and the costs of any environmental inspections.

(iv) Reserves set aside for maintenance and repair of Common Areas.

(v) Any increase above the Base Real Property Taxes (as defined in Paragraph 10).

(vi) Any "Insurance Cost Increase" (as defined in Paragraph 8).

(vii) Any deductible portion of an insured loss concerning the Building or the Common Areas.

(viii) The cost of any Capital Expenditure to the Building or the Project not covered under the provisions of Paragraph 2.3 provided; however, that Lessor shall allocate the cost of any such Capital Expenditure over a 12 year period and Lessee shall not be required to pay more than Lessee's Share of 1/144th of the cost of such Capital Expenditure in any given month.

(ix) Any other services to be provided by Lessor that are stated elsewhere in this Lease to be a Common Area Operating Expense.

(b) Any Common Area Operating Expenses and Real Property Taxes that are specifically attributable to the Unit, the Building or to any other building in the Project or to the operation, repair and maintenance thereof, shall be allocated entirely to such Unit, Building, or other building. However, any Common Area Operating Expenses and Real Property Taxes, that are not specifically attributable to the Building or to any other building or to the operation, repair and maintenance thereof, shall be equitably allocated by Lessor to all buildings in the Project. (See Exhibit C, Items 3 & 4.)

(c) The inclusion of the improvements, facilities and services set forth in Subparagraph 4.2(a) shall not be deemed to impose an obligation upon Lessor to either have said improvements or facilities or to provide those services unless the Project already has the same, Lessor already provides the services, or Lessor has agreed elsewhere in this Lease to provide the same or some of them.

(d) Lessee's Share of Common Area Operating Expenses shall be payable by Lessee within 10 days after a reasonably detailed statement of actual expenses is presented to Lessee. At Lessor's option, however, an amount may be estimated by Lessor from time to time of Lessee's Share of annual Common Area Operating Expenses and the same shall be payable monthly or quarterly, as Lessor shall designate, during each 12 month period of the Lease term, on the same day as the Base Rent is due hereunder. Lessor shall deliver to Lessee within 60 days after the expiration of each calendar year a reasonably detailed statement showing Lessee's Share of the actual Common Area Operating Expenses incurred during the preceding year. If Lessee's payments under this Paragraph 4.2(d) during the preceding year exceed Lessee's Share as indicated on such statement, Lessor shall credit the amount of such over-payment against Lessee's Share of Common Area Operating Expenses next becoming due. If Lessee's payments under this Paragraph 4.2(d) during the preceding year were less than Lessee's Share as indicated on such statement, Lessee shall pay to Lessor the amount of the deficiency within 10 days after delivery by Lessor to Lessee of the statement.

(e) When a capital component such as the roof, foundations, exterior walls or a Common Area capital improvement, such as the parking lot paving, elevators, fences, etc. requires replacement, rather than repair or maintenance, Lessor shall, at Lessor's expense, be responsible for such replacement. Such expenses and/or costs are not Common Area Operating Expenses.

4.3 **Payment.** Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States, without offset or deduction (except as specifically permitted in this Lease), on or before the day on which it is due. Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a Waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating. In the event that any check, draft, or other instrument of payment given by Lessee to Lessor is dishonored for any reason, Lessee agrees to pay to Lessor the sum of $25.

5. **Security Deposit.** Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease. Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of the Security Deposit, Lessee shall within 10 days after written request therefor deposit monies with Lessor sufficient to restore said Security Deposit to the full amount

required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sub lessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, in Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within 14 days after the expiration or termination of this Lease, if Lessor elects to apply the Security Deposit only to unpaid Rent, and otherwise within 30 days after the Premises have been vacated pursuant to Paragraph 7.4(c) below, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease.

6. Use.

6.1 **Use.** Lessee shall use and occupy the Premises only for the Agreed Use, or any other legal use which is reasonably comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties. Lessor shall not unreasonably withhold or delay its consent to any written request for a modification of the Agreed Use, so long as the same will not impair the structural integrity of the improvements on the Premises or the mechanical or electrical systems therein, and/or is not significantly more burdensome to the Premises. If Lessor elects to withhold consent, Lessor shall within 7 days after such request give written notification of same, which notice shall include an explanation of Lessor's objections to the change in the Agreed Use. (See Exhibit C, Item 5.)

6.2 **Hazardous Substances.**

(a) **Reportable Uses Require Consent.** The term **"Hazardous Substance"** as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either; (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, by-products or fractions thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee's expense) with all Applicable Requirements. **"Reportable Use"** shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability; including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit.

(b) **Duty to Inform Lessor.** If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(c) **Lessee Remediation.** Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) **Lessee Indemnification.** Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, or any Third party (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from areas outside of the Project). Lessee's obligations shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

(e) **Lessor Indemnification.** Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which existed as a result of Hazardous Substances on the Premises prior to the Start Date or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

(f) **Investigations and Remediations.** Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to the Start Date, unless such remediation measure is required as a result of Lessee's use (including "Alterations," as defined in Paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessor's investigative and remedial responsibilities.

(g) **Lessor Termination Option.** If a Hazardous Substance Condition (see Paragraph 9.1(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and affect, or (ii) if the estimated cost to remediate such condition exceeds 12 times the then monthly Base Rent or $100,000, whichever is greater, give written notice to Lessee, within 30 days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within 10 days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to 12 times the then monthly Base Rent or $100.000, whichever is greater. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation, as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

6.3 **Lessee's Compliance with Applicable Requirements.** Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the Premises, without regard to whether said requirements are now in effect or become effective after the Start Date. Lessee shall, within 10 days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements.

6.4 **Inspection Compliance.** Lessor and Lessor's **"Lender"** (as defined in Paragraph 30) and consultants shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a contamination is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination.

7. **Maintenance; Repairs, Utility Installations; Trade Fixtures and Alterations.**

7.1 **Lessee's Obligations.**

(a) **In General.** Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance), 6.3 (Lessee's Compliance with Applicable Requirements), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole expense, keep the Premises, Utility Installations (intended for Lessee's exclusive use, no matter where located), and Alterations in good order, condition and repair (whether or not the portion of the Premises requiring repairs, or the means or repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, but not limited to, all equipment or facilities, such as plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fixtures, interior walls, interior surfaces of exterior walls, ceilings, floors, windows, doors, plate glass, and skylights but excluding any items which are the responsibility of Lessor pursuant to Paragraph 7.2. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Paragraph 7.1(b) below. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair. (See Exhibit C, Item 6.)

(b) **Service Contracts.** Lessee shall, at Lessee's sole expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in the maintenance of the following equipment and improvements, if any, if and when installed on the Premises: (I) HVAC equipment, (ii) boiler and pressure vessels, (iii) clarifiers, and (iv) any other equipment, if reasonably required by Lessor. However, Lessor reserves the right, upon notice to Lessee, to procure and maintain any or all of such service contracts, and if Lessor so elects, Lessee shall reimburse Lessor, upon demand, for the cost thereof.

(c) **Failure to Perform.** If Lessee falls to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after 10 days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, and Lessee shall promptly reimburse Lessor for the cost thereof.

(d) **Replacement.** Subject to Lessee's indemnification of Lessor as set forth in Paragraph 8.7 below, and without relieving Lessee of liability resulting from Lessee's failure to exercise and perform good maintenance practices, if an item described in Paragraph 7.1(b) cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such item, then such item shall be replaced by Lessor, and the cost thereof shall be prorated between the Parties and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease, on the date on which Base Rent is due, an amount equal to the product of multiplying the cost of such replacement by a fraction, the numerator of which is one, and the denominator of which is 144 (ie. $1/144^{th}$ of the cost per month). Lessee shall pay interest on the unamortized balance at a rate that is commercially reasonable in the judgment of Lessor's accountants. Lessee may, however, prepay its obligation at any time.

7.2 **Lessor's Obligations.** Subject to the Provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 4.2 (Common Area Operating Expenses), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler system, Common Area fire alarm and/or smoke detection systems, fire hydrants, parking lots, walkways, parkways, driveways, landscaping, fences, signs and utility systems serving the Common Areas and all parts thereof, as well as providing the services for which there is a Common Area Operating Expense pursuant to Paragraph 4.2. Lessor shall not be obligated to paint the exterior or interior surfaces of exterior walls nor shall Lessor be obligated to maintain, repair or replace windows, doors or plate glass of the Premises. Lessee expressly waives the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease

7.3 **Utility Installations; Trade Fixtures; Alterations.**

(a) **Definitions.** The term **"Utility Installations"** refers to all floor and window coverings, air lines, power panels, electrical distribution, security and fire protection systems, communication systems, lighting fixtures, HVAC equipment, plumbing, and fencing in or on the Premises. The term **"Trade Fixtures"** shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term **"Alterations"** shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. **"Lessee Owned Alterations and/or Utility Installations"** are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a).

(b) **Consent.** Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, and the cumulative cost thereof during this Lease as extended does not exceed a sum equal to 3 month's Base Rent in the aggregate or a sum equal to one month's Base Rent in any one year. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor.

(c) **Indemnification.** Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or material men's lien against the Premises or any interest therein, Lessee shall give Lessor not less than 10 days notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to 150% of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys' fees and costs.

7.4 **Ownership; Removal; Surrender; and Restoration.**

(a) **Ownership.** Subject to Lessor's right to require removal or elect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

(b) **Removal.** By delivery to Lessee of written notice from Lessor not earlier than 90 and not later than 30 days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent.

(c) **Surrender; Restoration.** Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris, and in good operating order. condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing, if this Lease is for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures. Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall also completely remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Project) even if such removal would require Lessee to perform or pay for work that exceeds statutory requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below. (See Exhibit C, Item 7.)

8. **Insurance Indemnity.**

8.1 **Payment of Premium Increases.**

(a) As used herein, the term **"Insurance Cost Increase"** is defined as any increase in the actual cost of the insurance applicable to the Building and/or the Project and required to be carried by Lessor, pursuant to Paragraphs 8.2(b), 8.3(a) and 8.3(b) **("Required Insurance")**, over and above the Base Premium, as hereinafter defined, calculated on an annual basis. Insurance Cost Increase shall include, but not be limited to, requirements of the holder of a mortgage or deed of trust covering the Premises, Building and/or Project, increased valuation of the Premises, Building and/or Project, and/or a general premium rate increase. The term Insurance Cost Increase shall not, however, include any premium increases resulting from the nature of the occupancy of any other tenant of the Building. If the parties insert a dollar amount in Paragraph 1.9, such amount shall be considered the **"Base Premium."** The Base Premium shall be the annual premium applicable to the 12 month period immediately preceding the Start Date. If, however, the Project was not insured for the entirety of such 12 month period, then the Base Premium shall be the lowest annual premium reasonably obtainable for the Required Insurance as of the Start Date, assuming the most nominal use possible of the Building. In no event, however, shall Lessee be responsible for any portion of the premium cost attributable to liability insurance coverage in excess of $2,000,000 procured under Paragraph 8.2(b).

(b) Lessee shall pay any Insurance Cost Increase to Lessor pursuant to Paragraph 4.2. Premiums for policy periods commencing prior to. or extending beyond, the term of this Lease shall be prorated to coincide with the corresponding Start Date or Expiration Date.

8.2 **Liability Insurance.**

(a) **Carried by Lessee.** Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $1,000,000 per occurrence with an annual aggregate of not less than $2,000,000, an "Additional Insured-Managers or Lessor's of Premises Endorsement" and contain the "Amendment of the Pollution Exclusion Endorsement" for damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "Insured Contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance carried by Lessee shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only. (See Exhibit C, Item 8.)

(b) **Carried by Lessor.** Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 **Property Insurance – Building, Improvements and Rental Value.**

(a) **Building and Improvements.** Lessor shall obtain and keep in force a policy or policies of insurance in the name of Lessor, with loss Payable to Lessor, any ground-lessor, and to any Lender insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full replacement cost of the Premises, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available insurable value thereof. Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee under Paragraph 8.4. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed $1,000 per occurrence.

(b) **Rental Value.** Lessor shall also obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one year with an extended period of indemnity for an additional 180 days ("Rental Value Insurance"). Said insurance shall contain an agreed valuation provision, in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next 12 month perio d.

(c) **Adjacent Premises.** Lessee shall pay for any increase in the premiums for the property insurance of the Building and for the Common Areas or other buildings in the Project if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(d) **Lessee's Improvements.** Since Lessor is the Insuring Party, Lessor shall not be required to insure Lessee Owned Alterations and Utility Installations unless the item in question has become the property of Lessor under the terms of this Lease.

8.4 **Lessee's Property; Business Interruption Insurance.**

(a) **Property Damage.** Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures, and Lessee Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed $1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of Personal Property, Trade Fixtures and Lessee Owned Alterations and Utility Installations. Lessee shall provide Lessor with written evidence that such insurance in force.

(b) **Business Interruption.** Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all Perils commonly insured against by prudent Lessee's in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

(c) **No Representation of Adequate Coverage.** Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.

8.5 **Insurance Policies.** Insurance required herein shall be by companies duty licensed or admitted to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B+, V, as set forth in the most current issue of "Best's Insurance Guide," or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates evidencing the existence and amounts of the required insurance. No such policy shall be cancelable or subject to modification except after 30 days prior written notice to Lessor. Lessee shall, at least 30 days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same.

8.6 **Waiver of Subrogation.** Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation, that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 **Indemnity.** Except for Lessor's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified.

8.8 **Exemption of Lessor from Liability.** Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the Building, or from other sources or places. Lessor shall not be liable for any damages arising from any act or neglect of any other tenant of Lessor nor from the failure of Lessor to enforce the provisions of any other lease in the Project. Notwithstanding Lessor's negligence or breach of this Lease, Lessor shall under no circumstances be liable for injury to Lessee's business or for any loss of income or profit there from.

9. **Damage or Destruction.**

9.1 Definitions.

(a) **"Premises Partial Damage"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which can reasonably be repaired in 3 months or less from the date of the damage or destruction, and the cost thereof does not exceed a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(b) **"Premises Total Destruction"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which cannot reasonably be repaired in 3 months or less from the date of the damage or destruction and/or the cost thereof exceeds a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) **"Insured Loss"** shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

(d) **"Replacement Cost"** shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) **"Hazardous Substance Condition"** shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises.

9.2 **Partial Damage – Insured Loss.** If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force end effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is $5,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the Improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said 10 day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 **Partial Damage – Uninsured Loss.** If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective 60 days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 **Total Destruction.** Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate 60 days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6

9.5 **Damage Near End of Term.** If at any time during the last 6 months of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective 60 days following the date of occurrence of such damage by giving a written termination notice to Lessee within 30 days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is 10 days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force

and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished.

9.6 **Abatement of Rent; Lessee's Remedies.**

(a) **Abatement.** In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from the Rental Value Insurance. All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) **Remedies.** If Lessor shall be obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within 90 days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than 60 days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within 30 days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such 30 days, this Lease shall continue in full force and effect. "Commence" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 **Termination; Advance Payments.** Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

9.8 **Waive Statutes.** Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith.

10. Real Property Taxes.

10.1 **Definitions.**

(a) **"Real Property Taxes."** As used herein, the term **"Real Property Taxes"** shall include a form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Project, Lessor's right to other income there from, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Project address and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Project is located. The term "Real Property Taxes" shall also include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Project or any portion thereof or a change in the improvements thereon.

(b) **"Base Real Property Taxes."** As used herein, the term **"Base Real Property Taxes"** shall be the amount of Real Property Taxes, which are assessed against the Premises, Building, Project or Common Areas in the calendar year during which the Lease is executed. In calculating Real Property Taxes for any calendar year, the Real Property Taxes for any real estate tax year shall be included in the calculation of Real Property Taxes for such calendar year based upon the number of days which such calendar year and tax year have in common.

10.2 **Payment of Taxes.** Lessor shall pay the Real Property Taxes applicable to the Project, and except as otherwise provided in Paragraph 10.3, any increases in such amounts over the Base Real Property Taxes shall be included in the calculation of Common Area Operating Expenses in accordance with the provisions of Paragraph 4.2.

10.3 **Additional Improvements.** Common Area Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Project by other Lessee's or by Lessor for the exclusive enjoyment of such other lessees. Notwithstanding Paragraph 10.2 hereof, Lessee shall, however, pay to Lessor at the time Common Area Operating Expenses are payable under Paragraph 4.2, the entirety of any increase in Real Property Taxes if assessed solely by reason of Alterations, Trade Fixtures or Utility Installations placed upon the Premises by Lessee or at Lessee's request.

10.4 **Joint Assessment.** If the Building is not separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.5 **Personal Property Taxes.** Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within 10 days after receipt of a written statement getting forth the taxes applicable to Lessee's property.

11. Utilities. Lessee shall pay for all water, gas, heat, light, power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. Notwithstanding the provisions of Paragraph 4.2, if at any time in Lessor's sole judgment, Lessor determines that Lessee is using a disproportionate amount of water, electricity or other commonly metered utilities, or that Lessee is generating such a large volume of trash as to require an increase in the size of the dumpster and/or an increase in the number of times per month that the dumpster is emptied, then Lessor may increase Lessee's Base Rent by an amount equal to such increased costs.

12. Assignment and Subletting. (see Exhibit C #9)

12.1 **Lessor's Consent Required.**

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, **"assign or assignment"**) or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent.

(b) A change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of 25% or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than 25% of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. **"Net Worth of Lessee"** shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.

(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a noncurable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, (i) the Purchase Price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to 110% of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

12.2 **Terms and Conditions Applicable to Assignment and Subletting.**

(a) Regardless of Lessor's consent, any assignment or subletting shall not: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) after the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefore to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of $1,000 or 10% of the current monthly Base Rent applicable to the portion of the Premises which is the subject of the proposed assignment or sublease, whichever is greater, as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested.

(f) Any assignee of, or sublessee under, this lease shall, by reason of accepting such assignment or entering into such sublease, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

12.3 **Additional Terms and Conditions Applicable to Subletting.** The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. **Default; Breach; Remedies.**

13.1 **Default; Breach.** A **"Default"** is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A **"Breach"** is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or Property, where such failure continues for a period of 3 business days following written notice to Lessee.

(c) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 41 (easements), or (viii) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Lessee.

(d) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 2.9 hereof, other than those described in subparagraphs 13.1(a), (b) or (c), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

(e) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a **"debtor"** as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(f) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.

(g) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 **Remedies.** If Lessee fails to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. The costs

and expenses of any such performance by Lessor shall be due and payable by Lessee upon receipt of invoice therefor. If any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor, at its option, may require all future payments to be made by Lessee to be by cashier's check. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result there from, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover damages under Paragraph 12. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 **Inducement Recapture.** Any agreement for free or abated rent or other charges, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as **"Inducement Provisions,"** shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and condition, of this Lease. Upon Breach of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance. (See Exhibit C #16)

13.4 **Late Charges.** Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within 5 days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a one-time late charge equal to 10% of each such overdue amount or $100, whichever is greater. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment, acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for 3 consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 **Interest.** Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due as to scheduled payments (such as Base Rent) or within 30 days following the date on which it was due for non-scheduled payment, shall bear interest from the date when due, as to scheduled payments, or the 31st day after it was due as to non-scheduled payments. The interest (**"Interest"**) charged shall be equal to the prime rate reported in the Wall Street Journal as published closest prior to the date when due plus 4%, but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 **Breach by Lessor.**

(a) **Notice of Breach.** Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than 30 days after receipt by Lessor, and any Lender whose name and address shall have been furnished Lessee in writing for such Purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than 30 days are reasonably required for its Performance, then Lessor shall not be in breach of Performance is commenced within such 30 day period and thereafter diligently pursued to completion.

(b) **Performance by Lessee on Behalf of Lessor.** In the event that neither Lessor nor Lender cures said breach within 30 days after receipt of said notice, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from Rent an amount equal to the greater of one Base Rent of the Security Deposit, and to pay an excess of such expense under protest, reserving Lessee's right to reimbursement from Lessor. Lessee shall document the cost of said cure and supply said documentation to Lessor.

14. **Condemnation.** If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively **"Condemnation"**) this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs first. If more than 10% of the floor area of the Unit, or more then 25% of Lessee's Reserved Parking Spaces, is taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within 10 days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within 10 days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided however, that Lessee shall be entitled to any compensation for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefore. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation. See Exhibit C Item #10

15. **Brokerage Fees.** (see Exhibit C #10)

15.1 **Additional Commission.** In addition to the payments owed pursuant to Paragraph 1.10 above, and unless Lessor and the Brokers Otherwise agree in writing, Lessor agrees that: (a) if Lessee exercises any Option, (b) if Lessee acquires from Lessor any rights to the Premises or other premises owned by Lessor and located within the Project, (c) if Lessee remains in Possession of the Premises, with the consent of Lessor, after the expiration of this Lease or (d) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then, Lessor shall pay Brokers a fee in accordance with the schedule of the Brokers in effect at the time of the execution of this Lease.

15.2 **Assumption of Obligations.** Any buyer or transferee of Lessor's interest in this Lease shall be deemed to have assumed Lessor's obligation hereunder. Brokers shall be third party beneficiaries of the provisions of Paragraphs 1.10, 15, 22 and 31. If Lessor fails to pay to Brokers any amounts due as and for brokerage fees pertaining to this Lease when due, then such amounts shall accrue Interest. In addition, If Lessor fails to pay any amounts to Lessee's Broker when due, Lessee's Broker may send written notice to Lessor and Lessee of such failure and if Lessor fails to pay such amounts within 10 days after said notice, Lessee shall pay said monies to its Broker and offset such amounts against Rent. In addition, Lessee's Broker shall be deemed to be a third party beneficiary of any commission agreement entered into by and/or between Lessor and Lessor's Broker for the limited purpose of collecting any brokerage fee owed.

15.3 **Representations and Indemnities of Broker Relationships.** Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any) in connection with this Lease, and that no one other than said named Brokers is entitled to any commission or finder's fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

16. **Estoppel Certificates.**

(a) Each Party (as **"Responding Party"**) shall within 10 days after written notice from the other Party (the **"Requesting Party"**) execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current **"Estoppel Certificate"** form published by the American Industrial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

(b) It the Responding Party shall fail to execute or deliver the Estoppel Certificate within such 10 day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance. Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate.

(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past 3 years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. **Definition of Lessor.** The term **"Lessor"** as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Except as provided in Paragraph 15, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined. Notwithstanding the above, and subject to the provisions of Paragraph 20 below, the original Lessor under this Lease, and all subsequent holders of the Lessor's interest in this Lease shall remain liable and responsible with regard to the potential duties and liabilities of Lessor pertaining to Hazardous Substances as outlined in Paragraph 6.2 above.

18. **Severability.** The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. **Days.** Unless otherwise specifically indicated to the contrary, the word **"days"** as used in this Lease shall mean and refer to calendar days.

20. **Limitation on Liability.** Subject to the provisions of Paragraph 17 above, the obligations of Lessor under this Lease shall not constitute personal obligations of Lessor, the individual partners of Lessor or its or their individual partners, directors, officers or shareholders, and Lessee shall look to the Premises, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with respect to this Lease, and shall not seek recourse against the individual partners of Lessor, or its or their individual partners, directors, officers or shareholders, or any of their personal assets for such satisfaction.

21. **Time of Essence.** Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

22. **No Prior or Other Agreements; Broker Disclaimer.** This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the use, nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees), of any Broker with respect to negotiation, execution, delivery or performance by either Lessor or Lessee under this Lease or any amendment or modification hereto shall be limited to an amount up to the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

23. **Notices.**

23.1 **Notice Requirements.** All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may, by written notice to the other, specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing.

23.2 **Date of Notice.** Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 48 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices transmitted by facsimile transmission or similar means shall be deemed delivered upon telephone confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

24. **Waivers.** No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of monies or damages due Lessor,

notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

25. **Disclosures Regarding The Nature of a Real Estate Agency Relationship.**

(a) When entering into a discussion with a real estate agent regarding a real estate transaction, a Lessor or Lessee should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Lessor and Lessee acknowledge being advised by the Brokers in this transaction, as follows:

(i) Lessor's Agent. A Lessor's agent under a listing agreement with the Lessor acts as the agent for the Lessor only. A Lessor's agent or subagent has the following affirmative obligations: To the Lessor: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessor. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(ii) Lessee's Agent. An agent can agree to act as agent for the Lessee only. In these situations, the agent is not the Lessor's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Lessor. An agent acting only for a Lessee has the following affirmative obligations. To the Lessee: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessee. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that not known to, or within the diligent attention and observation of the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(iii) Agent Representing Both Lessor and Lessee. A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Lessor and the Lessee in a transaction, but only with the knowledge and consent of both the Lessor and the Lessee. In a dual agency situation, the agent has the following affirmative obligations to both the Lessor and the Lessee: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Lessor or the Lessee. b. Other duties to the Lessor and the Lessee as stated above in subparagraphs (i) or (ii). In representing both Lessor and Lessee, the agent may not without the express permission of the respective Party, disclose to the other Party that the Lessor will accept rent in an amount less than that indicated in the listing or that the Lessee is willing to pay a higher rent than that offered. The above duties of the agent in a real estate transaction do not relieve a Lessor or Lessee from the responsibility to protect their own interests. Lessor and Lessee should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

(b) Brokers have no responsibility with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees), of any Broker with respect to any breach of duty, error or omission relating to this Lease shall not exceed the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

(c) Buyer and Seller agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

26. **No Right To Holdover.** Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 150% of the Base Rent applicable immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

27. **Cumulative Remedies.** No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. **Covenants and Conditions; Construction of Agreement.** All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

29. **Binding Effect; Choice of Law.** This Lease shall be binding upon the parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. **Subordination; Attornment; Non-Disturbance.**

30.1 **Subordination.** This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, **"Security Device"**), now or hereafter placed upon the Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as **"Lender"**) shall have no liability or obligation to perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to Lessee, whereupon this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 **Attornment.** Subject to the non-disturbance provisions of Paragraph 30.3, Lessee agrees to attorn to a Lender or any other party who acquires ownership of the Premises by reason of a foreclosure of a Security Device, and that in the event of such foreclosure, such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (b) be subject to any offsets or defenses which Lessee might have against any prior lessor, (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor.

30.3 **Non-Disturbance.** With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a **"Non-Disturbance Agreement"**) from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within 60 days after the execution of this Lease, Lessor shall use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to provide the Non-Disturbance Agreement within said 60 days, then Lessee may, at Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 **Self-Executing.** The agreements contained in this Paragraph 30 shall be affective without the execution or any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

31. **Attorneys' Fees.** If any Party or Broker brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, **"Prevailing Party"** shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgement, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and

consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach ($200 is a reasonable minimum per occurrence for such services and consultation). (see Exhibit C #15)

32. **Lessor's Access; Showing Premises; Repairs.** Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times for the purpose of showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary. All such activities shall be without abatement of rent or liability to Lessee. Lessor may at any time place on the Premises any Ordinary **"For Sale"** signs and Lessor may during the last 6 months of the term hereof place on the Premises any ordinary **"For Lease"** signs. Lessee may at any time place on the Premises any ordinary **"For Sublease"** sign.

33. **Auctions.** Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessor's prior written consent. Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

34. **Signs.** Except for ordinary "For Sublease" signs which may be placed only on the Premises, Lessee shall not place any sign upon the Project without Lessor's prior written consent. All signs must comply with all Applicable Requirements. (see Exhibit G)

35. **Termination; Merger.** Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subtenancies. Lessor's failure within 10 days following any such event to elect to the contrary by written notice to the holder of any such lesser interest shall constitute Lessor's election to have such event constitute the termination of such interest.

36. **Consents.** Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an Invoice and supporting documentation therefor. Lessor's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within 10 business days following such request.

37. **Guarantor.**

37.1 **Execution.** The Guarantors, if any, shall each execute a guaranty in the form most recently published by the American Industrial Real Estate Association, and each such Guarantor shall have the same obligations as Lessee under this Lease.

37.2 **Default.** It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantors behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect.

38. **Quiet Possession.** Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. **Options.** If Lessee is granted an option, as defined below, then the following provisions shall apply. (see Exhibit L, if any)

39.1 **Definition. "Option"** shall mean: (a) the right to extend the term of or renew this Lease or to extend or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Promises or other property of Lessor; (c) the right to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 **Options Personal To Original Lessee.** Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting.

39.3 **Multiple Options.** In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised

39.4 **Effect of Default on Options.**

(a) Lessee shall have no right to exercise an Option; (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), (ii) Lessor gives to Lessee 3 or more notices of separate Default during any 12 month period, whether or not the Defaults are cured, or (iii) if Lessee commits a Breach of this Lease.

40. **Security Measures.** Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

41. **Reservations.** Lessor reserves the right, (i) to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, (ii) to cause the recordation of parcel maps and restrictions, and (iii) to create and/or install new utility raceways, so long as such easements, rights dedications, maps, restrictions, and utility raceways do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate such rights.

42. **Performance Under Protest.** If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make Payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay.

43. **Authority.** If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duty authorized to execute and deliver this Lease an its behalf. Each party shall, within 30 days after request, deliver to the other party satisfactory evidence of such authority.

44. **Conflict.** Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions. (see Exhibit C #13)

45. **Offer.** Preparation of this Lease by either party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

46. **Amendments.** This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

47. **Multiple Parties.** If more than one person or entity is named herein as either Lessor or Lessee, such multiple Parties shall have joint and several responsibility to comply with the terms of this Lease.

48. **Waiver of Jury Trial.** The Parties hereby waive their respective rights to trial by jury in any action or proceeding involving the Property or arising out of this Agreement.

49. **Mediation and Arbitration of Disputes.** An Addendum requiring the Mediation and/or the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease is not attached to this Lease.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL, AND TAX CONSEQUENCES OF THIS LEASE.
2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

WARNING: IF THE PREMISES ARE LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES ARE LOCATED.

The parties hereto have executed this lease at the place and on the dates specified above their respective signatures.

Executed at: _____
on: _____

By LESSOR:
Strauss Family Trust UDT 6/5/1992 dba M.C. Strauss Company

By: _____
Name Printed: _____
Title: _____

By: _____
Name Printed: _____
Title: _____
Address: 990 Highland Drive #200
Solana Beach, CA 92075

Telephone: (858) 792-7500
Facsimile: (858) 792-7834
Federal ID No. _____

Executed at: _____
on: _____

By LESSEE:
Shannon D. Beckwith and Maria H. Janeiro, as Husband and Wife dba/ Brazil by the Bay

By: _____
Name Printed: Shannon Beckwith
Title: Owner

By: _____
Name Printed: Maria Janeiro
Title: OWNER
Address: _____

Telephone: ( ) _____
Facsimile: ( ) _____
Federal ID No. _____

These forms are often modified to meet changing requirements of law and needs of the industry. Always write or call to make sure you are utilizing the most current form: American Industrial Real Estate Association, 700 South Flower Street, Suite 600, Los Angeles, CA 90017. (213) 687-8777.

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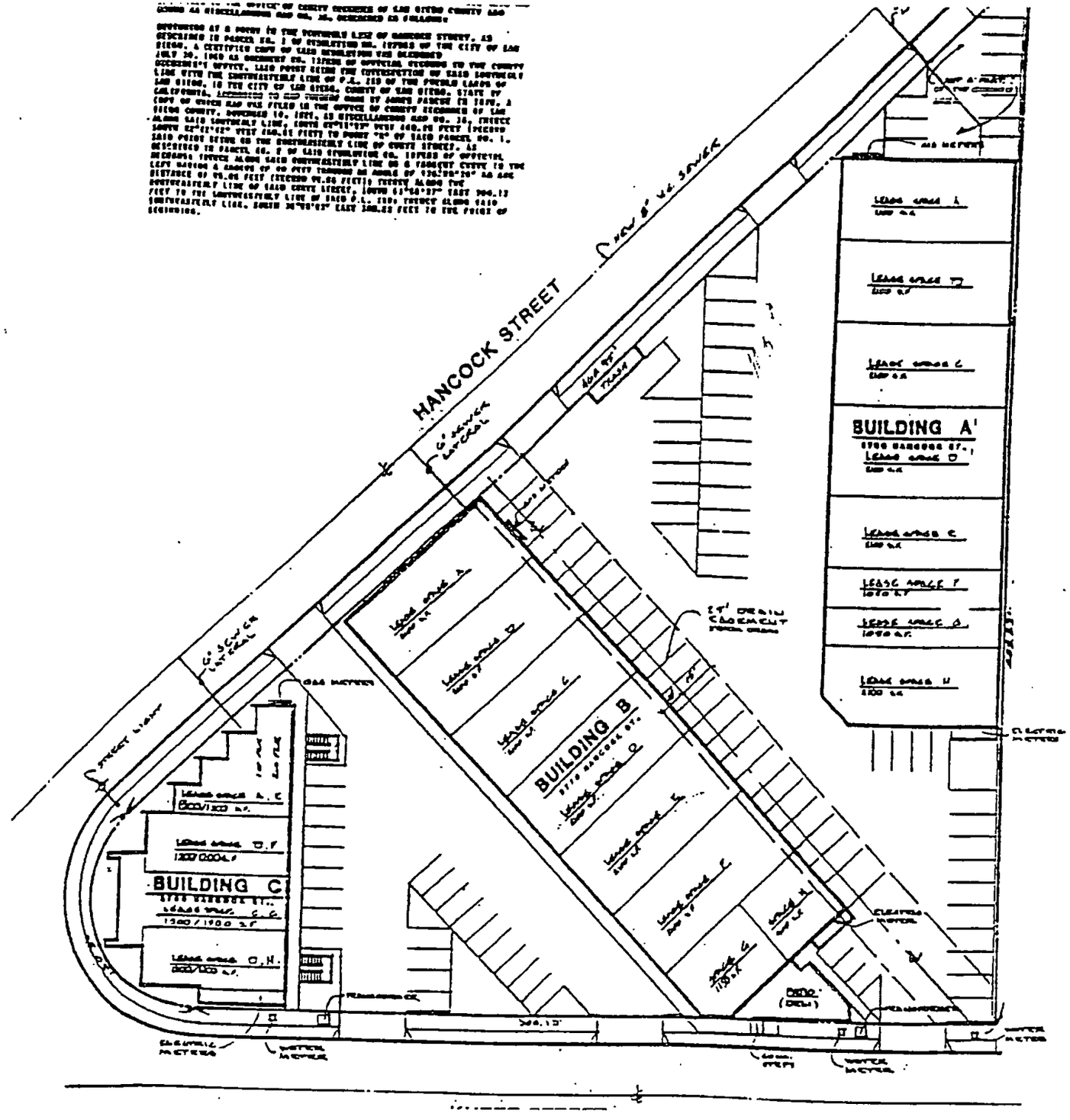
TENANTS SHALL FURNISH:

1. Its personal and corporate (if applicable) financial statements.
2. Completed Landlord furnished credit information forms.
3. Letter of reference from Tenant's bank.
4. If a corporation, its duly Authorized Corporate Resolution notifying the Lease. (SEE Exhibit C Item #11)

EXHIBIT A

LEGAL DESCRIPTION & SITE PLAN

EXHIBIT "A"



A		2.91
B		2.91
C		2.91
D		2.91
E		2.91
F		2.85
G		2.85
H		2.91
A		2.91
B		2.91
C		2.91
D		2.91
E		2.91
F		2.91
G		2.91
H		2.85
A - 1ST FLR.		3.01
B - 1ST FLR.		3.09
C - 1ST FLR.		3.09
D - 1ST FLR.		3.09
E - 1ST FLR.		3.09
F - 1ST FLR.		3.09
G - 1ST FLR.		3.09
H - 1ST FLR.		3.09

OWNER
DEVELOPER:
LEASING AGENT:
M. C. STRAUSS CO.
591 CAMINO DE LA REINA
SUITE 1001
SAN DIEGO CA. 92108
PHONE (714) 299-6222

SITE & BUILDING SUMMARY

PROJECT DATA

N

SPORTS ARENA BUSINESS PARK

DRAWN BY
DATE
CHECKED BY
ARCHITECT

REVISIONS
NO. | DATE | DESCRIPTION

SHEET TITLE
LEASE P

SHEET NUMBER
EXHIBI

EXHIBIT A-1 TO LEASE (SUBLEASE)

MINIMUM STANDARD SUBLEASE CONDITIONS

(1) ASSIGNMENT AND SUBLEASING: Sublessee, shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and the City of San Diego, hereinafter, "City." An assignment by operation of law shall automatically terminate this lease.

(2) HOLD HARMLESS: Sublessee shall assume the defense of, indemnify and save harmless Lessee and City from all claims, expenses and liability of every nature, directly or indirectly arising from, or alleged to have arisen from the operations conducted on the leased premises or from any act or omission of Sublessee, its agents and invitees.

(3) INSURANCE: Sublessee shall be insured by an insurance carrier acceptable to the Lessee and City against loss from public liability arising from the use or condition of or operation conducted on the leased premises. Minimum coverage shall be as set forth in Paragraph 16-B hereof. A copy of the policy of insurance shall be filed with the City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or canceled without 30 days prior written notice to the. City by the insurance company,

(4) LEGAL PROCEEDINGS: Should it become necessary to Lessee or City to commence legal Proceedings to collect rent, to recover possessions or enforce any other provision of this lease, Sublessee agrees that the prevailing party shall be entitled to all legal costs in connection therewith, including a reasonable sum as attorney's fees

(5) SUBORDINATION: This agreement is in effect a sublease of a portion of the premises covered by that certain Lease Agreement dated September 13, 1977, as amended between the sublessor herein and the City of San Diego- This sublease is subject and subordinated to the covenants and conditions of said Lease Agreement notwithstanding any provision hereto contrary to or in conflict with said agreement.

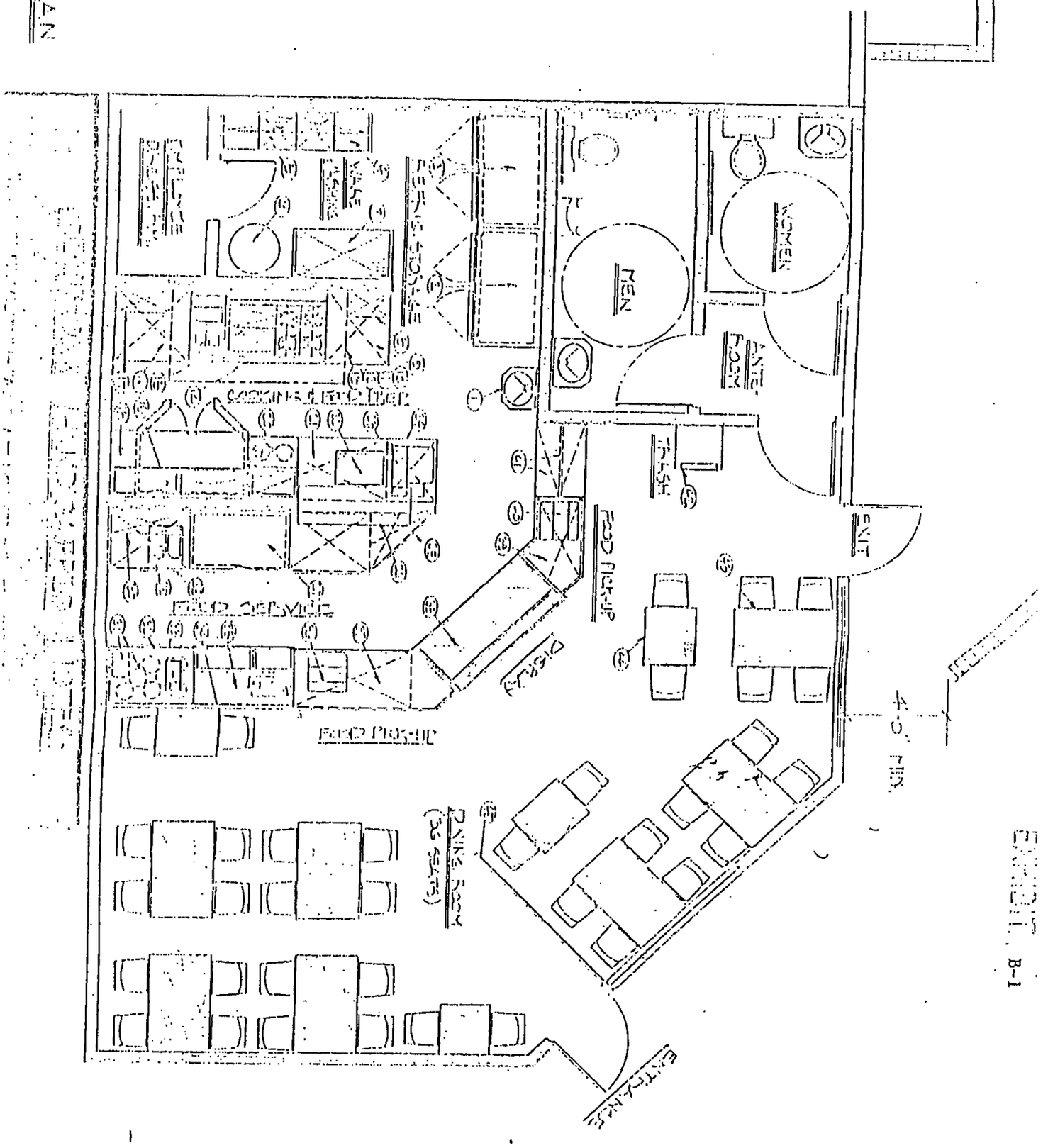
(6) The property is subject to a City of San Diego ground lease mentioned hereinabove and lies with in the recently formed North Bay Redevelopment Area, The property will be redeveloped sometime in the future- Accordingly, Landlord and or city at its sole option may terminate this lease at anytime after Dec 1, 2003 with 6 months notice in writing, and without invalidating or superceding any of the rights contained here in this Addendum of the lease or the city land lease agreements there under

LESSEE'S INITIALS

LESSOR'S INITIALS

EXHIBIT B

DEMISED PREMISES PLAN (IF AVAILABLE)



EQUIPMENT & FIXTURE PLAN

NA BUONESSO PARK

ST. — SAN DIEGO, CA.

REVISIONS			
DATE	DESCRIPTION	DATE	DESCRIPTION

F. W. Smith & Co.

501 ELEVENTH AVE. SAN DIEGO (714)234

3186 A AIRWAY AVE. COSTA MESA (714)54

food service equipment · facilities design · furnishings · e

EXHIBIT B-1

Initials

Initials

Addendum to Commercial/Industrial Multi-Tenant Lease

1. Early Possession: With early move-in of Lessee, Lessee may not interfere with any tenant improvements needed to be done by Lessor. Additionally, M.C. Strauss Company is not responsible for loss, theft, or damage of any of Lessee's property should Lessee desire to move-in prior to commencement of Lease Term.

2. Term Adjustment: If the Commencement Date is other than the first day of a calendar month, the Term shall be deemed to have commenced on the first day of the next succeeding month.

3. Modified Common Area Operating Expenses: Lessor shall pay Tenant's portion of common area maintenance, taxes,and insurance.
   a. "Operating Costs" means all costs reasonably incurred by Lessor in accordance with generally accepted accounting principles, and fairly allocable to the applicable Calendar Year which relate to, or are fairly allocable to, the ownership and operation of the Common Areas. Lessor shall pay tenant's portion of common area maintenance, axes and insurance
   b. Periodic painting of the building exterior and common areas shall be included as a common area operating expense. If Lessor undertakes a program of preventive maintenance for the HVAC systems for all of the Tenants per Paragraph 7.1(b), the cost thereby shall be included as a common area expense.
   c, The common area definition shall also include lighting facilities, sewer, water, gas, electric, phone and other utility lines, storm drains, roads and approaches servicing the Center generally; and any other items that Lessor deems necessary and appropriate.
   d. Replacement costs, defined as that which cannot be repaired other than at a cost which is in excess of fifty percent (50%) of the cost of replacing such item, then such item shall be replaced and the cost prorated over sixty (60) months and Tenant shall pay one sixtieth ($^1/_{60}$) of the cost each month of the Lease term and extension thereto.

4. Utilities: Lessee shall pay before delinquency all charges for water, sewer, gas heat, electricity, power, telephone service and all and any other services or utilities used in, upon or about the Demised Premises by Lessee or any of its subtenants, licensees or concessionaries, provided, however, if any such services or utilities shall be billed to Lessor and not separately metered to the Demised Premises the mount thereof shall be prorated and Lessee shall pay to Lessor upon demand as additional rental hereunder an amount equal to that proportion of the total charges therefore which the number of square feet of Gross Floor Area in the Demised Premises bears to the total number of square feet of gross floor area of stores then rented as of the date of the utility bill served in the area and/or buildings covered by such combined charges. With respect to gas and electric service, which is not separately metered, Lessor may, at Lessor's option, in lieu of prorating on the fore-going basis, determine the amount of use of such services by Lessee on the basis of Lessee's estimated usage as determined by the utility company servicing the Demised Premises, or, if such company ceases providing such service, by a qualified electrical contractor selected by Lessor. Water is furnished to the part of the Common Area via as is central meter. Accordingly, Lessee will pay Lessor a flat charge of $60.00 per suite a month for its share of the water for its premises. Water charges may be reevaluated and increased by Lessor based on the use of the premises especially due to the number of patrons of and Lessee's business use. Lessor may require a high water user such as a restaurant or beauty parlor to install a separate meter or if the cost is prohibitive, to install an inline meter at Lessee's expense to be able to determine Lessee's fair share for any excess use.

5. Continuous Operations: Lessee shall keep the Demised Premises open for business during all hours customarily maintained by business similar to Lessee's business in the trading area in which the Demised Premises are located. At all such times Lessee shall have upon the Demised Premises a sufficient number of employees and a sufficient stock of merchandise to adequately serve the patrons thereof or render the services offered. A business holiday of more than 30 days of consecutive closing in any one year shall be considered a default.

6. Locks: Should Lessee change the locks on their suite, Lessee must furnish Lessor with a copy of the new key which is for the protection of the Lessee and per the Lease.

7. Vacating Premises: The definition "ordinary wear and tear" shall NOT include such items as carpet cleaning, cleaning, patching and painting necessary to restore Premises to a releasable condition. Additionally, Tenant will be charged for repainting rear access doors, repairing store front doors, rekeying locks to the master system and removing alarm systems or personal property and/or debris, etc, upon Lease termination,

8. Insurance: Lessor's appropriate liability insurance coverage is $3,000,000. Therefore, Paragraph 8.1 and/or Paragraph 8.2 is amended to increase the ceiling to $3,000,000 and Lessee shall reimburse Lessor for its portion accordingly.

9. Assignment and Subletting:
(This is in addition to lease language and prevails in the event of conflict.)

a. Consent to Assignment or Subletting shall not be unreasonably withheld: Subject to a compatible and noncompetitive business use with respect to the other businesses in the Center and sufficient financial statement and credit record of assignee and reasonable experience in conducting the intended business, Lessor's consent to assign or sublet this Lease shall not be unreasonably withheld provided however, that Lease shall not be in default and/or if Lessee shall have, previously breached or otherwise failed to perform under this Lease since its inception, and Lessee did not cure that breach, Lessor, at its sole discretion, may declare this
Sub-paragraph null and void. Any increase in rents shall become the property of the Lessor. Any such assignment or subleasing even with the approval of the Lessor, shall not relieve the Lessee from liability for payment of the rental herein provided or from the obligation to keep and be bound by the terms, conditions and covenants of this Lease.

b. Assignment or Transfer to a Corporation: Notwithstanding anything to the contrary set forth herein, Lessee may assign this Lease, without the consent of Lessor, to a corporation or other entity not less than fifty percent (50%) of the voting stock or controlling interest of which is owned by Lessee; provided that Lessee shall at all times remain liable for performance hereunder; and provided, further, that any transfer by Lessee of the controlling stock or interest in such corporation or other entity shall be a prohibited assignment hereunder.

c. Consent to be in writing: Lessee shall not assign, mortgage, pledge, hypothecate or encumber this lease or the leasehold interest created hereby or any interest herein or sublet the Demised Premises or any portion thereof, or license the use of all or any portion of the Demised Premises, without the written consent of Lessor first had and obtained. Without in any way limiting any other rights available to the Lessor at the time of any proposed assignment or subletting, Lessor expressly reserves the right to adjust the Guaranteed Minimum Monthly Rental to an amount derived by multiplying said guaranteed minimum monthly rental times a number equal to the percentage by which the Bureau of Labor Statistics, United States Department of Labor for Los Angeles-Riverside-Orange County under the heading of "All Items" for "All Urban Consumers" for the month in which the date of such assignment or subletting occurs has increased over the same Cost of Living Index figure for the month in which the Commencement Date under this Lease occurs (i.e., if the percentage of such increase is thirty percent (30%), then the guaranteed minimum monthly rental will be multiplied

times 130%). Tenant agrees to pay Lessor an administrative fee of $500 and to reimburse Lessor for Lessor's reasonable attorney fees incurred in conjunction with the processing and documentation of any such requested transfer, assignment, subletting, licensing or concession agreement

10. Broker's Fee:
    a. All Broker's fees as referred to in the Lease and Lease addendums shall be by separate agreement pursuant to a schedule to be agreed upon by Owner and Broker.
    b. However, it is understood and agreed that no commissions shall be paid on option exercises, or renewals, or expansions that unless at the invitation of the Owner first had obtained in writing.

11. Lessee's Financial Information: Lessee will furnish a credit report and financial statement at its expense, subject to Lessor's approval or reimburse Lessor $25 if Lessor obtains a credit report. Lessee also agrees to deliver to Lessor a resume of its business experience, a copy of its income tax returns for the prior year, a letter of reference from Lessee's bank, and a completed Lessor's "Credit Information" form. The Lease is contingent upon Lessor's review and approval to its sole satisfaction of Lessee's qualifications to lease. Said credit application must include but not be limited to listing specifics of next of kin, closest living relative not living with you, closest non-relative and who to notify in case of emergency.

12. Dispute or Delay: In the event of any dispute between the parties concerning the time of actual completion of Lessor's Work or Lessee's Work or any claimed excuse for delay in performance or non-performance thereof or whether such work has been adequately performed in a good and workmanlike manner and is satisfactory for the use intended, such dispute shall be referred to Lessor's architect whose determination with regard thereto shall be final and conclusive upon the parties.

13. Deletion: Wherever in this Lease a Section or Subsection is preceded by the word "Deleted" or "*Deleted," such Section or Subsection is deleted from this Lease in its entirety and is of no force or effect.

14. Parking: Lessee shall have the right to N/A parking spaces on level N/A at no cost to Lessee for the term of the Lease and any Option Periods. The surface parking is designated for customers and retail tenants only, All employees, visitors, guests of Lessee are not Permitted to use surface parking, but shall park on lower levels A & B of the parking structure, if any.

15. Attorney's Fees: The Lessor is entitled to attorney's fees or costs for the enforcement of the lease regardless of whether an action is filed, said fees and costs to be considered additional rent.

16. Lease Incentives: If Tenant is in default under this Lease at any time during the Term and without limiting the foregoing, if Landlord has given Tenant any lease incentives or other inducements or consideration in connection with this Lease ("Incentives"), including without limitation, any abatement of rent, the unamortized portion of any Tenant Improvement Allowance and/or leasing commissions then the incentives will terminate and Landlord may recover from Tenant the value of all such Incentives received by Tenant in addition to all other damages recoverable by Landlord pursuant to the provisions of this Lease.

A. Lessee is responsible for sending rent payments on the first of the month to:

M.C. STRAUSS COMPANY C/O Pacific Real Estate Group
990 Highland Drive, Suite 212
Solana Beach, CA 92075

B. For any questions or building management problems, call:

Bob Benz, CCIM
Pacific Real Estate Group
990 Highlnad Drive, Suite 212
Solana Beach, CA 92075

Tel. (858) 755-9007
Fax. (858) 755-7970

C. Required Personal Data:
Lessee's Home Address: 3215 mT Aachen AVE SD. 92111
Home Phone: (858) 3007185 Home Fax: ____
In case of emergency: Sherry Beeku A
Address: ____
Phone: 858 273 8711 Fax: ____
Next of Kin (Name): Helen Jones
Address: ____
Phone: 858 945 5120 Fax: ____

D. Other: Lessor reserves the right to change the management company and the address to which rent payments shall be made by delivering notice to Lessee in accordance with this Lease.

LESSEE'S INITIALS: _____

LESSOR'S INITIALS: _____

EXHIBIT D

TENANT IMPROVEMENTS AND ACCEPTANCE OF PREMISES

Scope of Lessor's Work

Lessor shall provide Lessee, at the sole cost and expense of Lessor, the following "standard" improvements as follows:

1. Lessee acknowledges that the Demised Premises are being leased in "as is" condition and that Lessee has inspected some and the Demised Promises are in satisfactory condition.

2. Lessor agrees to replace existing HVAC unit with a new unit and repair the existing ventilation system in the suite per the written estimate from Air Perfect Systems. Lessee agrees to repay Lessor $72.50 per month for the initial thirty-six month term plus for any extended term up to and including sixty months from the initial commencement of this agreement.

Scope of Lessee's Work

All improvements desired by Lessee, shall be considered "Non-standard" and shall be at the sole cost and expense of Lessee including, but not limited to :

1. Permits, Plans, and supervision for any Tenant improvements.

2. Lessor grants permission to Lessee to install necessary and/or required improvements or modifications, subject to Lessor's prior written approval, to accommodate Lessee's intended business use, at Lessee's sole cost and expense, and in accordance with any and all governmental requirements including the obtaining of any required permits for the Demised Premises and said business.

Perform any and all additional work required to complete the Premises to a condition customary and ready for the normal operation of Lessee's business. Lessee shall be responsible to pay for any additional water, and/or sewer impact fees if imposed due to the nature of Lessee's business or use of Premises.

Within thirty (30) days following the execution of the Lease, Lessee, at Lessee's sole cost and expense, shall deliver to Lessor a fully dimensioned $^{1}/_{4}$-inch scale set of plans. Said plans shall show all storefronts, interior partitions, fixtures, lighting, electrical outlets, plumbing (including fixtures), floor coverings, ceiling and other improvements that Lessee wishes to construct and install upon Premises. Said plans shall be subject to Lessor's approval prior to start of any work by Lessee or his contractors, which shall not be unreasonably withheld, which shall thereafter be called "Lessee Plans Approved for Construction." Should Lessee fail to deliver to Lessor plans for "Lessee's Work" within thirty (30) days following execution of the Lease, Lessor may, at his option and with written notification to that effect to Lessee, terminate this Lease.

No changes, modifications or alterations to Lessee Plans Approved for Construction may be made without the written consent of Lessor. Any additional costs, including any increased fees which Lessor may be required to Pay for architectural, engineering and/or other similar services arising by reason of any subsequent change to Lessee Plans Approved for Construction made at the request of Lessee, shall be at the sole cost and expense of Lessee and shall be paid by Lessee to Lessor before the performance of the work requested by Lessee.

All of Lessee's work and improvements shall be performed by Lessee, at Lessee's sole cost and expense except as outlined above and pursuant to the plans and specifications approved by Lessor. It is understood that the approval of Lessor shall in no manner relieve Lessee of Lessee's obligation to obtain, at Lessee's sole cost and expense, all necessary and appropriate permits from all applicable governmental or public agencies for the construction of Lessee's improvements, installation of Lessee's personal property and the operation of Lessee's business at Premises.

Upon delivery of Premises to the Lessee, Lessee shall immediately and diligently proceed to install Lessee's Work as described in Lessee's Plans Approved for Construction at Lessee's sole cost and expense without interfering with other work being done, if any, in the building or shopping center.

All work done by Lessee shall be done by a licensed contractor and in compliance with all rules and regulations required by local building authorities, Lessor or his agents and in accordance with all uniform building codes as dictated by state, federal and local requirements.

Upon final completion of Lessee's Work, Lessee shall furnish Lessor with all certificates, approvals and permits "signed off" by local governmental building inspector, that were required to complete Lessee's Work. Lessor shall not be responsible for any loss or damage to Lessee's improvements/property that is installed or left on Premises.

Lessee's entry upon Premises prior to commencement of the Term of this Lease shall be subject to all provisions of this Lease other than payment of rent, At all times after such entry, Lessee shall maintain an insurance policy that complies with the provisions of this Lease. The inability of Lessee to complete Lessee's Work in a timely manner and to a condition acceptable for conducting business, through no fault of Lessor, shall not delay the Term Commencement or payment of rent.

Lessee hereby indemnifies and holds Lessor free and harmless from and against any and all claims, demands and liabilities, including, but not limited to attorney costs, expenses and court costs, arising from or relating to Lessee's Work and improvements. It is the intent of the parties that this indemnification shall survive the expiration or sooner termination of this Lease.

LESSEE'S INITIALS: _____

LESSOR'S INITIALS: _____

EXHIBIT E

ESTIMATED OPERATING EXPENSES (GROSS LEASE)

DOES NOT APPLY

The operating expenses are estimated at $_____ per square foot annually or _____
($_____ psf x _____ sq. ft. /12 = $_____) per month for the Demised Premises until adjusted per the Lease.

LESSEE'S INITIALS: _____

LESSOR'S INITIALS: _____

EXHIBIT F

RENT ADJUSTMENT(S) (Not a Part of this Agreement)

ADDENDUM TO
STANDARD LEASE

Dated_____

By and Between (Lessor) Strauss Family Trust UDT 6/5/1992

(Lessee)_____

Property Address: Hancock Street, Suite #

San Diego, CA 92110

Paragraph _____

A. **RENT ADJUSTMENTS:**

The monthly rent for each month of the adjustment period(s) specified below shall be increased using the method(s) indicated below:

(Check Method(s) to be Used and Fill in Appropriately)

☐ I. **Cost of Living Adjustment(s) (COL)**

(a) On (Fill in COL Adjustment Dale(s): _____

the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted by the change, if any, from the Base Month specified below, In the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for (select one): ☐ CP1 W (Urban Wage Earners and Clerical Workers) or ☐ CPI U (All Urban Consumers), for (Fill in Urban Area): _____ ,All Items (1982–1984 = 100), herein referred to as "C.P.I."

(b) The monthly rent payable in accordance with paragraph AI(a) of this Addendum shall be calculated as follows: the Base Rent set forth in paragraph 1.5 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the C.P.I. of the calendar month 2 (two) months prior to the month(s) specified In paragraph AI(a) above during which the adjustment is to take effect, and the denominator of which shall be the C.P.I. of the calendar month which Is two (2) months prior to (select one): ☐ the first month of the term of this Lease as set forth in paragraph 1.3 ("Base Month") or ☐ (Fill in Other "Base Month"): _____. The sum so calculated shall constitute the new monthly rent hereundor, but in no event, shall any such new monthly rent be less than the rent payable for the month Immediately preceding the date for rent adjustment, plus _____rounded up to the next dollar figure.

(c) In the event the compilation and/or publication of the C.P.I. shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the C.P.I. shall be used to make such calculation. In the event that Lessor and Lessee cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid equally by Lessor and Lessee.

☐ II. **Market Rental Value Adjustment(s) (MRV)**

(a) On (Fill in MRV Adjustment Dale(s): _____

the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted to the "Market Rental Value" of the property as follows:

1) Four months prior to the Market Rental Value (MRV) Adjustment Date(s) described above, Lessor and Lessee shall meet to establish an agreed upon new MRV for the specified term. If agreement cannot be reached, then:

i) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the parties, or

ii) Both Lessor and Lessee shall each immediately select and pay the appraiser or broker of their choice to establish a MRV within the next 30 days. If, for any reason, either one of the appraisals is not completed within the next 30 days, as stipulated, then the appraisal that is completed at that time shall automatically become the new MRV. If both appraisals are completed and the two appraisers/brokers cannot agree on a reasonable average MRV then they shall Immediately select a third mutually acceptable appraiser/broker to establish a third MRV within the next 30 days. The average of the two appraisals closest in value shall then become the new MRV. The costs of the third appraisal will be split equally between the parties.

2) In any event, the now MRV shall not be less than the rent payable for the month Immediately preceding the date for rent adjustment.

(b) Upon the establishment of each New Market Rental Value as described In paragraph AII:

1) the monthly rental sum so calculated for each term as specified in paragraph AII(a) will become the new "Base Rent" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph AII(a) above and

2) the first month at each Market Rental Value term as specified in paragraph AII(a) shall become the new "Base Month" for the purpose of calculating any further Cost of Living Adjustments as specified In paragraph AI(b).

☐ III. **Fixed Rental Adjustment(s) (FRA)**

The monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be increased to the following amounts on the dates set forth below.

On (Fill in FRA Adjustment Date(s)): The New Base Rental shall be:

SB
Initials

Initials

_____	$_____
_____	$_____
_____	$_____
_____	$_____

B. **NOTICE:** Unless specified otherwise herein, notice at any escalations other than Fixed Rental Adjustment(s) shall be made as specified in paragraph 23 of the attached Lease.

*C. ~~**BROKER'S FEE:**~~ ***Deleted**

~~The Real Estate Brokers specified in paragraph 1.10 of the attached Lease shall be paid a Brokerage Fee for each adjustment specified above in accordance with paragraph 15 of the attached Lease.~~

LESSEE'S INITIAL: _____

LESSOR'S INITIAL: _____

EXHIBIT G

CENTER SIGN CRITERIA

The purpose of this sign criteria has been established for the intent of assuring an outstanding shopping center and mutual benefit of all Lessee's. Conformance will be strictly enforced. Any installed non-conforming or unapproved signs will be brought into conformance at the expense of the Lessee.

A. Lessee shall be entitled to signage above the Premises. Signage shall be subject to City of San Diego and Lessors prior written approval. All costs associated with the design, construction, installation, as well as removal, shall be borne by Lessee. Lessee shall be required to remove all Lessee signage at the conclusion of Lessee's occupancy of the Premises. Ground level Lessee's shall be entitled to signage on the Center's pole sign at its expense and subject to availability.

B. General Requirements:

1. Lessee shall submit to the Lessor the exact sign specifications, copy and colors desired for Lessor's approval from a license and experienced sign company.

2. All approvals or disapprovals of sign submittals based on esthetics and design shall remain sole right of the Lessor and local governing authorities.

3. Selected sign company will be responsible for obtaining all permits and sign installation.

4. No exposed lamp, raceways, crossovers, conduit, conductors, transformers or similar devices shall be permitted.

5. All maintenance of signage shall be the responsibility of the Lessee.

6. All signs shall be individually illuminated.

7. No audible, flashing or animated signs will be permitted.

8. No projections above or below the sign will be permitted.

9. Electrical service to all signs will be connected to Lessee's meter.

10. Lessee's signs shall be designed and installed in a manner compatible with and complimentary to adjacent and facing storefronts and the overall design concept of the center.

11. All penetrations of the building structure required for sign installation shall be sealed in a watertight condition and shall be patched to match adjacent finish. At termination of lease when sign is removed, Lessee or its sign company shall patch and paint and restore to "as was" condition.

12. No advertising placards, banners, pennants, names, insignias or other descriptive material shall be affixed or maintained upon the glass pane supports of the show windows and doors or upon the exterior was of building without the prior written approval of Lessor.

13. Logos require prior approval of lessor unless nationally recognized logos of a franchise.

14. Letter height restrictions:

a. One line of copy with the letter and logo height not to exceed 24 inches or to be less than 10 inches. Allowable, sign fascia coverage not to exceed seventy-five percent (75) of store frontage.

b. Two lines of copy will be allowed with the overall height of the two lines of letters not to exceed 30 inches with a maximum height of the letters not to exceed 18 inches or to be less than 16 inches.

15. Designs submitted for the City/County approval must follow ft following guidelines:

a. Drawings of elevations and sign with all measurements to scale.
b. Plot plan and legal description (plans to scale).
c. Sections drawings of sign and fascia showing construction and electrical details.
d. Color of plastic faces and logos.
e. Color of neon, size and intensity.
f. Letter style selection

16. Lessee is granted permission by Lessor to install a temporary sign banner at its expense above the premises while signs are being fabricated.

17. Lessee shall indemnify and hold harmless Lessor against any loss, cost, damages or liability caused to persons, property or otherwise caused by Lessee's sign installations,

LESSEE'S INITIALS: _____

LESSOR'S INITIALS: _____

EXHIBIT H

SPECIAL USE OF PREMISES CLAUSE

A. Uses Of Premises:

Lessee shall occupy and use the premises solely for the operation of a restaurant serving food, beer, and wine only ,and no other use.

LESSEE'S INITIALS: _____

LESSOR'S INITIALS: _____

Initials

Initials

EXHIBIT I
APPLICATION FOR LEASE AND CREDIT INFORMATION

The undersigned furnishes the following as a true and accurate statement of the financial condition of the undersigned. It is understood that the Landlord, in entering into a lease or other agreement, are doing so in reliance upon this financial statement and in consideration of such the undersigned agree that if any of the representations of the undersigned prove to be untrue, such shall be considered as a default under such lease or agreement.

NAME: Shannon Beckwith AGE: 38 SPOUSES NAME: MARIA Helena JANUSKE

ADDRESS: 3715 NT Aachen Ave HOW LONG: 6 mon

Previous Address - if less than five years: 3872 Jewell

SOCIAL SECURITY NO: 554-45-9461 SPOUSE'S SOCIAL SECURITY NO:

PHONE: (858) 300 7185 OWN OR RENT: OWN NO. OF DEPENDENTS:

PRESENT EMPLOYER: Mitchell INC. Software Engineer HOW LONG: 6 month

ADDRESS: San Diego.

PHONE: (858) 945 5120 POSITION: Computer Programmer

SPOUSE'S EMPLOYER: PHONE:

IN CASE OF EMERGENCY CONTACT: NAME: Sherry Beckwith

ADDRESS: Granada PHONE: 858 220-9178

RELATIONSHIP:

NEXT OF KIN NOT LIVING WITH YOU: NAME:

ADDRESS: SAME PHONE:

MARIA OR SHANNON RELATIONSHIP:

CLOSEST NON RELATIVE CONTACT: NAME: Ron

ADDRESS: PHONE:

RELATIONSHIP:

BALANCE SHEET

✓ Cash:	$ 10 000	Notes Payable - Total Owed: (List on Back)	$
Stocks & Bonds: (List on Back)	$	Accounts Payable - Total Owed: (List on Back)	$
Notes / Accounts Receivable:	$ [redacted]		
Life Insurance: (Not full value, only surrender value)	$ 650,000	✓ Mortgages - Total Owed: (List on Back)	$ 615 000
✓ Real Estate - Total Value: (List on Back)	$ [redacted]	Automobiles - Total Owed:	$ 0
		Income Taxes - Accrued to Date:	$
Automobiles:	$ 15 000 $ 18 000	Other:	$ $ $
Personal Possessions:	$	**TOTAL LIABILITIES:**	$
	$	**NET WORTH:** (Assets minus Liabilities)	$
TOTAL ASSETS:	$		

ANNUAL INCOME & EXPENSE

Income:		**Expense:**	
Annual Salary:	$	Annual Rental/Mortgage Payments	$
Annual Rentals:	$		
Annual Dividends:	$	Annual Payments: (Notes & Accounts)	$
Annual Interests:	$		

Initials

Initials

Other Annual Income:	$	Annual Interest & Taxes:	$
		Personal Living Expense:	$
		Other Annual Expenses:	$
TOTAL ANNUAL INCOME:	$ 250.000	**TOTAL ANNUAL EXPENSE:**	$

BANK REFERENCES

BANK & ADDRESS: UBOC ACCT. NO.: 0780048441

BANK & ADDRESS: _____ ACCT. NO.: _____

STOCKS & BONDS

Description	No. of Shares	Cost	Market Value
		$	$
		$	$
		$	$
		$	$
		$	$
TOTALS		$	$

REAL ESTATE - MORTGAGES

Description & Address	Original Cost	Present Value	Trust Deed or Mortgage Unpaid Bal.	Mo. Pay.
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
TOTALS	$	$	$	$

NOTES & ACCOUNTS PAYABLE (Do not include Real Estate)

Description	Account Number	Total Amount Owed (DO NOT LIST PAYMENTS)
		$
		$
		$
		$
		$
		$
TOTAL		$

The undersigned further consent(s) to the addresses above making any inquires it deems necessary to reach a decision on this application, and consent(s) to the disclosure at any time of any credit information about me / us to any credit reporting agency or to any one with whom I/we have financial relations. The undersigned further understands that should a lease be entered into that the authorizing party will pay a $25.00 application credit check fee.

DATE: 11-27-05 SIGNATURE: _____

DATE: 11/27/05 SPOUSE'S SIGNATURE: _____

Initials

Initials

*NOT APPLICABLE AS TENANTS ARE SIGNING AS INDIVIDUALS

*EXHIBIT J

GUARANTY OF LEASE

THIS GUARANTY OF LEASE ("Guaranty"), effective as of _____, 200_____, is executed by _____ ("Guarantor"), with reference to the following facts:

RECITALS

A. Strauss Family Trust UDT 6/5/1992 dba M.C. Strauss Company ("Lessor"), and _____ ("Lessee") have agreed to enter into that certain Lease ("Lease"), dated the same date as this Guaranty, covering Premises described therein, located in the City of San Diego, County of San Diego, State of California.

B. Lessor requires, as a condition to its execution of the Lease, that Guarantor guarantee the full performance of the obligations of Lessee thereunder.

C. Guarantor is willing to execute this Guaranty for the benefit of Lessor and as a material inducement to Lessor to enter into the Lease.

GUARANTY

NOW, THEREFORE, in order to induce Lessor to enter into the Lease, Guarantor agrees as follows:

1. **Guarantor's Obligations.** Guarantor hereby unconditional guarantees the full and timely performance of each and every obligation to be kept and performed by the Lessee pursuant to the terms of the Lease ("Lease Obligations") in accordance with the terms of and at the time and place specified therein, including, but not limited to, the payment of all rents and other charges accruing pursuant thereto.

2. **Term.** This Guaranty shall continue for the term of the Lease and any extension or renewal thereof. If the Lease terminates and Lessor has any rights which Lessor may enforce against Lessee after termination, Lessor may also enforce such rights against Guarantor.

3. **Primary Liability.** The Lease Obligations guaranteed by Guarantor under this Guaranty shall be primary and independent of the obligations of Lessee under the Lease. Lessor may bring a separate action or actions against Guarantor hereon and such actions may be brought either in conjunction with actions against Lessee or against Lessee directly, regardless of whether Lessor has commenced any action or obtained any judgment against Lessee. If Lessee defaults under the Lease, Lessor may proceed directly against Guarantor, without having commenced any action or obtained any judgment against Lessee, and without applying any property of Lessee (or any other person), if any; held by Lessor as security for the performance of the Lease Obligations. The liability of Guarantor hereunder shall not be released, diminished, or extinguished by Lessor's failure or delay in enforcing any of its rights.

4. **Continuation; No Release.** This Guaranty shall continue in favor of Lessor notwithstanding any modification, alteration, extension or renewal of the Lease entered into by the parties thereto, or their successors or assigns, and notwithstanding any assignment of the Lease, with or without the consent of Lessor. No such modification, alteration, extension, renewal or assignment shall affect this Guaranty or in any way release, diminish, or extinguish the liability of Guarantor hereunder.

5. **Assignment.** Lessor may, with notice to Guarantor, assign this Guaranty in whole, or in part in connection with any transfer of any interest in the Lease or the Premises, and no such assignment or transfer shall release, diminish, or extinguish or otherwise affect the liability of Guarantor hereunder. In such event the benefits of this Guaranty shall inure to the benefit of Lessor's successors and assigns.

6. **Security.** Guarantor authorizes Lessor, without further notice or demand and without affecting the liability of Guarantor hereunder, from time to time, to: (a) take and hold security (including the Security Deposit and any security filing consented to by Lessee) (the "Security") (if any) for performance of the Lease Obligations and exchange, enforce, waive or release any such Security; (b) apply such Security in whole or in part and direct the order or manner of sale thereof as Lessor, in Lessor's discretion, may determine; and (c) proceed against Lessee or proceed against and exhaust such Security held from Lessee; the provisions of this paragraph shall constitute a waiver of Guarantor's right to claim exoneration from the Lease Obligations for the foregoing actions.

7. **Events of Insolvency.**

7.1. **Defined.** The term "Event of Insolvency" shall mean any of the following:

(a) Lessee becomes insolvent or is adjudicated a bankrupt;

(b) Lessee files a petition for reorganization, arrangement or similar relief under any present or future provisions of the Federal Bankruptcy Code, or any other state or federal statute for tile relief of debtors or any similar law:

(c) A court approves a petition filed against Lessee by its creditors for reorganization, arrangement or similar relief under any present or future provision of tile Federal Bankruptcy Code, or any other state or federal statute for the relief of debtors or any other similar law;

(d) Lessee seeks a judicial readjustment of the rights of its creditors under any present or future federal or state law; or

(e) A receiver of all or part of Lessee's property and assets is appointed by any state or federal court.

7.2 **Effect.** This Guaranty shall in full force and effect, notwithstanding the occurrence of any Event of Insolvency affecting Lessee, or any successor or assignee of Lessee, or in the event of any disaffirmance, or abandonment by a trustee of Lessee, or in the event that the Lease is terminated, rejected or modified in the course of any proceeding relating to an Event of Insolvency. To the extent necessary to effectuate the purpose of this Guaranty, Guarantor hereby assigns to Lessor any rights Guarantor may have to file a claim and proof of claim in any bankruptcy or similar proceeding of Lessee any awards or payments thereon to which Guarantor would otherwise be entitled, to the extent of any unsatisfied Lease Obligations.

8. **Waiver of Defenses.** Guarantor waives any defense Guarantor may acquire by reason of Lessor's election of any remedy against Guarantor or Lessee, or both. In addition, Guarantor waives any defense arising by reason of any disability or other defense of Lessee, including, without limitation, any defense based upon: (a) invalidity of the Lease (b) any lack of authority of the officers, directors, partners or agents acting or purporting to act on behalf of Lessee or any principal of Lessee; or (c) by reason of the cessation from any cause whatsoever of the liability of Lessee other than full performance and discharge of the Lease Obligations.

9. **Waiver of Rights.** Guarantor waives the right to require Lessor: (a) to proceed against Lessee or any successor of Lessee; and (b) to pursue any other remedy in Lessor's power. Guarantor expressly waives the provisions of the California and/or Arizona Civil Code, which grants a surety certain rights to require a creditor to pursue alternative remedies before proceeding against a surety.

10. **Subrogation.** Until the Lease Obligations shall have been performed in full, Guarantor shall have no right of subrogation and waive any right to enforce any remedy which Lessor now has or may hereafter have against Lessee. Guarantor waives any right to participate in any security now or hereafter held by Lessor.

11. **Successive Demands.** Guarantor's liability shall extend to each and every payment to be made by Lessee and any additional Lease Obligation to be performed or observed by Lessee. Successive demands may be made upon, and successive actions for the enforcement of such demands may be brought against Guarantor upon successive defaults by Lessee and the enforcement of this

Guaranty against Guarantor with respect to any Lease Obligation shall not operate to exhaust this Guaranty or operate as a waiver of the right to proceed under this Guaranty with respect to any future default or defaults.

12. General Provisions.

12.1 **Attorney's Fees.** Guarantor agrees to pay all costs and other expenses, including reasonable attorneys' fees and court costs, paid or incurred by Lessor in enforcing or attempting to enforce this Guaranty or the obligations guaranteed hereby, Guarantor is obligated as to attorney's fees and costs pursuant to Paragraphs 31 and 37.1 of the Lease, as to the obligations under the Lease and the Guaranty, and the provision in the Addendum as to attorneys fees made applicable here to the Lease and the Guaranty.

12.2 **Governing Law.** This Guaranty shall be enforceable by Lessor in accordance with the laws of the State of California and shall be construed in accordance therewith.

12.3 **Interest.** Interest shall accrue on all accounts which are not paid by Guarantor when due under the Lease, from the date due until due date paid by Guarantor, at the interest rate specified in the Lease, but not to exceed the maximum legal rate of interest.

12.4 **Joint and Several.** If Guarantor is more than one person, each person's obligations hereunder are joint and several and are independent of Lessee's obligations. Lessor may bring a separate action against any Guarantor whether the action is brought against any other Guarantor, or whether any other Guarantor is joined in the action.

12.5 **Modification.** This Guaranty may not be amended, modified, released, or terminated except by a written instrument executed by Guarantor and Lessor,

12.6 **Severability.** If any of Guarantor's obligations hereunder shall be held to be unenforceable, the remainder of this Guaranty and its application to all obligations other than those with respect to which is held unenforceable shall not be affected thereby and shall remain in full and effect.

12.7 **Successors.** The terms and provisions of this Guaranty shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto.

IN WITNESS WHEREOF, the undersigned has executed this guaranty of lease as of tile date first written above.

GUARANTOR:

Res. Address: _____
Phone: _____
Soccer#: _____
DL#: _____ DOB _____

By: _____

Res. Address: _____
Phone: _____
Soc Sec#: _____
DL#: _____ DOB _____

By: _____

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*NOT APPLICABLE

*EXHIBIT J-1

SPOUSAL CONSENT

To the Lease dated _____200___, by and between _____, _____, as Lessor, and _____, as Lessee, for the premises known as _____ _____.

The undersigned, being the spouse of the Guarantor to this Lease, hereby (a) consent to the Lease, (b) agree that all now owned and hereafter acquired community and quasi-community property of the undersigned and Guarantor shall be liable for the satisfaction of obligations imposed by the Lease, and (c) agree solely for purposes of subjecting any community or quasi-community property received pursuant to liability for satisfaction of the obligations imposed by the Lease, the undersigned have "incurred" the obligations of the Lease.

Spouse

_____

_____

_____

*See Below

*EXHIBIT K

MEMORANDUM
CERTIFICATE

This memorandum is made of _____ 20____ with reference to that certain Lease Agreement (hereinafter referred to as the "Lease") dated _____ by and between _____ _____ as "Lessor" therein, and _____ as "Lessee."

The undersigned, as Lessee under said Lease, hereby confirms the following:

1. The Lessee accepted possession of the Demised Premises (as described in said Lease) on _____ and acknowledges that the premises are as represented by Lessor and in good order, condition and repair; and that the improvements, if any, required to be constructed for and/or furnished to Lessee by Lessor under said Lease have been so constructed and/or furnished and are satisfactorily completed in all respects.

2. That all conditions of said Lease to be performed by Lessor prerequisite to the full effectiveness of said Lease have been satisfied and that Lessor has fulfilled all of its duties of an inducement nature.

3. That in accordance with the provisions of Paragraph 4 of said Lease die Commencement Date (as the phrase "Commencement Date" is defined in said Lease) of the term is _____ and that, unless sooner terminated, the original term thereof expires on _____.

4. That said Lease (as amended, if amended) is in full force and effect and that the same represents the entire agreement between Lessor and Lessee concerning said Lease.

5. That there are no existing defenses which Lessee has against the enforcement of said Lease by Lessor, and no offsets or credits against rentals except as may be expressly provided in said Lease.

6. That the minimum rental obligation of said Lease is presently in effect and that all rentals, charges and other obligations on the part of Lessee undersaid Lease commenced to accrue on _____ .

7. That the undersigned Lessee has no notice of any prior assignment, hypothecation or pledge of said Lease or of the rents thereunder.

LESSEE:	LESSOR:
BY: _____	BY: _____
ITS: _____	ITS: _____

This "Memorandum" is hereby approved in form and shall be completed (if necessary) pursuant with Paragraph 4.A of The Lease and incorporated as part of The Lease.

LESSEE'S INITIALS:	LESSOR'S INITIALS:
SB _____	_____

*Not Applicable if Term Date is fixed per the Lease.

EXHIBIT L

OPTION(S) TO EXTEND

ADDENDUM TO
STANDARD LEASE

Dated November 15, 2005

By and Between (Lessor) Strauss Family Trust UDT 6/5/1992 dba M.C. Strauss Company
(Lessee) Shannon D. Beckwith and Maria H. Janeiro, Husband and Wife DBA Brazil By The Bay

Property Address: 3770 Hancock Street, Suite G, San Diego, CA 92110

Paragraph 39

A. **OPTION(S) TO EXTEND:**

Lessor hereby grants to Lessee the option to extend the term of this Lease for One additional Twenty-Four month period(s) commencing when the prior term expires upon each and all of the following terms and conditions:

(i) Lessee gives to Lessor, and Lessor actually receives on a date which is prior to the date that the option period would commence (if exercised) by at least Two (2) and not more than Six (6) months, a written notice of the exercise of the option(s) to extend this Lease for said additional term(s), time being of essence. If said notification of the exercise of said option(s) is (are) not so given and received, the option(s) shall automatically expire; said option(s) may (if more than one) only be exercised consecutively;

(ii) The provisions of paragraph 39, including the provision relating to default of Lessee set forth in paragraph 39.4 of this Lease are conditions of this Option;

(iii) All of the terms and conditions of this Lease except where specifically modified by this option shall apply;

(iv) The monthly rent for each month of the option period shall be calculated as follows, using the method(s) indicated below:

(Check Method(s) to be Used and Fill In Appropriately)

☐ I. **Cost of Living Adjustment(s) (COL)**

(a) On (Fill in COL Adjustment Date(s): _____ the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted by the change, If any, from the Base Month specified below, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for (select one): ☐ CPI W (Urban Wage Earners and Clerical Workers) or q CPI U (All Urban Consumers), for (Fill in Urban Area): _____ All Items (1982–1984 = 100), herein referred to as "C.P.I."

(b) The monthly rent payable in accordance with paragraph AI(a) of this Addendum shall be calculated as follows: the Base Rent set forth in paragraph 1.5 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the C.P.I. of the calendar month 2 (two) months prior to the month(s) specified in paragraph AI(a) above during which the adjustment is to take effect, and the denominator of which shall be the C.P.I. of the calendar month which is two (2) months prior to (select one): ☐ the first month of the term of this Lease as set forth in paragraph 1.3 ("Base Month") or ☐ (Fill In Other "Base Month"): _____. The sum so calculated shall constitute the new monthly rent hereunder, but in no event, shall any such new monthly rent be less than the rent payable for the month Immediately preceding the date for rent adjustment plus 5% increase and 5% for each option year rounded up to the next dollar figure.

(c) In the event the compilation and/or publication of the C.P.I. shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the C.P.I. shall be used to make such calculation. In the event that Lessor and Lessee cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid equally by Lessor and Lessee.

☒ II. **Market Rental Value Adjustment(s) (MRV)**

(a) On (Fill in MRV Adjustment Date(s): December 1, 2008 _____ the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted to the "Market Rental Value" of the property as follows:

1) Four months prior to the Market Rental Value (MRV) Adjustment Dale(s) described above, Lessor and Lessee shall meet to establish an agreed upon new MRV for the specified term. If agreement cannot be reached, then:

i) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the parties, or

ii) Both Lessor and Lessee shall each immediately select and pay the appraiser or broker of their choice to establish a MRV within the next 30 days. If, for any reason, either one of the appraisals is not completed within the next 30 days, as stipulated, then the appraisal that is completed at that time shall automatically become the new MRV. If both appraisals are completed and the two appraisers/brokers cannot agree on a reasonable average MRV then they shall Immediately select a third mutually acceptable appraiser/broker to establish a third MRV within the next 30 days. The average of the two appraisals closest in value shall then become the new MRV. The costs of the third appraisal will be split equally between the parties.

2) In any event, the now MRV shall not be less than the rent payable for the month Immediately preceding the date for rent adjustment.

(b) Upon the establishment of each New Market Rental Value as described In paragraph All:

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SB MF
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1) the monthly rental sum so calculated for each term as specified in paragraph AII(a) will become the new "Base Rent" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph AII(a) above and

2) the first month at each Market Rental Value term as specified in paragraph AII(a) shall become the new "Base Month" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph AI(b).

☐ **III. Fixed Rental Adjustment(s) (FRA)**

The monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be increased to the following amounts on the dates set forth below.

On (Fill in FRA Adjustment Date(s)):	The New Base Rental shall be:
_____	$_____
_____	$_____
_____	$_____
_____	$_____

B. **NOTICE:** Unless specified otherwise herein, notice at any escalations other than Fixed Rental Adjustment(s) shall be made as specified in paragraph 23 of the attached Lease.

*C. ~~**BROKER'S FEE:**~~ ***Deleted**

~~The Real Estate Brokers specified in paragraph 1.10 of the attached Lease shall be paid a Brokerage Fee for each adjustement specified above in accordance with paragraph 15 of the attached Lease.~~

D. **OPTION RIGHTS CONDITION:** Lessee's Option Rights are contingent upon Lessee not having previously breached or otherwise failed to perform under the Lease since its inception. Otherwise Landlord at its sole discretion may declare any option to extend null and void.

LESSEE'S INITIAL: _____

LESSOR'S INITIAL: _____

EXHIBIT M

SPECIAL ADDENDUM

This Addendum to Lease ("Addendum") is made a part of the Lease dated November 15, 2005 by and between Strauss Family Trust UDT 6/5/1992 dba M.C. Strauss Company ("Lessor") and Shannon D. Beckwith and Maria H. Janeiro, Husband and Wife DBA Brazil By The Bay ("Lessee") for the Demised Premises commonly known as 3770 Hancock Street, Suite G, San Diego, CA 92110 Should there be any conflicts between the terms and conditions of this Addendum and the Lease, this Addendum shall prevail.

1. TERMINATION OF FORMER LEASE:

The present Lease agreement on the Demised Premises by and, between, M.C. Strauss Company, as Lessor and Shannon D. Beckwith and Maria H. Janeiro dba Brazil By The Bay dated July 17, 2003 and Estopple dated N/A (hereinafter called "Previous Lease") shall be terminated and superseded by this lease agreement upon the Commencement Date hereof. However, it is understood and agreed that Lessee shall hold Lessor harmless from any Liability or claim under Previous Lease with respect to said Lease, (the Security Deposit Thirty-Five Hundred and No/100 Dollars ($3,500.00) is acknowledged and hereby transferred to new Lease) and Lessee shall assume the responsibility for payment to Lessor (through escrow or otherwise, if any) of all past due rents, taxes, common area charges, and any other lawful charges due Lessor under Previous Lease and prior to the effective date of this Lease Agreement.

2. OTHER (IF ANY):

Payment of Delinquent Rents From Former Lease: Lessee hereby agrees to continue to pay any and all delinquent rents from the former lease referred to above in the amount of Two Hundred Dollars per month until the entire balance is paid in full, which balance as of November 15, 2005 is Twelve Hundred Dollars ($1,200.00).

LESSEE: SHANNON D. BECKWITH AND MARIA H JANEIRO, AS HUSBAND AND WIFE
Dba: BRAZIL BY THE BAY

By: _____

Its: _____

By: _____

Its: _____

LESSOR: THE STRAUSS FAMILY TRUST UDT 6/5/92

By: _____

Its: _____

Initials

Initials

3770 H

AMENDMENT #1 TO LEASE

THIS AMENDMENT, made and entered into APRIL 15, 2014, by and between Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company, as Lessor, and Stephen Adib, an individual, dba: Cuba Rica, Inc., as Lessee, does hereby supplement, modify, and amend that certain Lease Agreement dated April 9, 2013, together with all modifications and amendments thereto (collectively, the "Lease"), by and between the above named parties for the premises located at 3770 Huncock Street, Suite H, San Diego, CA 92110.

The parties hereto agree as follows:

1. TERM. The Term of the Lease shall be extended for one (1) year to commence May 1, 2014 and expiring April 30, 2015.

2. BASE RENT/WATER &SEWER FEES. The Base Monthly Rents and Water/Sewer Fees shall be as follows:

   May 1, 2014 through April 30, 2105: $1.29psf x 900sf = $1,161.00 per month

   Water & Sewer Fee shall remain the same at $75.00 per month.

3. CONFIDENTIALITY. Lessee shall keep the content and all copies of this Amendment and related documents now or hereafter entered into, and all proposals, materials, information and matters relating thereto, strictly confidential, and shall not disclose, disseminate or distribute any of the same, or permit the same to occur, except to the extent reasonably required for proper business purposes by Lessee's attorneys, insurers, auditors and lenders, and, in such event, Lessee shall obligate any such parties to whom disclosure is permitted to honor the confidentiality provisions hereto, except as may be required by Law or court proceedings.

4. ACCESSIBILITY. The Premises has not undergone an inspection by a Certified Access Specialist (CASp).

5. COUNTERPARTS. This Amendment may be executed in one or more counterparts, each of which counterparts shall constitute an original and all of which counterparts together shall constitute one and the same Amendment. The delivery by Lessor or Lessee of a facsimile signature of this Amendment shall have the same legally binding effect as the delivery of an original signature.

6. ENFORCEABILITY. Lessor acknowledges and represents to Lessee that this Amendment is the binding obligation of Lessor enforceable in accordance with its terms and that Lessor has obtained the consent of its lender or any other third party from whom the Lessor is required to obtain consent for the execution and performance of this Amendment. Lessee acknowledges and represents to Lessor that this Amendment is the binding obligation of Lessee enforceable in accordance with its terms and that Lessee has obtained the consent of its lender, if any, or any other third party from whom the Lessee is required to obtain consent for the execution and performance of this Amendment.

7. CONFLICT OF PROVISIONS; RATIFICATION. In the event of a conflict between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall govern. Except as specifically referenced or addressed herein, all other terms, covenants, and provisions of the Lease are hereby ratified and confirmed and shall remain unchanged and in full force and effect throughout the Term.

8. ENTIRE AGREEMENT; BINDING. This Amendment represents the entire agreement between Lessor and Lessee regarding the subject matter contained in this Amendment and there are no other terms, obligations, covenants, representations, statements or conditions oral or otherwise of any kind whatsoever between the parties regarding the subject matter contained in this Amendment except as set forth in this Amendment. No amendment or modification to this Amendment shall be effective unless it is in writing and executed by both Lessor and Lessee. All references to the term "Lease" in this Amendment and the Lease shall mean the Lease as amended by this Amendment.

9. CAPTIONS. The captions and section numbers appearing in this Amendment are for convenience only and are not a part of this Amendment and do not in any way limit, amplify, define, construe or describe the scope or intent of the terms or provisions of this Amendment.

10. CAPITALIZED TERMS. All capitalized terms in this Amendment, unless specifically defined herein, shall have the same meaning as in the Lease

11. AUTHORITY TO EXECUTE. Lessor and Lessee represent and warrant to each other that the person executing this Amendment on behalf of such applicable party has the full right, power and authority to execute this Amendment and perform its obligations under this Amendment.

12. SEVERABILITY. If any provision of this Amendment is determined by a court having jurisdiction to be illegal, invalid or unenforceable under any present or future law, the remainder of this Amendment will not be affected thereby. It is the intention of the parties that if any provision is so held to be illegal, invalid or unenforceable, there will be added in lieu thereof a provision as similar in terms to such provision as is possible that is legal, valid and enforceable.

IN WITNESS WHEREOF, the parties have signed this Amendment effective on the date set forth above.

LESSOR:

STRAUSS FAMILY TRUST UDT
6/5/92, DBA: M.C. STRAUSS CO.

By: _____

Its: TTEE

LESSEE:

Stephen Adib, and Individual
dba: Cuba Rica, Inc.

By: _____
Stephen Adib

By and Between

Strauss Family Trust UDT 6/5/92
dba: M.C. Strauss Company

as Lessor

and

Stephen Adib, an individual
dba: Cuba Rica, Inc.

as Lessee

at Sports Arena Business Park
3770 Hancock Street, Suite H
San Diego, CA 92110

Dated for Reference Purposes
as of April 9, 2013

Standard Commercial Multi-Tenant Lease

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Standard Commercial Multi-Tenant Lease

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Exhibit B:	Building & Demised Premises Plan
Exhibit C:	Addendum to Commercial/Industrial Multi-Tenant Lease
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Exhibit E:	Estimated Operating Expenses
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Exhibit G & G-1 G-2 G-3:	Sign Criteria
Exhibit H:	Use of Premises
Exhibit I:	Credit Information Form
Exhibit J & J-1:	Guaranty and Spousal Consent
Exhibit K:	Memorandum Certificate
Exhibit L:	Option(s) to Extend
Exhibit M:	Special Addenda
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STANDARD INDUSTRIAL/ COMMERCIAL MULTI-TENANT LEASE—GROSS AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

1. **Basic Provisions ("Basic Provisions").**

1.1 **Parties:** This Lease ("**Lease**"), dated for reference purposes only April 9, 2013, is made by and between Strauss Family Trust UDT 6/5/92 dba: M.C. Strauss Company ("**Lessor**") and Stephen Adib, an individual, dba: Cuba Rica, Inc. ("**Lessee**"), (**collectively the "Parties"**, or individually a "**Party**").

1.2(a) **Premises:** That certain portion of the Project (as defined below), Including all Improvements therein or to be provided by Lessor under the terms of this Lease, commonly known by the street address of 3770 Hancock Street, Suite H, located In the City of San Diego, County of San Diego, State of California, with zip code 92110, as outlined on Exhibit A & A-1 attached hereto ("**Premises**") and generally described as (describe briefly the nature of the Premises): Sport Arena Business Park, The demised premises consists of approx. 900 square feet. The property is further described on Exhibit A & A.1. In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Areas (as defined in Paragraph 2.7 below) as hereinafter specified, but shall not have any rights to the roof, exterior walls or utility raceways of the building containing the Premises ("**Building**") or to any other buildings In the Project. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the "**Project.**" (See also Paragraph 2.)

1.2(b) **Parking:** See Exhibit C item 14 unreserved vehicle parking spaces ("**Unreserved Parking Spaces**"); and (Not applicable) reserved vehicle parking spaces ("**Reserved Parking Spaces**"). (See also Paragraph 2.6)

1.3 **Term:** One (1) year ("**Original Term**") commencing May 1, 2013("**Commencement Date**") and ending April 30, 2014 ("**Expiration Date**"). (See also Paragraph 3.) (see Exhibit K)

1.4 **Early Possession:** upon full lease execution, payment in certified funds and proof of insurance ("**Early Possession Date**").(See also Paragraphs 3.2 and 3.3.)

1.5 **Base Rent:** $1.25psf x 900sf =$1,125.00 per month ("**Base Rent**"), payable on the first day of each month commencing May 1, 2013. (See also Paragraph 4.)

θ If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted. See Exhibit F.

1.6 **Lessee's Share of Common Area Operating Expenses:** (Not applicable) percent (___%) ("**Lessee's Share**").

1.7 **Base Rent and Other Monies paid Upon Execution:**

(a) Base Rent: $ 1,125.00 for the period May 1, 2013 through May 31, 2013.

(b) Common Area Operating Expenses: $ *does not apply for the period *does not apply.

(c) Security Deposit: $ 1,200.00 ("**Security Deposit**"). (See also Paragraph 5.)

(d) Other: $75.00 per month for monthly water/sewer fees (see Exhibit C, Item #4).

(e) Other: $35.00 for credit report.

(f) Total Due Upon Execution of this Lease: $ 2,435.00 (payment must be in certified funds).

1.8 **Agreed Use:** shipping and receiving of cigars and for no other purpose or use. See Exhibit H. (See also Paragraph 6.)

1.9 **Insuring Party:** Lessor is the "**Insuring Party**". (See also Paragraph 8.)

1.10 **Real Estate Brokers:** (See also Paragraph 5).

(a) **Representation:** The following real estate brokers (the "**Brokers**") and brokerage relationships exist in this transition (check applicable boxes):

θ (Not applicable) represents Lessor exclusively ("**Lessor's Broker**");

θ (Not applicable) represents Lessee exclusively ("**Lessee's Broker**"); or

θ (Not applicable) represents both Lessor and Lessee ("**Dual Agency**").

(b) **Payment to Brokers:** Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Brokers the brokerage fee agreed to in a separate written agreement (or if there is no such agreement, the sum of (N/A) or _____% of the total Base Rent for the brokerage services rendered by the Brokers).

1.11 **Guarantor.** The obligations of the Lessee under this Lease are to be guaranteed by (Lessee by signing is acting as a Guarantor) (see Exhibits J and J.1) ("**Guarantor**"). (See also Paragraph 37.)

1.12 **Addenda and Exhibits:** Attached hereto is an Addendum or Addenda consisting of Paragraphs ----- through ----- and Exhibits A through N, all of which constitute a part of this lease.

2. **Premises.**

2.1 **Letting.** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of size set forth in this Lease, or that may have been used in calculating Rent, is an approximation which the Parties agree is reasonable and any payments based thereon are not subject to revision whether or not the actual size is more or less.

2.2 **Condition.** Lessor shall deliver that portion of the Premises contained within the Building ("**Unit**") to Lessee broom clean and free of debris on the Commencement Date or the Early Possession Date, whichever first occurs ("**Start Date**"), and, so long as the required service contracts described in Paragraph 7.1(b) below are obtained by Lessee and in effect within thirty days following the Start Date, warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems ("**HVAC**"), loading doors, if any, and all other such elements in the Unit, other than those constructed by Lessee, shall be in good operating condition on said date and that the structural elements of the roof, bearing walls and foundation of the Unit shall be free of material defects. If a non-compliance with such warranty exists as of the Start Date, or if one of such systems or elements should malfunction or fail within the appropriate warranty period, Lessor shall, as Lessor's sole obligation with respect to such matter, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, malfunction or failure, rectify same at Lessor's expense. The warranty periods shall be as follows: (i) 6 months as to the HVAC systems, and (ii) 30 days as to the remaining systems and other elements of the Unit. If Lessee does not give Lessor the required notice within the appropriate warranty period, correction of any such non-compliance, malfunction or failure shall be the obligation of Lessee at Lessee's sole cost and expense (except for the repairs to the fire sprinkler systems, roof, foundations, and/or bearing walls—see Paragraph 7).

2.3 **Compliance.** Lessor warrants that the Improvements on the Premises and the Common Areas comply with the building codes that were in effect at the time that each such Improvement, or portion thereof and also with all applicable laws, covenants or restrictions of record, regulations, and ordinances in effect on the Start Date ("**Applicable Requirements**"). Said warranty does not apply to the use of which Lessee will put the Premises or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a).) made or to be made by Lessee. **NOTE: Lessee is responsible for determining whether or not the zoning is appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed.** If the Premises do not comply with said warranty; Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within 6 months following the Start Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense. If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Unit, Premises and/or Building, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Unit, Premises and/or Building ("**Capital Expenditure**"), Lessor and Lessee shall allocate the cost of such work as follows:

(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof, provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease and the cost thereof exceeds 6 months' Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within 10 days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and the amount equal to 6 months' Base

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Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least 90 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor and Lessee shall allocate the obligation to pay for the portion of such costs reasonably attributable to the Premises pursuant to the formula set out in Paragraph 7.1(d); provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with Interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor.

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to non-voluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall be fully responsible for the cost thereof, and Lessee shall not have any right to terminate this Lease.

2.4 **Acknowledgements.** Lessee acknowledges that: (a) it has been advised by Lessor and/or Brokers to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler Systems, security, environmental aspects, and compliance with Applicable Requirements and the Americans with Disabilities Act), and their suitability for Lessee's intended use, (b) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefore as the same relate to its occupancy of the Premises, and (c) neither Lessor, Lessor's Agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (ii) it is Lessor's solo responsibility to investigate the financial capability and/or suitability of all proposed tenants. (See Exhibit D)

2.5 **Lessee as Prior Owner/Occupant.** The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the Start Date Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.

2.6 **Vehicle Parking.** Lessee shall be entitled to use the number of Unreserved Parking Spaces and Reserved Parking Spaces specified in Paragraph 1.2(b) on those portions of the Common Areas designated from time to time by Lessor for parking. Lessee shall not use more parking spaces than said number. Said parking spaces shall be used for parking by vehicles no larger than full-size passenger automobiles or pick-up trucks, herein called **"Permitted Size Vehicles."** Lessor may regulate the loading and unloading of vehicles by adopting Rules and Regulations as provided in Paragraph 2.9. No vehicles other than Permitted Size Vehicles may be parked in the Common Area without the prior written permission of Lessor.

(a) Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, contractors or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.

(b) Lessee shall not service or store any vehicles in the Common Areas.

(c) If Lessee permits or allows any of the prohibited activities described in this Paragraph 2.6, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.7 **Common Areas—Definition.** The term **"Common Areas"** is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Project and interior utility raceways and installations within the Unit that are provided and designated by the Lessor from time to time for the general non-exclusive use of Lessor, Lessee and other tenants of the Project and their respective employees, suppliers, shippers, customers, contractors and invitees, including parking areas, loading and unloading areas, trash areas, roadways, walkways, driveways and landscaped areas.

2.8 **Common Areas—Lessee's Rights.** Lessor grants to Lessee, for the benefit of Lessee and its employees, suppliers, shippers, contractors, customers and invitees, during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Lessor under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Project. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Lessor or Lessor's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.9 **Common Areas—Rules and Regulations.** Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to establish, modify, amend and enforce reasonable rules and regulations **("Rules and Regulations")** for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Project and their invitees. Lessee agrees to abide by and conform to all such Rules and Regulations, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessor shall not be responsible to Lessee for the non-compliance with said Rules and Regulations by other tenants of the Project.

2.10 **Common Areas—Changes.** Lessor shall have the right, in Lessor's sole discretion, from time to time:

(a) To make changes to the Common Areas, including, without limitation, changes in the location, size, shape and number of driveways, entrances, parking spaces, Parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways;

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;

(c) To designate other land outside the boundaries of the Project to be a part of the Common Areas;

(d) To add additional buildings and improvements to the Common Areas;

(e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Project, or any portion thereof; and

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Project as Lessor may, in the exercise of sound business judgment, deem to be appropriate.

3. **Term.**

3.1 **Term.** The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3. (see Exhibit C #2)

3.2 **Early Possession.** If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early possession. All other terms of this Lease (including but not limited to the obligations to pay Lessee's Share of Common Area Operating Expenses, Real Property taxes and insurance premiums and to maintain the Premises) shall, however, be in effect during such period. Any such early possession shall not affect the Expiration Date. (See Exhibit C # 1)

3.3 **Delay In Possession.** Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession as agreed, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until it receives possession of the Premises. If possession is not delivered within 60 days after the Commencement Date, Lessee may, at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor

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within said 10 day period, Lessee's right to cancel shall terminate. Except as otherwise provided, if possession is not tendered to Lessee by the Start Date and Lessee does not terminate this Lease, as aforesaid, any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession of the Premises is not delivered within 4 months after the Commencement Date, this Lease shall terminate, unless other agreements are reached between Lessor and Lessee, in writing. (See Exhibit C #12)

3.4 **Lessee Compliance.** Lessor shall not be required to tender possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of Insurance (Paragraph 8.5). Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.

4. **Rent.**

4.1 **Rent Defined.** All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit) are deemed to be rent (**"Rent"**).

4.2 **Common Area Operating Expenses.** INTENTIONALLY DELETED

(a) **"Common Area operating Expenses"** are defined, for purposes of this Lease, as all costs incurred by Lessor relating to the ownership and operation of the Project, including, but not limited to, the following:

(i) The operation, repair and maintenance, in neat, clean, good order and condition, but not the replacement (see subparagraph (e)), of the following:

(aa) The Common Areas and Common Area improvements, including parking areas, loading and unloading areas, trash areas, roadways, parkways, walkways, driveways. landscaped areas, bumpers, irrigation systems, Common Area lighting facilities, fences and gates, elevators, roots, and roof drainage systems.

(bb) Exterior signs and any tenant directories.

(cc) Any fire sprinkler systems.

(ii) The cost of water, gas, electricity and telephone to service the Common Areas and any utilities not separately metered.

(iii) Trash disposal, pest control services, property management, security services, and the costs of any environmental inspections.

(iv) Reserves set aside for maintenance and repair of Common Areas.

(v) Any increase above the Base Real Property Taxes (as defined in Paragraph 10).

(vi) Any "Insurance Cost Increase" (as defined in Paragraph 8).

(vii) Any deductible portion of an insured loss concerning the Building or the Common Areas.

(viii) The cost of any Capital Expenditure to the Building or the Project not covered under the provisions of Paragraph 2.3 provided; however, that Lessor shall allocate the cost of any such Capital Expenditure over a 12 year period and Lessee shall not be required to pay more than Lessee's Share of 1/144th of the cost of such Capital Expenditure in any given month.

(ix) Any other services to be provided by Lessor that are stated elsewhere in this Lease to be a Common Area Operating Expense.

(b) Any Common Area Operating Expenses and Real Property Taxes that are specifically attributable to the Unit, the Building or to any other building in the Project or to the operation, repair and maintenance thereof, shall be allocated entirely to such Unit, Building, or other building. However, any Common Area Operating Expenses and Real Property Taxes, that are not specifically attributable to the Building or to any other building or to the operation, repair and maintenance thereof, shall be equitably allocated by Lessor to all buildings in the Project. (See Exhibit C, Items 3 & 4.)

(c) The inclusion of the improvements, facilities and services set forth in Subparagraph 4.2(a) shall not be deemed to impose an obligation upon Lessor to either have said improvements or facilities or to provide those services unless the Project already has the same, Lessor already provides the services, or Lessor has agreed elsewhere in this Lease to provide the same or some of them.

(d) INTENTIONALLY DELETED

(e) When a capital component such as the roof, foundations, exterior walls or a Common Area capital improvement, such as the parking lot paving, elevators, fences, etc. requires replacement, rather than repair or maintenance, Lessor shall, at Lessor's expense, be responsible for such replacement. Such expenses and/or costs are not Common Area Operating Expenses.

4.3 **Payment.** Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States, without offset or deduction (except as specifically permitted in this Lease), on or before the day on which it is due. Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a Waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating. In the event that any check, draft, or other instrument of payment given by Lessee to Lessor is dishonored for any reason, Lessee agrees to pay to Lessor the sum of $25.

5. **Security Deposit.** Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease. Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of the Security Deposit, Lessee shall within 10 days after written request therefor deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sub lessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, In Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within 14 days after the expiration or termination of this Lease, if Lessor elects to apply the Security Deposit only to unpaid Rent, and otherwise within 30 days after the Premises have been vacated pursuant to Paragraph 7.4(c) below, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease.

6. **Use.**

6.1 **Use.** Lessee shall use and occupy the Premises only for the Agreed Use and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties. (See Exhibit C, Item 5.)

6.2 **Hazardous Substances,**

(a) **Reportable Uses Require Consent.** The term **"Hazardous Substance"** as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either; (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, by-products or fractions thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee's expense) with all Applicable Requirements. **"Reportable Use"** shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority,

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and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability; including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit.

(b) **Duty to Inform Lessor.** If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(c) **Lessee Remediation.** Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) **Lessee Indemnification.** Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, or any Third party (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from areas outside of the Project). Lessee's obligations shall Include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

(e) **Lessor Indemnification.** Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders; harmless from and against any and all environmental damages, including the cost of remediation, which existed as a result of Hazardous Substances on the Premises prior to the Start Date or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

(f) **Investigations and Remediations.** Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to the Start Date, unless such remediation measure is required as a result of Lessee's use (including "Alterations," as defined in Paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessor's investigative and remedial responsibilities.

(g) **Lessor Termination Option.** If a Hazardous Substance Condition (see Paragraph 9.1(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and affect, or (ii) if the estimated cost to remediate such condition exceeds 12 times the then monthly Base Rent or $100,000, whichever is greater, give written notice to Lessee, within 30 days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within 10 days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to 12 times the then monthly Base Rent or $100.000, whichever is greater. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation, as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

6.3 **Lessee's Compliance with Applicable Requirements.** Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the Premises, without regard to whether said requirements are now in effect or become effective after the Start Date. Lessee shall, within 10 days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements.

6.4 **Inspection Compliance.** Lessor and Lessor's **"Lender"** (as defined in Paragraph 30) and consultants shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a contamination is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination.

7. **Maintenance; Repairs, Utility Installations; Trade Fixtures and Alterations.**

7.1 **Lessee's Obligations.**

(a) **In General.** Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance), 6.3 (Lessee's Compliance with Applicable Requirements), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole expense, keep the Premises, Utility Installations (intended for Lessee's exclusive use, no matter where located), and Alterations in good order, condition and repair (whether or not the portion of the Premises requiring repairs, or the means or repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, but not limited to, all equipment or facilities, such as plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fixtures, interior walls, interior surfaces of exterior walls, ceilings, floors, windows, doors, plate glass, and skylights but excluding any items which are the responsibility of Lessor pursuant to Paragraph 7.2. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Paragraph 7.1(b) below. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair. (See Exhibit C, Item 6.)

(b) **Service Contracts.** Lessee shall, at Lessee's sole expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in the maintenance of the following equipment and improvements, if any, if and when installed on the Premises: (I) HVAC equipment, (ii) boiler and pressure vessels, (iii) clarifiers, and (iv) any other equipment, if reasonably required by Lessor. However, Lessor reserves the right, upon notice to Lessee, to procure and maintain any or all of such service contracts, and if Lessor so elects, Lessee shall reimburse Lessor, upon demand, for the cost thereof.

(c) **Failure to Perform.** If Lessee fails to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after 10 days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required),

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perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, and Lessee shall promptly reimburse Lessor for the cost thereof.

(d) **Replacement.** Subject to Lessee's indemnification of Lessor as set forth in Paragraph 8.7 below, and without relieving Lessee of liability resulting from Lessee's failure to exercise and perform good maintenance practices, if an item described in Paragraph 7.1(b) cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such item, then such item shall be replaced by Lessor, and the cost thereof shall be prorated between the Parties and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease, on the date on which Base Rent is due, an amount equal to the product of multiplying the cost of such replacement by a fraction, the numerator of which is one, and the denominator of which is 144 (ie. 1/144th of the cost per month). Lessee shall pay interest on the unamortized balance at a rate that is commercially reasonable in the judgment of Lessor's accountants. Lessee may, however, prepay its obligation at any time.

7.2 **Lessor's Obligations.** Subject to the Provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 4.2 (Common Area Operating Expenses), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler system, Common Area fire alarm and/or smoke detection systems, fire hydrants, parking lots, walkways, parkways, driveways, landscaping, fences, signs and utility systems serving the Common Areas and all parts thereof, as well as providing the services for which there is a Common Area Operating Expense pursuant to Paragraph 4.2. Lessor shall not be obligated to paint the exterior or interior surfaces of exterior walls nor shall Lessor be obligated to maintain, repair or replace windows, doors or plate glass of the Premises. Lessee expressly waives the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease

7.3 **Utility Installations; Trade Fixtures; Alterations.**

(a) **Definitions.** The term **"Utility Installations"** refers to all floor and window coverings, air lines, power panels, electrical distribution, security and fire protection systems, communication systems, lighting fixtures, HVAC equipment, plumbing, and fencing in or on the Premises. The term **"Trade Fixtures"** shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term **"Alterations"** shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. **"Lessee Owned Alterations and/or Utility Installations"** are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a).

(b) **Consent.** Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, and the cumulative cost thereof during this Lease as extended does not exceed a sum equal to 3 month's Base Rent in the aggregate or a sum equal to one month's Base Rent in any one year. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor.

(c) **Indemnification.** Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or material men's lien against the Premises or any interest therein, Lessee shall give Lessor not less than 10 days notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to 150% of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys' fees and costs.

7.4 **Ownership; Removal; Surrender; and Restoration.**

(a) **Ownership.** Subject to Lessor's right to require removal or elect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

(b) **Removal.** By delivery to Lessee of written notice from Lessor not earlier than 90 and not later than 30 days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent.

(c) **Surrender; Restoration.** Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris, and in good operating order. condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing, if this Lease is for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures. Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall also completely remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Project) even if such removal would require Lessee to perform or pay for work that exceeds statutory requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below. (See Exhibit C, Item 7.)

8. Insurance Indemnity.

8.1 **Payment of Premium Increases.**

(a) As used herein, the term **"Insurance Cost Increase"** is defined as any increase in the actual cost of the insurance applicable to the Building and/or the Project and required to be carried by Lessor, pursuant to Paragraphs 8.2(b), 8.3(a) and 8.3(b) (**"Required Insurance"**), over and above the Base Premium, as hereinafter defined, calculated on an annual basis. Insurance Cost Increase shall include, but not be limited to, requirements of the holder of a mortgage or deed of trust covering the Premises, Building and/or Project, increased valuation of the Premises, Building and/or Project, and/or a general premium rate increase. The term Insurance Cost Increase shall not, however, include any premium increases resulting from the nature of the occupancy of any other tenant of the Building. If the parties insert a dollar amount in Paragraph 1.9, such amount shall be considered the **"Base Premium."** The Base Premium shall be the annual premium applicable to the 12 month period immediately preceding the Start Date. If, however, the Project was not insured for the entirety of such 12 month period, then the Base Premium shall be the lowest annual premium reasonably obtainable for the Required Insurance as of the Start Date, assuming the most nominal use possible of the Building. In no event, however, shall Lessee be responsible for any portion of the premium cost attributable to liability insurance coverage in excess of $2,000,000 procured under Paragraph 8.2(b).

(b) INTENTIONALLY DELETED

8.2 **Liability Insurance.**

(a) **Carried by Lessee.** Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an

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occurrence basis providing single limit coverage in an amount not less than $1,000,000 per occurrence with an annual aggregate of not less than $2,000,000, an "Additional Insured-Managers or Lessor's of Premises Endorsement" and contain the "Amendment of the Pollution Exclusion Endorsement" for damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "Insured Contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance carried by Lessee shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only. (See Exhibit C, Item 8.)

(b) **Carried by Lessor.** Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 **Property Insurance – Building, Improvements and Rental Value.**

(a) **Building and Improvements.** Lessor shall obtain and keep in force a policy or policies of insurance in the name of Lessor, with loss Payable to Lessor, any ground-lessor, and to any Lender insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full replacement cost of the Premises, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available insurable value thereof. Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee under Paragraph 8.4. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed $1,000 per occurrence.

(b) **Rental Value.** Lessor shall also obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one year with an extended period of indemnity for an additional 180 days ("Rental Value Insurance"). Said insurance shall contain an agreed valuation provision, in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next 12 month perio d.

(c) **Adjacent Premises.** Lessee shall pay for any increase in the premiums for the property insurance of the Building and for the Common Areas or other buildings in the Project if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(d) **Lessee's Improvements.** Since Lessor is the Insuring Party, Lessor shall not be required to insure Lessee Owned Alterations and Utility Installations unless the item in question has become the property of Lessor under the terms of this Lease.

8.4 **Lessee's Property; Business Interruption Insurance.**

(a) **Property Damage.** Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures, and Lessee Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed $1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of Personal Property, Trade Fixtures and Lessee Owned Alterations and Utility Installations. Lessee shall provide Lessor with written evidence that such insurance in force.

(b) **Business Interruption.** Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all Perils commonly insured against by prudent Lessee's in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

(c) **No Representation of Adequate Coverage.** Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.

8.5 **Insurance Policies.** Insurance required herein shall be by companies duty licensed or admitted to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B+, V, as set forth in the most current issue of "Best's Insurance Guide," or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required Insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates evidencing the existence and amounts of the required Insurance. No such policy shall be cancelable or subject to modification except after 30 days prior written notice to Lessor. Lessee shall, at least 30 days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same.

8.6 **Waiver of Subrogation.** Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of Insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation, that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 **Indemnity.** Except for Lessor's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified.

8.8 **Exemption of Lessor from Liability.** Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the Building, or from other sources or places. Lessor shall not be liable for any damages arising from any act or neglect of any other tenant of Lessor nor from the failure of Lessor to enforce the provisions of any other lease in the Project. Notwithstanding Lessor's negligence or breach of this Lease, Lessor shall under no circumstances be liable for injury to Lessee's business or for any loss of income or profit there from.

9. **Damage or Destruction.**

9.1 Definitions.

(a) **"Premises Partial Damage"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which can reasonably be repaired in 3 months or less from the date of the damage or destruction, and the cost thereof does not exceed a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(b) **"Premises Total Destruction"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility installations and Trade Fixtures, which cannot reasonably be repaired in 3 months or less from the date of the damage or destruction and/or the cost thereof exceeds a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) **"Insured Loss"** shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

(d) **"Replacement Cost"** shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

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(e) **"Hazardous Substance Condition"** shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises.

9.2 **Partial Damage – Insured Loss.** If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force end effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is $5,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said 10 day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 **Partial Damage – Uninsured Loss.** If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective 60 days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 **Total Destruction.** Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate 60 days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6

9.5 **Damage Near End of Term.** If at any time during the last 6 months of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective 60 days following the date of occurrence of such damage by giving a written termination notice to Lessee within 30 days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is 10 days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished.

9.6 **Abatement of Rent; Lessee's Remedies.**

(a) **Abatement.** In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from the Rental Value Insurance. All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) **Remedies.** If Lessor shall be obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within 90 days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than 60 days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within 30 days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such 30 days, this Lease shall continue in full force and effect. "Commence" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 **Termination; Advance Payments.** Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

9.8 **Waive Statutes.** Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith.

10. Real Property Taxes.

10.1 **Definitions.**

(a) **"Real Property Taxes."** As used herein, the term **"Real Property Taxes"** shall include a form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Project, Lessor's right to other income there from, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Project address and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Project is located. The term "Real Property Taxes" shall also include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Project or any portion thereof or a change in the improvements thereon.

(b) **"Base Real Property Taxes."** As used herein, the term **"Base Real Property Taxes"** shall be the amount of Real Property Taxes, which are assessed against the Premises, Building, Project or Common Areas in the calendar year during which the Lease is executed. In calculating Real Property Taxes for any calendar year, the Real Property Taxes for any real estate tax year shall be included in the calculation of Real Property Taxes for such calendar year based upon the number of days which such calendar year and tax year have in common.

10.2 **Payment of Taxes.** Lessor shall pay the Real Property Taxes applicable to the Project, and except as otherwise provided in Paragraph 10.3, any increases in such amounts over the Base Real Property Taxes shall be included in the calculation of Common Area Operating Expenses in accordance with the provisions of Paragraph 4.2.

10.3 **Additional Improvements.** Common Area Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Project by other Lessee's or by Lessor for the exclusive enjoyment of such other lessees. Notwithstanding Paragraph 10.2 hereof, Lessee shall, however, pay to Lessor at the time Common Area Operating Expenses are payable under Paragraph 4.2, the entirety of any increase in Real Property Taxes if assessed solely by reason of Alterations, Trade Fixtures or Utility Installations placed upon the Premises by Lessee or at Lessee's request.

10.4 **Joint Assessment.** If the Building is not separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion

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to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.5 **Personal Property Taxes.** Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within 10 days after receipt of a written statement getting forth the taxes applicable to Lessee's property.

11. **Utilities.** Lessee shall pay for all water, gas, heat, light, power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. Notwithstanding the provisions of Paragraph 4.2, if at any time in Lessor's sole judgment, Lessor determines that Lessee is using a disproportionate amount of water, electricity or other commonly metered utilities, or that Lessee is generating such a large volume of trash as to require an increase in the size of the dumpster and/or an increase in the number of times per month that the dumpster is emptied, then Lessor may increase Lessee's Base Rent by an amount equal to such increased costs.

12. **Assignment and Subletting.** (see Exhibit C #9)

12.1 **Lessor's Consent Required.**

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, **"assign or assignment"**) or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent.

(b) A change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of 25% or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than 25% of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. **"Net Worth of Lessee"** shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.

(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a noncurable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, (i) the Purchase Price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to 110% of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

12.2 **Terms and Conditions Applicable to Assignment and Subletting.**

(a) Regardless of Lessor's consent, any assignment or subletting shall not: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) after the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefore to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of $1,000 or 10% of the current monthly Base Rent applicable to the portion of the Premises which is the subject of the proposed assignment or sublease, whichever is greater, as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested.

(f) Any assignee of, or sublessee under, this lease shall, by reason of accepting such assignment or entering into such sublease, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

12.3 **Additional Terms and Conditions Applicable to Subletting.** The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. **Default; Breach; Remedies.**

13.1 **Default; Breach.** A **"Default"** is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A **"Breach"** is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

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(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or Property, where such failure continues for a period of 3 business days following written notice to Lessee.

(c) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 41 (easements), or (viii) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Lessee.

(d) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 2.9 hereof, other than those described in subparagraphs 13.1(a), (b) or (c), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

(e) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a **"debtor"** as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(f) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.

(g) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 **Remedies.** If Lessee fails to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. The costs and expenses of any such performance by Lessor shall be due and payable by Lessee upon receipt of invoice therefor. If any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor, at its option, may require all future payments to be made by Lessee to be by cashier's check. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result there from, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover damages under Paragraph 12. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 **Inducement Recapture.** Any agreement for free or abated rent or other charges, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as **"Inducement Provisions,"** shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and condition, of this Lease. Upon Breach of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance. (See Exhibit C #16)

13.4 **Late Charges.** Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within 5 days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a one-time late charge equal to 10% of each such overdue amount or $100, whichever is greater. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment, acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for 3 consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 **Interest.** Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due as to scheduled payments (such as Base Rent) or within 30 days following the date on which it was due for non-scheduled payment,

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shall bear interest from the date when due, as to scheduled payments, or the 31st day after it was due as to non-scheduled payments. The interest ("**Interest**") charged shall be equal to the prime rate reported in the Wall Street Journal as published closest prior to the date when due plus 4%, but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 **Breach by Lessor.**

(a) **Notice of Breach.** Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than 30 days after receipt by Lessor, and any Lender whose name and address shall have been furnished Lessee in writing for such Purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than 30 days are reasonably required for its Performance, then Lessor shall not be in breach of Performance is commenced within such 30 day period and thereafter diligently pursued to completion.

(b) **Performance by Lessee on Behalf of Lessor.** In the event that neither Lessor nor Lender cures said breach within 30 days after receipt of said notice, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from Rent an amount equal to the greater of one Base Rent of the Security Deposit, and to pay an excess of such expense under protest, reserving Lessee's right to reimbursement from Lessor. Lessee shall document the cost of said cure and supply said documentation to Lessor.

14. **Condemnation.** If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively "**Condemnation**") this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs first. If more than 10% of the floor area of the Unit, or more then 25% of Lessee's Reserved Parking Spaces, is taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within 10 days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within 10 days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided however, that Lessee shall be entitled to any compensation for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefore. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation.

15. **Brokerage Fees.** (see Exhibit C #10)

15.1 **Additional Commission.** In addition to the payments owed pursuant to Paragraph 1.10 above, and unless Lessor and the Brokers Otherwise agree in writing, Lessor agrees that: (a) if Lessee exercises any Option, (b) if Lessee acquires from Lessor any rights to the Premises or other premises owned by Lessor and located within the Project, (c) if Lessee remains in Possession of the Premises, with the consent of Lessor, after the expiration of this Lease or (d) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then, Lessor shall pay Brokers a fee in accordance with the schedule of the Brokers in effect at the time of the execution of this Lease.

15.2 **Assumption of Obligations.** Any buyer or transferee of Lessor's interest in this Lease shall be deemed to have assumed Lessor's obligation hereunder. Brokers shall be third party beneficiaries of the provisions of Paragraphs 1.10, 15, 22 and 31. If Lessor fails to pay to Brokers any amounts due as and for brokerage fees pertaining to this Lease when due, then such amounts shall accrue Interest. In addition, if Lessor fails to pay any amounts to Lessee's Broker when due, Lessee's Broker may send written notice to Lessor and Lessee of such failure and if Lessor fails to pay such amounts within 10 days after said notice, Lessee shall pay said monies to its Broker and offset such amounts against Rent. In addition, Lessee's Broker shall be deemed to be a third party beneficiary of any commission agreement entered into by and/or between Lessor and Lessor's Broker for the limited purpose of collecting any brokerage fee owed.

15.3 **Representations and Indemnities of Broker Relationships.** Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any) in connection with this Lease, and that no one other than said named Brokers is entitled to any commission or finder's fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

16. **Estoppel Certificates.**

(a) Each Party (as "**Responding Party**") shall within 10 days after written notice from the other Party (the "**Requesting Party**") execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current "**Estoppel Certificate**" form published by the American Industrial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

(b) It the Responding Party shall fail to execute or deliver the Estoppel Certificate within such 10 day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance. Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate.

(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past 3 years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. **Definition of Lessor.** The term "**Lessor**" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Except as provided in Paragraph 15, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined. Notwithstanding the above, and subject to the provisions of Paragraph 20 below, the original Lessor under this Lease, and all subsequent holders of the Lessor's interest in this Lease shall remain liable and responsible with regard to the potential duties and liabilities of Lessor pertaining to Hazardous Substances as outlined in Paragraph 6.2 above.

18. **Severability.** The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. **Days.** Unless otherwise specifically indicated to the contrary, the word "**days**" as used in this Lease shall mean and refer to calendar days.

20. **Limitation on Liability.** Subject to the provisions of Paragraph 17 above, the obligations of Lessor under this Lease shall not constitute personal obligations of Lessor, the individual partners of Lessor or its or their individual partners, directors, officers or shareholders, and Lessee shall look to the Premises, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with respect to this Lease, and shall not seek recourse against the individual partners of Lessor, or its or their individual partners, directors, officers or shareholders, or any of their personal assets for such satisfaction.

21. **Time of Essence.** Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

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22. **No Prior or Other Agreements; Broker Disclaimer.** This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the use, nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees), of any Broker with respect to negotiation, execution, delivery or performance by either Lessor or Lessee under this Lease or any amendment or modification hereto shall be limited to an amount up to the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

23. **Notices.**

23.1 **Notice Requirements.** All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may, by written notice to the other, specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing.

23.2 **Date of Notice.** Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery dale is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 48 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices transmitted by facsimile transmission or similar means shall be deemed delivered upon telephone confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

24. **Waivers.** No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of monies or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

25. **Disclosures Regarding The Nature of a Real Estate Agency Relationship.**

(a) When entering into a discussion with a real estate agent regarding a real estate transaction, a Lessor or Lessee should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Lessor and Lessee acknowledge being advised by the Brokers in this transaction, as follows:

(i) Lessor's Agent. A Lessor's agent under a listing agreement with the Lessor acts as the agent for the Lessor only. A Lessor's agent or subagent has the following affirmative obligations: To the Lessor: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessor. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(ii) Lessee's Agent. An agent can agree to act as agent for the Lessee only. In these situations, the agent is not the Lessor's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Lessor. An agent acting only for a Lessee has the following affirmative obligations. To the Lessee: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessee. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that not known to, or within the diligent attention and observation of the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not Involve the affirmative duties set forth above.

(iii) Agent Representing Both Lessor and Lessee. A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Lessor and the Lessee in a transaction, but only with the knowledge and consent of both the Lessor and the Lessee. In a dual agency situation, the agent has the following affirmative obligations to both the Lessor and the Lessee: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Lessor or the Lessee. b. Other duties to the Lessor and the Lessee as stated above in subparagraphs (i) or (ii). In representing both Lessor and Lessee, the agent may not without the express permission of the respective Party, disclose to the other Party that the Lessor will accept rent in an amount less than that indicated in the listing or that the Lessee is willing to pay a higher rent than that offered. The above duties of the agent in a real estate transaction do not relieve a Lessor or Lessee from the responsibility to protect their own interests. Lessor and Lessee should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

(b) Brokers have no responsibility with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees), of any Broker with respect to any breach of duty, error or omission relating to this Lease shall not exceed the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

(c) Buyer and Seller agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

26. **No Right To Holdover.** Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 150% of the Base Rent applicable immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

27. **Cumulative Remedies.** No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. **Covenants and Conditions; Construction of Agreement.** All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

29. **Binding Effect; Choice of Law.** This Lease shall be binding upon the parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. **Subordination; Attornment; Non-Disturbance.**

30.1 **Subordination.** This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, **"Security Device"**), now or hereafter placed upon the Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as **"Lender"**) shall have no liability or obligation to perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted

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hereby superior to the lien of its Security Device by giving written notice thereof to Lessee, whereupon this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 **Attornment.** Subject to the non-disturbance provisions of Paragraph 30.3, Lessee agrees to attorn to a Lender or any other party who acquires ownership of the Premises by reason of a foreclosure of a Security Device, and that in the event of such foreclosure, such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (b) be subject to any offsets or defenses which Lessee might have against any prior lessor, (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor.

30.3 **Non-Disturbance.** With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a **"Non-Disturbance Agreement"**) from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within 60 days after the execution of this Lease, Lessor shall use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to provide the Non-Disturbance Agreement within said 60 days, then Lessee may, at Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 **Self-Executing.** The agreements contained in this Paragraph 30 shall be affective without the execution or any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

31. **Attorneys' Fees.** If any Party or Broker brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, **"Prevailing Party"** shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgement, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach ($200 is a reasonable minimum per occurrence for such services and consultation). (see Exhibit C #15)

32. **Lessor's Access; Showing Premises; Repairs.** Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times for the purpose of showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary. All such activities shall be without abatement of rent or liability to Lessee. Lessor may at any time place on the Premises any Ordinary **"For Sale"** signs and Lessor may during the last 6 months of the term hereof place on the Premises any ordinary **"For Lease"** signs. Lessee may at any time place on the Premises any ordinary **"For Sublease"** sign.

33. **Auctions.** Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessor's prior written consent. Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

34. **Signs.** Except for ordinary "For Sublease" signs which may be placed only on the Premises, Lessee shall not place any sign upon the Project without Lessor's prior written consent. All signs must comply with all Applicable Requirements. (see Exhibit G)

35. **Termination; Merger.** Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subtenancies. Lessor's failure within 10 days following any such event to elect to the contrary by written notice to the holder of any such lesser interest shall constitute Lessor's election to have such event constitute the termination of such interest.

36. **Consents.** Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an Invoice and supporting documentation therefor. Lessor's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within 10 business days following such request.

37. **Guarantor.**

37.1 **Execution.** The Guarantors, if any, shall each execute a guaranty in the form most recently published by the American Industrial Real Estate Association, and each such Guarantor shall have the same obligations as Lessee under this Lease.

37.2 **Default.** It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantors behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect.

38. **Quiet Possession.** Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. **Options.** If Lessee is granted an option, as defined below, then the following provisions shall apply. (see Exhibit L, if any)

39.1 **Definition. "Option"** shall mean: (a) the right to extend the term of or renew this Lease or to extend or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Promises or other property of Lessor; (c) the right to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 **Options Personal To Original Lessee.** Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting.

39.3 **Multiple Options.** In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised

39.4 **Effect of Default on Options.**

(a) Lessee shall have no right to exercise an Option; (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), (ii) Lessor gives to Lessee 3 or

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more notices of separate Default during any 12 month period, whether or not the Defaults are cured, or (iii) if Lessee commits a Breach of this Lease.

40. **Security Measures.** Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

41. **Reservations.** Lessor reserves the right, (i) to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, (ii) to cause the recordation of parcel maps and restrictions, and (iii) to create and/or install new utility raceways, so long as such easements, rights dedications, maps, restrictions, and utility raceways do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate such rights.

42. **Performance Under Protest.** If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make Payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay.

43. **Authority.** If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duty authorized to execute and deliver this Lease an its behalf. Each party shall, within 30 days after request, deliver to the other party satisfactory evidence of such authority.

44. **Conflict.** Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions. (see Exhibit C #13)

45. **Offer.** Preparation of this Lease by either party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

46. **Amendments.** This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

47. **Multiple Parties.** If more than one person or entity is named herein as either Lessor or Lessee, such multiple Parties shall have joint and several responsibility to comply with the terms of this Lease.

48. **Waiver of Jury Trial.** The Parties hereby waive their respective rights to trial by jury in any action or proceeding involving the Property or arising out of this Agreement.

49. **Mediation and Arbitration of Disputes.** An Addendum requiring the Mediation and/or the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease is not attached to this Lease.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL, AND TAX CONSEQUENCES OF THIS LEASE.
2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

WARNING: IF THE PREMISES ARE LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES ARE LOCATED.

The parties hereto have executed this lease at the place and on the dates specified above their respective signatures.

Executed at: Solana Beach, CA
on: April 17, 2013

By LESSOR:
Strauss Family Trust UDT 6/5/93 dba: M.C. Strauss Company

By: _____
Name Printed: M.C. Strauss
Title: TTEE

Address: 990 Highland Drive #200, Solana Beach, CA 92075
Telephone: (858) 792-7500; Fax: 858-792-7834

Executed at: _____
on: _____

By LESSEE:
Stephen Adib, an individual, dba: Cuba Rica, Inc.

By: _____
Name Printed: Stephen Adib
Title: _____
Address: _____

Telephone/Fax: ( ) _____
SocSec#: _____

These forms are often modified to meet changing requirements of law and needs of the industry. Always write or call to make sure you are utilizing the most current form: American Industrial Real Estate Association, 700 South Flower Street, Suite 600, Los Angeles, CA 90017. (213) 687-8777.

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TENANTS SHALL FURNISH:

1. Its personal and corporate (if applicable) financial statements.
2. Completed Landlord furnished credit information forms.
3. Letter of reference from Tenant's bank.
4. If a corporation, its duly Authorized Corporate Resolution notifying the Lease. (SEE Exhibit C Item #11)

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EXHIBIT A

LEGAL DESCRIPTION & SITE PLAN

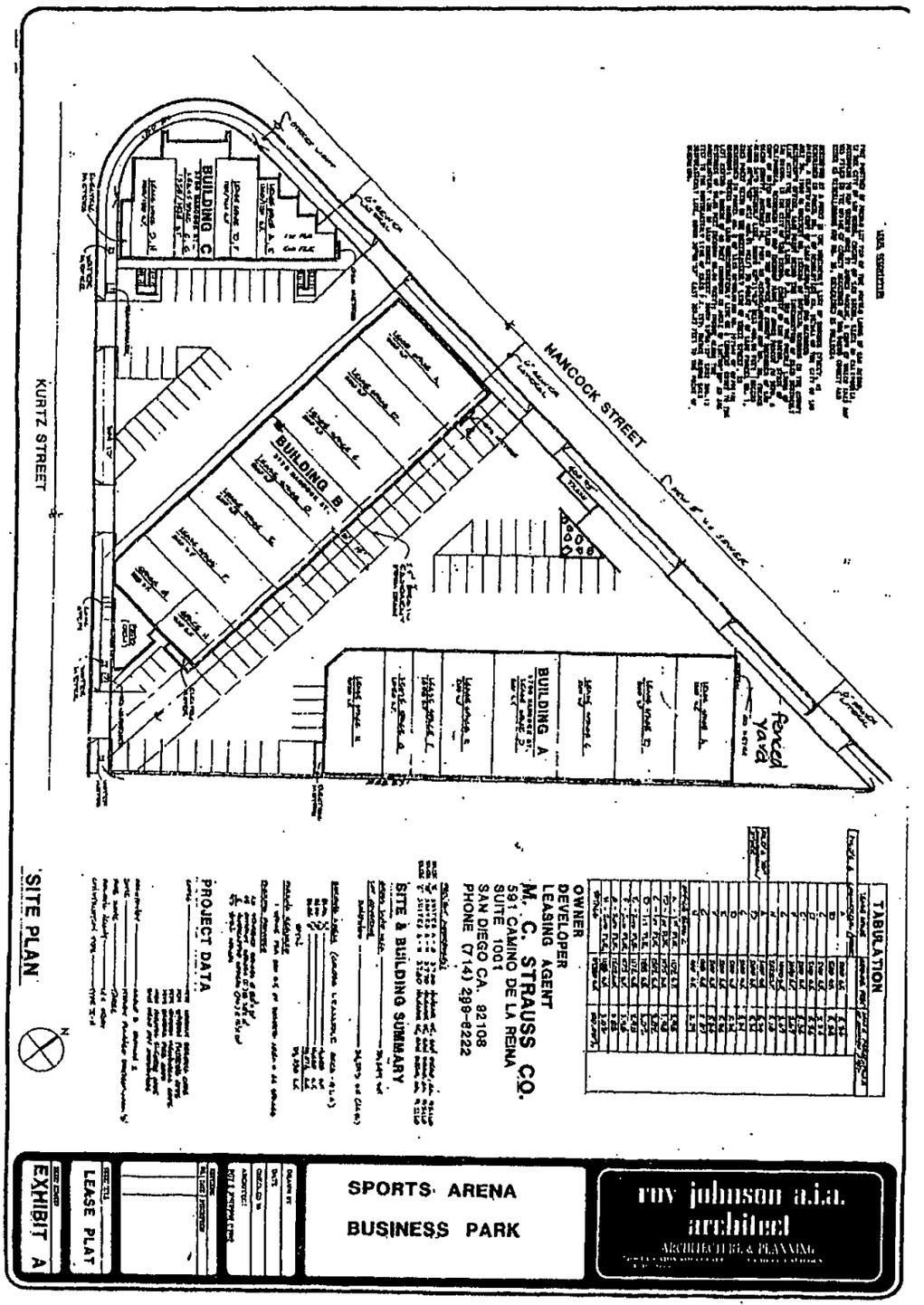


EXHIBIT A

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EXHIBIT A-1 TO LEASE (SUBLEASE)
MINIMUM STANDARD SUBLEASE CONDITIONS

(1) ASSIGNMENT AND SUBLEASING: Sublessee, shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and the City of San Diego, hereinafter, "City." An assignment by operation of law shall automatically terminate this lease.

(2) HOLD HARMLESS: Sublessee shall assume the defense of, indemnify and save harmless Lessee and City from all claims, expenses and liability of every nature, directly or indirectly arising from, or alleged to have arisen from the operations conducted on the leased premises or from any act or omission of Sublessee, its agents and invitees.

(3) INSURANCE: Sublessee shall be insured by an insurance carrier acceptable to the Lessee and City against loss from public liability arising from the use or condition of or operation conducted on the leased premises. Minimum coverage shall be as set forth in Paragraph 16-B hereof. A copy of the policy of insurance shall be filed with the City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or canceled without 30 days prior written notice to the. City by the insurance company,

(4) LEGAL PROCEEDINGS: Should it become necessary to Lessee or City to commence legal Proceedings to collect rent, to recover possessions or enforce any other provision of this lease, Sublessee agrees that the prevailing party shall be entitled to all legal costs in connection therewith, including a reasonable sum as attorney's fees

(5) SUBORDINATION: This agreement is in effect a sublease of a portion of the premises covered by that certain Lease Agreement dated September 13, 1977, as amended between the sublessor herein and the City of San Diego- This sublease is subject and subordinated to the covenants and conditions of said Lease Agreement notwithstanding any provision hereto contrary to or in conflict with said agreement.

(6) The property is subject to a City of San Diego ground lease mentioned hereinabove and lies with in the recently formed North Bay Redevelopment Area, The property will be redeveloped sometime in the future- Accordingly, Landlord and or city at its sole option may terminate this lease at anytime after Dec 1, 2003 with 6 months notice in writing, and without invalidating or superceding any of the rights contained here in this Addendum of the lease or the city land lease agreements there under

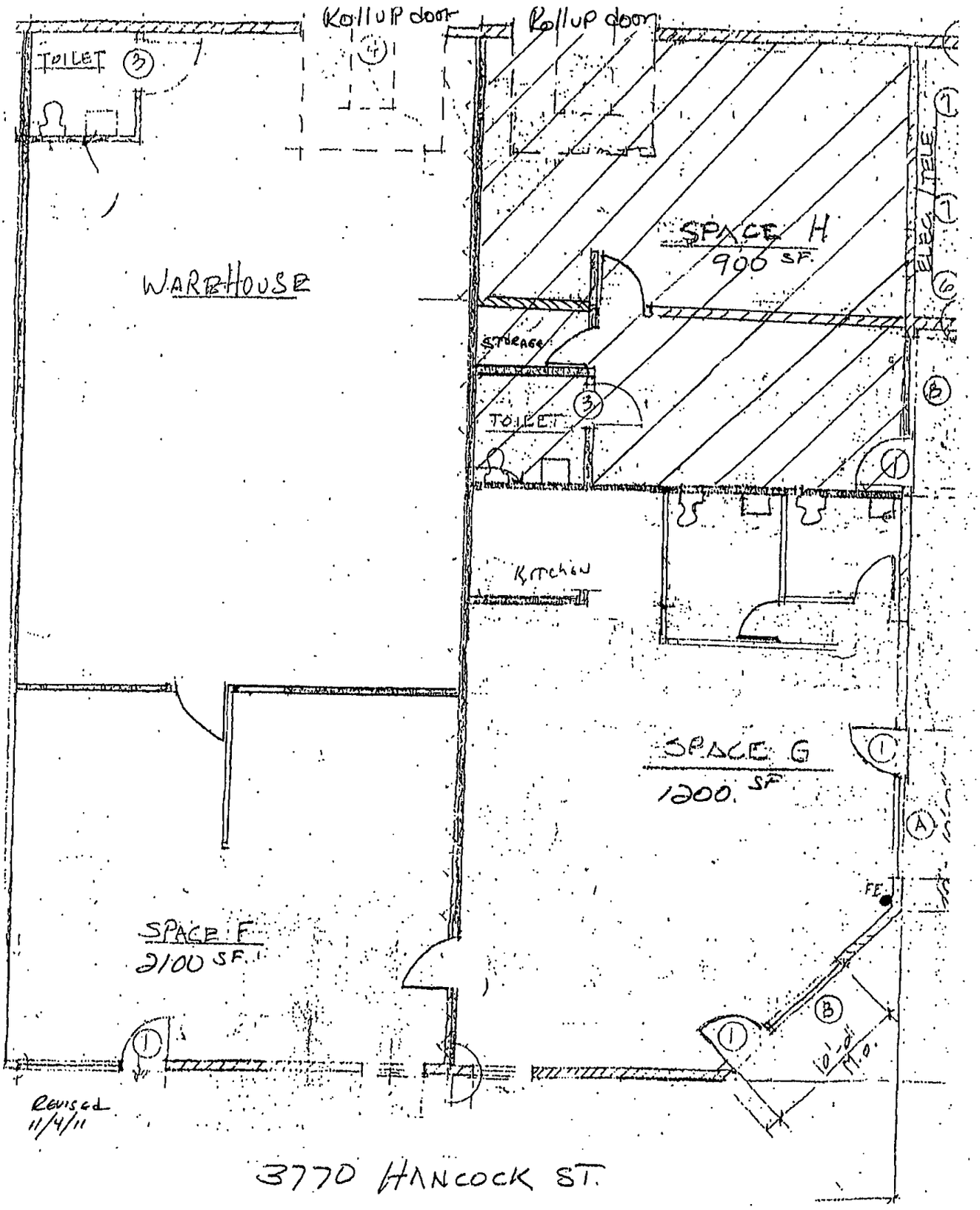
LESSOR'S INITIALS

LESSEE'S INITIALS

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EXHIBIT B

DEMISED PREMISES PLAN (IF AVAILABLE)



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Addendum to Commercial/Industrial Multi-Tenant Lease

1. Early Possession: With early move-in of Lessee, Lessee may not interfere with any tenant improvements needed to be done by Lessor. Additionally, M.C. Strauss Company is not responsible for loss, theft, or damage of any of Lessee's property should Lessee desire to move-in prior to commencement of Lease Term.

2. Term Adjustment: If the Commencement Date is other than the first day of a calendar month, the Term shall be deemed to have commenced on the first day of the next succeeding month.

3. Modified Common Area Operating Expenses: Lessor shall pay Tenant's portion of common area maintenance, taxes,and insurance.
   a. "Operating Costs" means all costs reasonably incurred by Lessor in accordance with generally accepted accounting principles, and fairly allocable to the applicable Calendar Year which relate to, or are fairly allocable to, the ownership and operation of the Common Areas. Lessor shall pay tenant's portion of common area maintenance, taxes and insurance.
   b. Periodic painting of the building exterior and common areas shall be included as a common area operating expense. If Lessor undertakes a program of preventive maintenance for the HVAC systems for all of the Tenants per Paragraph 7.1(b), the cost thereby shall be included as a common area expense.
   c. The common area definition shall also include lighting facilities, sewer, water, gas, electric, phone and other utility lines, storm drains, roads and approaches servicing the Center generally; and any other items that Lessor deems necessary and appropriate.
   d. Replacement costs, defined as that which cannot be repaired other than at a cost which is in excess of fifty percent (50%) of the cost of replacing such item, then such item shall be replaced and the cost prorated over sixty (60) months and Tenant shall pay one sixtieth (1/60) of the cost each month of the Lease term and extension thereto.

4. Utilities: Lessee shall pay before delinquency all charges for water, sewer, gas heat, electricity, power, telephone service and all and any other services or utilities used in, upon or about the Demised Premises by Lessee or any of its subtenants, licensees or concessionaries, provided, however, if any such services or utilities shall be billed to Lessor and not separately metered to the Demised Premises the mount thereof shall be prorated and Lessee shall pay to Lessor upon demand as additional rental hereunder an amount equal to that proportion of the total charges therefore which the number of square feet of Gross Floor Area in the Demised Premises bears to the total number of square feet of gross floor area of stores then rented as of the date of the utility bill served in the area and/or buildings covered by such combined charges. With respect to gas and electric service, which is not separately metered, Lessor may, at Lessor's option, in lieu of prorating on the fore-going basis, determine the amount of use of such services by Lessee on the basis of Lessee's estimated usage as determined by the utility company servicing the Demised Premises, or, if such company ceases providing such service, by a qualified electrical contractor selected by Lessor. Water is furnished to the part of the Common Area via as is central meter. Accordingly, Lessee will pay Lessor a flat charge of ___(per Section 1.7 (d))___ a month for its share of the water for its premises. Water charges may be reevaluated and increased by Lessor based on the use of the premises especially due to the number of patrons of and Lessee's business use. Lessor may require a high water user such as a restaurant or beauty parlor to install a separate meter or if the cost is prohibitive, to install an inline meter at Lessee's expense to be able to determine Lessee's fair share for any excess use.

5. Continuous Operations: Lessee shall keep the Demised Premises open for business during all hours customarily maintained by business similar to Lessee's business in the trading area in which the Demised Premises are located. At all such times Lessee shall have upon the Demised Premises a sufficient number of employees and a sufficient stock of merchandise to adequately serve the patrons thereof or render the services offered. A business holiday of more than 30 days of consecutive closing in any one year shall be considered a default.

6. Locks: Should Lessee change the locks on their suite, Lessee must furnish Lessor with a copy of the new key which is for the protection of the Lessee and per the Lease.

7. Vacating Premises: The definition "ordinary wear and tear" shall NOT include such items as carpet cleaning, cleaning, patching and painting necessary to restore Premises to a releasable condition. Additionally, Tenant will be charged for repainting rear access doors, repairing store front doors, rekeying locks to the master system and removing alarm systems or personal property and/or debris, etc, upon Lease termination,

8. Insurance: Lessor's appropriate liability insurance coverage is $3,000,000. Therefore, Paragraph 8.1 and/or Paragraph 8.2 is amended to increase the ceiling to $3,000,000 and Lessee shall reimburse Lessor for its portion accordingly.

9. Assignment and Subletting:
(This is in addition to lease language and prevails in the event of conflict.)

a. Consent to Assignment or Subletting shall not be unreasonably withheld: Subject to a compatible and noncompetitive business use with respect to the other businesses in the Center and sufficient financial statement and credit record of assignee and reasonable experience in conducting the intended business, Lessor's consent to assign or sublet this Lease shall not be unreasonably withheld provided however, that Lease shall not be in default and/or if Lessee shall have, previously breached or otherwise failed to perform under this Lease since its inception, and Lessee did not cure that breach, Lessor, at its sole discretion, may declare this Sub-paragraph null and void. Any increase in rents shall become the property of the Lessor. Any such assignment or subleasing even with the approval of the Lessor, shall not relieve the Lessee from liability for payment of the rental herein provided or from the obligation to keep and be bound by the terms, conditions and covenants of this Lease.

b. Assignment or Transfer to a Corporation: Notwithstanding anything to the contrary set forth herein, Lessee may assign this Lease, without the consent of Lessor, to a corporation or other entity not less than fifty percent (50%) of the voting stock or controlling interest of which is owned by Lessee; provided that Lessee shall at all times remain liable for performance hereunder; and provided, further, that any transfer by Lessee of the controlling stock or interest in such corporation or other entity shall be a prohibited assignment hereunder.

c. Consent to be in writing: Lessee shall not assign, mortgage, pledge, hypothecate or encumber this lease or the leasehold interest created hereby or any interest herein or sublet the Demised Premises or any portion thereof, or license the use of all or any portion of the Demised Premises, without the written consent of Lessor first had and obtained. Without in any way limiting any other rights available to the Lessor at the time of any proposed assignment or subletting, Lessor expressly reserves the right to adjust the Guaranteed Minimum Monthly Rental to an amount derived by multiplying said guaranteed minimum monthly rental times a number equal to the percentage by which the Bureau of Labor Statistics, United States Department of Labor for Los Angeles-Riverside-Orange County under the heading of "All Items" for "All Urban Consumers" for the month in which the date of such assignment or subletting occurs has increased over the same Cost of Living Index figure for the month in which the Commencement Date under this Lease occurs (i.e., if the percentage of such increase is thirty percent (30%), then the guaranteed minimum monthly rental will be multiplied times 130%). Tenant agrees to pay Lessor an administrative fee of $500 and to reimburse Lessor for Lessor's reasonable attorney fees

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incurred in conjunction with the processing and documentation of any such requested transfer, assignment, subletting, licensing or concession agreement

10. Broker's Fee:
    a. All Broker's fees as referred to in the Lease and Lease addendums shall be by separate agreement pursuant to a schedule to be agreed upon by Owner and Broker.
    b. However, it is understood and agreed that no commissions shall be paid on option exercises, or renewals, or expansions that unless at the invitation of the Owner first had obtained in writing.

11. Lessee's Financial Information: Lessee will furnish a credit report and financial statement at its expense, subject to Lessor's approval or reimburse Lessor $35 if Lessor obtains a credit report. Lessee also agrees to deliver to Lessor a resume of its business experience, a copy of its income tax returns for the prior year, a letter of reference from Lessee's bank, and a completed Lessor's "Credit Information" form. The Lease is contingent upon Lessor's review and approval to its sole satisfaction of Lessee's qualifications to lease. Said credit application must include but not be limited to listing specifics of next of kin, closest living relative not living with you, closest non-relative and who to notify in case of emergency.

12. Dispute or Delay: In the event of any dispute between the parties concerning the time of actual completion of Lessor's Work or Lessee's Work or any claimed excuse for delay in performance or non-performance thereof or whether such work has been adequately performed in a good and workmanlike manner and is satisfactory for the use intended, such dispute shall be referred to Lessor's architect whose determination with regard thereto shall be final and conclusive upon the parties.

13. Deletion: Wherever in this Lease a Section or Subsection is preceded by the word "Deleted" or "*Deleted," such Section or Subsection is deleted from this Lease in its entirety and is of no force or effect.

14. Parking: Lessee shall have the right to N/A parking spaces on level N/A at no cost to Lessee for the term of the Lease and any Option Periods. The surface parking is designated for customers and retail tenants only, All employees, visitors, guests of Lessee are not Permitted to use surface parking, but shall park on lower levels A & B of the parking structure, if any.

15. Attorney's Fees: The Lessor is entitled to attorney's fees or costs for the enforcement of the lease regardless of whether an action is filed, said fees and costs to be considered additional rent.

16. Lease Incentives: If Tenant is in default under this Lease at any time during the Term and without limiting the foregoing, if Landlord has given Tenant any lease incentives or other inducements or consideration in connection with this Lease ("Incentives"), including without limitation, any abatement of rent, the unamortized portion of any Tenant Improvement Allowance and/or leasing commissions then the incentives will terminate and Landlord may recover from Tenant the value of all such Incentives received by Tenant in addition to all other damages recoverable by Landlord pursuant to the provisions of this Lease.

17. Confidentiality: Lessee shall keep the content and all copies of this Lease and related documents now or hereafter entered into, and all proposals, materials, information and matters relating thereto, strictly confidential, and shall not disclose, disseminate or distribute any of the same, or permit the same to occur, except to the extent reasonably required for proper business purposes by Lessee's attorneys, insurers, auditors and lenders, and, in such event, Lessee shall obligate any such parties to whom disclosure is permitted to honor the confidentiality provisions hereto, except as may be required by Law or court proceedings.

18. Substitute Premises: Lessor shall have the right from time to time during the term of this lease to relocate the Premises within the Project on the following terms and conditions: (i) the square footage of the substitute premise ("Substitute Premises") are equal to the square footage of the Premises (subject to a variation of up to fifteen percent (15%) in the square footage of the Substitute Premises, provided that the amount of rent payable under this lease is not thereby increased); (ii) Lessor shall pay the cost of providing Lessee Improvements (defined below) in the Substitute Premises substantially comparable to the Tenant Improvements in the Premises; (iii) Lessor shall pay the expenses directly related to and reasonably incurred by Lessee in connection with such relocation to the Substitute Premises; and (iv) Lessor shall not be liable for (a) any loss of business or good will, or (b) any damage to Lessee's Property or other personal property relocated, unless caused by Lessor or it's employees gross negligence or willful misconduct. Lessor shall deliver to Lessee written notices of Lessor's election to relocate the Premises specifying the new location at least thirty (30) days prior to the date the relocation is to be effective. If the relocation of the Premises is unacceptable to Lessee, then Lessee may terminate this lease during a period of thirty (30) days after receipt of Lessor's notice to relocate, by delivering written notice to Lessor within the thirty (30) day period. Such notice of termination shall be effective upon receipt thereof by Lessor. If Lessee elects to terminate this Lease pursuant to this Section, then the parties shall be discharged from all obligations hereunder, other than those that have accrued prior to the actual date of Lessee's termination of this Lease or which specifically survive the termination of this Lease and Lessee shall be granted a reasonable period of tenancy in order to relocate to suitable premises.

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A. Lessee is responsible for sending rent payments on the first of the month to:

MC Strauss Company
990 Highland Drive; Suite 200
Solana Beach, CA 92075

B. For any questions or building management problems, call:

MC Strauss Company
990 Highland Drive; Suite 200
Solana Beach, CA 92075
Phone: 858-792-7500; Fax: 858-792-7834

C. Required Personal Data:

Lessee's Home Address: _____
Home Phone: _____ Home Fax: _____

In case of emergency: _____
Address: _____
Phone: _____ Fax: _____

Next of Kin (Name): _____
Address: _____
Phone: _____ Fax: _____

D. Other: Lessor reserves the right to change the management company and the address to which rent payments shall be made by delivering notice to Lessee in accordance with this Lease.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: _____

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EXHIBIT D

TENANT IMPROVEMENTS AND ACCEPTANCE OF PREMISES

Scope of Lessor's Work

Lessor shall provide Lessee, at the sole cost and expense of Lessor, the following "standard" improvements as follows:

1. Lessor has completed construction of the Demised Premises and Lessee acknowledges that the Demised Premises are being leased in "as is" good working condition and that Lessee has inspected some and the Demised Promises are in satisfactory condition.

Provided Lessee maintains and repairs the HVAC during the term and any option, should the HVAC need to be replaced, the replacement shall be at Lessor's sole cost.

Scope of Lessee's Work

All improvements desired by Lessee, shall be considered "Non-standard" and shall be at the sole cost and expense of Lessee including, but not limited to :

1. Permits, Plans, and supervision for any Tenant improvements.

2. Lessor grants permission to Lessee to install necessary and/or required improvements or modifications, subject to Lessor's prior written approval, to accommodate Lessee's intended business use, at Lessee's sole cost and expense, and in accordance with any and all governmental requirements including the obtaining of any required permits for the Demised Premises and said business.

Perform any and all additional work required to complete the Premises to a condition customary and ready for the normal operation of Lessee's business. Lessee shall be responsible to pay for any additional water, and/or sewer impact fees if imposed due to the nature of Lessee's business or use of Premises.

Within thirty (30) days following the execution of the Lease, Lessee, at Lessee's sole cost and expense, shall deliver to Lessor a fully dimensioned 1/4-inch scale set of plans. Said plans shall show all storefronts, interior partitions, fixtures, lighting, electrical outlets, plumbing (including fixtures), floor coverings, ceiling and other improvements that Lessee wishes to construct and install upon Premises. Said plans shall be subject to Lessor's approval prior to start of any work by Lessee or his contractors, which shall not be unreasonably withheld, which shall thereafter be called "Lessee Plans Approved for Construction." Should Lessee fail to deliver to Lessor plans for "Lessee's Work" within thirty (30) days following execution of the Lease, Lessor may, at his option and with written notification to that effect to Lessee, terminate this Lease.

No changes, modifications or alterations to Lessee Plans Approved for Construction may be made without the written consent of Lessor. Any additional costs, including any increased fees which Lessor may be required to Pay for architectural, engineering and/or other similar services arising by reason of any subsequent change to Lessee Plans Approved for Construction made at the request of Lessee, shall be at the sole cost and expense of Lessee and shall be paid by Lessee to Lessor before the performance of the work requested by Lessee.

All of Lessee's work and improvements shall be performed by Lessee, at Lessee's sole cost and expense except as outlined above and pursuant to the plans and specifications approved by Lessor. It is understood that the approval of Lessor shall in no manner relieve Lessee of Lessee's obligation to obtain, at Lessee's sole cost and expense, all necessary and appropriate permits from all applicable governmental or public agencies for the construction of Lessee's improvements, installation of Lessee's personal property and the operation of Lessee's business at Premises.

Upon delivery of Premises to the Lessee, Lessee shall immediately and diligently proceed to install Lessee's Work as described in Lessee's Plans Approved for Construction at Lessee's sole cost and expense without interfering with other work being done, if any, in the building or shopping center.

All work done by Lessee shall be done by a licensed contractor and in compliance with all rules and regulations required by local building authorities, Lessor or his agents and in accordance with all uniform building codes as dictated by state, federal and local requirements.

Upon final completion of Lessee's Work, Lessee shall furnish Lessor with all certificates, approvals and permits "signed off" by local governmental building inspector, that were required to complete Lessee's Work. Lessor shall not be responsible for any loss or damage to Lessee's improvements/property that is installed or left on Premises.

Lessee's entry upon Premises prior to commencement of the Term of this Lease shall be subject to all provisions of this Lease other than payment of rent, At all times after such entry, Lessee shall maintain an insurance policy that complies with the provisions of this Lease. The inability of Lessee to complete Lessee's Work in a timely manner and to a condition acceptable for conducting business, through no fault of Lessor, shall not delay the Term Commencement or payment of rent.

Lessee hereby indemnifies and holds Lessor free and harmless from and against any and all claims, demands and liabilities, including, but not limited to attorney costs, expenses and court costs, arising from or relating to Lessee's Work and improvements. It is the intent of the parties that this indemnification shall survive the expiration or sooner termination of this Lease.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: _____

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*DOES NOT APPLY

*EXHIBIT E

ESTIMATED OPERATING EXPENSES (GROSS LEASE)

The operating expenses are estimated at $_____ per square foot annually or _____
($_____ psf x _____ sq. ft. /12 = $_____) per month for the Demised Premises until adjusted per the Lease.

LESSOR'S INITIALS:

_____

LESSEE'S INITIALS:

_____

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*NOT APPLICABLE

*EXHIBIT F

RENT ADJUSTMENT(S)

ADDENDUM TO
STANDARD LEASE

Dated _____

By and Between (Lessor) M.C. Strauss Company

(Lessee) _____

Property Address: Hancock Street, Suite #

San Diego, CA 92110

Paragraph ____

A. **RENT ADJUSTMENTS:**

The monthly rent for each month of the adjustment period(s) specified below shall be increased using the method(s) indicated below:

(Check Method(s) to be Used and Fill in Appropriately)

0 I. **Cost of Living Adjustment(s) (COL)**

(a) On (Fill in COL Adjustment Date(s): _____
_____
the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted by the change, if any, from the Base Month specified below, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for (select one): 0 CPI-W (Urban Wage Earners and Clerical Workers) or 0 CPI-U (All Urban Consumers), for (Fill in Urban Area):
_____, All Items (1982-1984 = 100), herein referred to as "C.P.I."

(b) The monthly rent payable in accordance with paragraph AI(a) of this Addendum shall be calculated as follows: the Base Rent set forth in paragraph 1.5 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the C.P.I. of the calendar month 2 (two) months prior to the month(s) specified in paragraph AI(a) above during which the adjustment is to take effect, and the denominator of which shall be the C.P.I. of the calendar month which is two (2) months prior to (select one): 0 the first month of the term of this Lease as set forth in paragraph 1.3 ("Base Month") or 0 (Fill in Other "Base Month"): _____.
The sum so calculated shall constitute the new monthly rent hereundor, but in no event, shall any such new monthly rent be less than the rent payable for the month immediately preceding the date for rent adjustment, plus _____ rounded up to the next dollar figure.

(c) In the event the compilation and/or publication of the C.P.I. shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the C.P.I. shall be used to make such calculation. In the event that Lessor and Lessee cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid equally by Lessor and Lessee.

0 II. **Market Rental Value Adjustment(s) (MRV)**

(a) On (Fill in MRV Adjustment Date(s): _____
_____
the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted to the "Market Rental Value" of the property as follows:

1) Four months prior to the Market Rental Value (MRV) Adjustment Date(s) described above, Lessor and Lessee shall meet to establish an agreed upon new MRV for the specified term. If agreement cannot be reached, then:
i) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the parties, or
ii) Both Lessor and Lessee shall each immediately select and pay the appraiser or broker of their choice to establish a MRV within the next 30 days. If, for any reason, either one of the appraisals is not completed within the next 30 days, as stipulated, then the appraisal that is completed at that time shall automatically become the new MRV. If both appraisals are completed and the two appraisers/brokers cannot agree on a reasonable average MRV then they shall immediately select a third mutually acceptable appraiser/broker to establish a third MRV within the next 30 days. The average of the two appraisals closest in value shall then become the new MRV. The costs of the third appraisal will be split equally between the parties.

2) In any event, the new MRV shall not be less than the rent payable for the month immediately preceding the date for rent adjustment.

(b) Upon the establishment of each New Market Rental Value as described in paragraph AII:

1) the monthly rental sum so calculated for each term as specified in paragraph AII(a) will become the new "Base Rent" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph AII(a) above and
2) the first month at each Market Rental Value term as specified in paragraph AII(a) shall become the new "Base Month" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph AI(b).

0 III. **Fixed Rental Adjustment(s) (FRA)**

The monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be increased to the following amounts on the dates set forth below.

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On (Fill in FRA Adjustment Date(s)): The New Base Rental shall be:

	$
	$
	$
	$

B. **NOTICE:** Unless specified otherwise herein, notice of any escalations other than Fixed Rental Adjustment(s) shall be made as specified in paragraph 23 of the attached Lease.

*C. **BROKER'S FEE: *Deleted**

The Real Estate Brokers specified in paragraph 1.10 of the attached Lease shall be paid a Brokerage Fee for each adjustement specified above in accordance with paragraph 15 of the attached Lease.

LESSOR'S INITIAL: _____

LESSEE'S INITIAL: _____

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EXHIBIT G

CENTER SIGN CRITERIA

The purpose of this sign criteria has been established for the intent of assuring an outstanding shopping center and mutual benefit of all Lessee's. Conformance will be strictly enforced. Any Installed non-conforming or unapproved signs will be brought into conformance at the expense of the Lessee.

A. Lessee shall be entitled to signage above the Premises. Signage shall be subject to City of San Diego and Lessors prior written approval. All costs associated with the design, construction, installation, as well as removal, shall be borne by Lessee. Lessee shall be required to remove all Lessee signage at the conclusion of Lessee's occupancy of the Premises. Ground level Lessee's shall be entitled to signage on the Center's pole sign at its expense and subject to availability.

B. General Requirements:

1. Lessee shall submit to the Lessor the exact sign specifications, copy and colors desired for Lessor's approval from a license and experienced sign company.

2. All approvals or disapprovals of sign submittals based on esthetics and design shall remain sole right of the Lessor and local governing authorities.

3. Selected sign company will be responsible for obtaining all permits and sign Installation.

4. No exposed lamp, raceways, crossovers, conduit, conductors, transformers or similar devices shall be permitted.

5. All maintenance of signage shall be the responsibility of the Lessee.

6. All signs shall be individually illuminated.

7. No audible, flashing or animated signs will be permitted.

8. No projections above or below the sign will be permitted.

9. Electrical service to all signs will be connected to Lessee's meter.

10. Lessee's signs shall be designed and installed in a manner compatible with and complimentary to adjacent and facing storefronts and the overall design concept of the center.

11. All penetrations of the building structure required for sign installation shall be sealed in a watertight condition and shall be patched to match adjacent finish. At termination of lease when sign is removed, Lessee or its sign company shall patch and paint and restore to "as was" condition.

12. No advertising placards, banners, pennants, names, insignias or other descriptive material shall be affixed or maintained upon the glass pane supports of the show windows and doors or upon the exterior was of building without the prior written approval of Lessor.

13. Logos require prior approval of lessor unless nationally recognized logos of a franchise.

14. Letter height restrictions:

a. One line of copy with the letter and logo height not to exceed 24 inches or to be less than 10 inches. Allowable, sign fascia coverage not to exceed seventy-five percent (75) of store frontage.

b. Two lines of copy will be allowed with the overall height of the two lines of letters not to exceed 30 inches with a maximum height of the letters not to exceed 18 inches or to be less than 16 inches.

15. Designs submitted for the City/County approval must follow ft following guidelines:

a. Drawings of elevations and sign with all measurements to scale.
b. Plot plan and legal description (plans to scale).
c. Sections drawings of sign and fascia showing construction and electrical details.
d. Color of plastic faces and logos.
e. Color of neon, size and intensity.
f. Letter style selection

16. Lessee is granted permission by Lessor to install a temporary sign banner at its expense above the premises while signs are being fabricated.

17. Lessee shall indemnify and hold harmless Lessor against any loss, cost, damages or liability caused to persons, property or otherwise caused by Lessee's sign Installations.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: _____

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EXHIBIT 6-1

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EXHIBIT H

SPECIAL USE OF PREMISES CLAUSE

A. Uses Of Premises:

Lessee shall occupy and use the premises solely for the operation of shipping and receiving of cigars and for no other purpose or use.

LESSOR'S INITIALS: _____

LESSEE'S INITIALS: _____

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EXHIBIT I
APPLICATION FOR LEASE AND CREDIT INFORMATION

The undersigned furnishes the following as a true and accurate statement of the financial condition of the undersigned. It is understood that the Landlord, in entering into a lease or other agreement, are doing so in reliance upon this financial statement and in consideration of such the undersigned agree that if any of the representations of the undersigned prove to be untrue, such shall be considered as a default under such lease or agreement.

NAME: _____ AGE: _____ SPOUSES NAME: _____

ADDRESS: _____ HOW LONG: _____

CITY, STATE, ZIP _____

Previous Address - if less than five years: _____

SOCIAL SECURITY NO: _____ SPOUSE'S SOCIAL SECURITY NO: _____

PHONE: _____ OWN OR RENT: _____ NO. OF DEPENDENTS: _____

PRESENT EMPLOYER: _____ HOW LONG: _____

ADDRESS: _____

PHONE: _____ POSITION: _____

SPOUSE'S EMPLOYER: _____ PHONE: _____

IN CASE OF EMERGENCY CONTACT: NAME: _____

ADDRESS: _____ PHONE: _____

_____ RELATIONSHIP: _____

NEXT OF KIN NOT LIVING WITH YOU: NAME: _____

ADDRESS: _____ PHONE: _____

_____ RELATIONSHIP: _____

CLOSEST NON RELATIVE CONTACT: NAME: _____

ADDRESS: _____ PHONE: _____

_____ RELATIONSHIP: _____

BALANCE SHEET

Cash:	$ _____	Notes Payable - Total Owed: (List on Back)	$ _____
Stocks & Bonds: (List on Back)	$ _____		
		Accounts Payable - Total Owed: (List on Back)	$ _____
Notes / Accounts Receivable:	$ _____		
Life Insurance: (Not full value, only surrender value)	$ _____	Mortgages - Total Owed: (List on Back)	$ _____
Real Estate - Total Value: (List on Back)	$ _____	Automobiles - Total Owed:	$ _____
		Income Taxes - Accrued to Date:	$ _____
Automobiles:	$ _____	Other: _____	$ _____
	$ _____	_____	$ _____
		_____	$ _____
Personal Possessions:		**TOTAL LIABILITIES:**	$ _____
	$ _____		
	$ _____	**NET WORTH:**	$ _____
TOTAL ASSETS:	$ _____	**(Assets minus Liabilities)**	

ANNUAL INCOME & EXPENSE

Income:		**Expense:**	
Annual Salary:	$ _____	Annual Rental/Mortgage Payments	$ _____
Annual Rentals:	$ _____		
Annual Dividends:	$ _____	Annual Payments: (Notes & Accounts)	$ _____
Annual Interests:	$ _____		

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Other Annual Income:	$	Annual Interest & Taxes:	$
		Personal Living Expense:	$
		Other Annual Expenses:	$
TOTAL ANNUAL INCOME:	$	**TOTAL ANNUAL EXPENSE:**	$

BANK REFERENCES

BANK & ADDRESS: _____ ACCT. NO.: _____

BANK & ADDRESS: _____ ACCT. NO.: _____

STOCKS & BONDS

Description	No. of Shares	Cost	Market Value
		$	$
		$	$
		$	$
		$	$
		$	$
TOTALS		$	$

REAL ESTATE - MORTGAGES

Description & Address	Original Cost	Present Value	Trust Deed or Mortgage Unpaid Bal.	Mo. Pay.
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
TOTALS	$	$	$	$

NOTES & ACCOUNTS PAYABLE (Do not include Real Estate)

Description	Account Number	Total Amount Owed (DO NOT LIST PAYMENTS)
		$
		$
		$
		$
		$
		$
TOTAL		$

The undersigned further consent(s) to the addresses above making any inquires it deems necessary to reach a decision on this application, and consent(s) to the disclosure at any time of any credit information about me / us to any credit reporting agency or to any one with whom I/we have financial relations. The undersigned further understands that should a lease be entered into that the authorizing party will pay a $35.00 application credit check fee.

DATE: _____ SIGNATURE: _____

DATE: _____ SPOUSE'S SIGNATURE: _____

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*Lessee by signing Lease is acting as a guarantor

*EXHIBIT J

GUARANTY OF LEASE

THIS GUARANTY OF LEASE ("Guaranty"), effective as of _____, 200____, is executed by _____ ("Guarantor"), with reference to the following facts:

RECITALS

A. M.C. Strauss Company ("Lessor"), and _____ ("Lessee") have agreed to enter into that certain Lease ("Lease"), dated the same date as this Guaranty, covering Premises described therein, located in the City of San Diego, County of San Diego, State of California.

B. Lessor requires, as a condition to its execution of the Lease, that Guarantor guarantee the full performance of the obligations of Lessee thereunder.

C. Guarantor is willing to execute this Guaranty for the benefit of Lessor and as a material inducement to Lessor to enter into the Lease.

GUARANTY

NOW, THEREFORE, in order to induce Lessor to enter into the Lease, Guarantor agrees as follows:

1. **Guarantor's Obligations.** Guarantor hereby unconditional guarantees the full and timely performance of each and every obligation to be kept and performed by the Lessee pursuant to the terms of the Lease ("Lease Obligations") in accordance with the terms of and at the time and place specified therein, including, but not limited to, the payment of all rents and other charges accruing pursuant thereto.

2. **Term.** This Guaranty shall continue for the term of the Lease and any extension or renewal thereof. If the Lease terminates and Lessor has any rights which Lessor may enforce against Lessee after termination, Lessor may also enforce such rights against Guarantor.

3. **Primary Liability.** The Lease Obligations guaranteed by Guarantor under this Guaranty shall be primary and independent of the obligations of Lessee under the Lease. Lessor may bring a separate action or actions against Guarantor hereon and such actions may be brought either in conjunction with actions against Lessee or against Lessee directly, regardless of whether Lessor has commenced any action or obtained any judgment against Lessee. If Lessee defaults under the Lease, Lessor may proceed directly against Guarantor, without having commenced any action or obtained any judgment against Lessee, and without applying any property of Lessee (or any other person), if any, held by Lessor as security for the performance of the Lease Obligations. The liability of Guarantor hereunder shall not be released, diminished, or extinguished by Lessor's failure or delay in enforcing any of its rights.

4. **Continuation; No Release.** This Guaranty shall continue in favor of Lessor notwithstanding any modification, alteration, extension or renewal of the Lease entered into by the parties thereto, or their successors or assigns, and notwithstanding any assignment of the Lease, with or without the consent of Lessor. No such modification, alteration, extension, renewal or assignment shall affect this Guaranty or in any way release, diminish, or extinguish the liability of Guarantor hereunder.

5. **Assignment.** Lessor may, with notice to Guarantor, assign this Guaranty in whole, or in part in connection with any transfer of any interest in the Lease or the Premises, and no such assignment or transfer shall release, diminish, or extinguish or otherwise affect the liability of Guarantor hereunder. In such event the benefits of this Guaranty shall inure to the benefit of Lessor's successors and assigns.

6. **Security.** Guarantor authorizes Lessor, without further notice or demand and without affecting the liability of Guarantor hereunder, from time to time, to: (a) take and hold security (including the Security Deposit and any security filing consented to by Lessee) (the "Security") (if any) for performance of the Lease Obligations and exchange, enforce, waive or release any such Security; (b) apply such Security in whole or in part and direct the order or manner of sale thereof as Lessor, in Lessor's discretion, may determine; and (c) proceed against Lessee or proceed against and exhaust such Security held from Lessee; the provisions of this paragraph shall constitute a waiver of Guarantor's right to claim exoneration from the Lease Obligations for the foregoing actions.

7. **Events of Insolvency.**

7.1 **Defined.** The term "Event of Insolvency" shall mean any of the following:

(a) Lessee becomes insolvent or is adjudicated a bankrupt;

(b) Lessee files a petition for reorganization, arrangement or similar relief under any present or future provisions of the Federal Bankruptcy Code, or any other state or federal statute for tile relief of debtors or any similar law;

(c) A court approves a petition filed against Lessee by its creditors for reorganization, arrangement or similar relief under any present or future provision of tile Federal Bankruptcy Code, or any other state or federal statute for the relief of debtors or any other similar law;

(d) Lessee seeks a judicial readjustment of the rights of its creditors under any present or future federal or state law; or

(e) A receiver of all or part of Lessee's property and assets is appointed by any state or federal court.

7.2 **Effect.** This Guaranty shall in full force and effect, notwithstanding the occurrence of any Event of Insolvency affecting Lessee, or any successor or assignee of Lessee, or in the event of any disaffirmance, or abandonment by a trustee of Lessee, or in the event that the Lease is terminated, rejected or modified in the course of any proceeding relating to an Event of Insolvency. To the extent necessary to effectuate the purpose of this Guaranty, Guarantor hereby assigns to Lessor any rights Guarantor may have to file a claim and proof of claim in any bankruptcy or similar proceeding of Lessee any awards or payments thereon to which Guarantor would otherwise be entitled, to the extent of any unsatisfied Lease Obligations.

8. **Waiver of Defenses.** Guarantor waives any defense Guarantor may acquire by reason of Lessor's election of any remedy against Guarantor or Lessee, or both. In addition, Guarantor waives any defense arising by reason of any disability or other defense of Lessee, including, without limitation, any defense based upon: (a) invalidity of the Lease (b) any lack of authority of the officers, directors, partners or agents acting or purporting to act on behalf of Lessee or any principal of Lessee; or (c) by reason of the cessation from any cause whatsoever of the liability of Lessee other than full performance and discharge of the Lease Obligations.

9. **Waiver of Rights.** Guarantor waives the right to require Lessor: (a) to proceed against Lessee or any successor of Lessee; and (b) to pursue any other remedy in Lessor's power. Guarantor expressly waives the provisions of the California and/or Arizona Civil Code, which grants a surety certain rights to require a creditor to pursue alternative remedies before proceeding against a surety.

10. **Subrogation.** Until the Lease Obligations shall have been performed in full, Guarantor shall have no right of subrogation and waive any right to enforce any remedy which Lessor now has or may hereafter have against Lessee. Guarantor waives any right to participate in any security now or hereafter held by Lessor.

11. **Successive Demands.** Guarantor's liability shall extend to each and every payment to be made by Lessee and any additional Lease Obligation to be performed or observed by Lessee. Successive demands may be made upon, and successive actions for the enforcement of such demands may be brought against Guarantor upon successive defaults by Lessee and the enforcement of this Guaranty against Guarantor with respect to any Lease Obligation shall not operate to exhaust this Guaranty or operate as a waiver of the right to proceed under this Guaranty with respect to any future default or defaults.

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12. General Provisions.

12.1 **Attorney's Fees.** Guarantor agrees to pay all costs and other expenses, including reasonable attorneys' fees and court costs, paid or incurred by Lessor in enforcing or attempting to enforce this Guaranty or the obligations guaranteed hereby. Guarantor is obligated as to attorney's fees and costs pursuant to Paragraphs 31 and 37.1 of the Lease, as to the obligations under the Lease and the Guaranty, and the provision in the Addendum as to attorneys fees made applicable here to the Lease and the Guaranty.

12.2 **Governing Law.** This Guaranty shall be enforceable by Lessor in accordance with the laws of the State of California and shall be construed in accordance therewith.

12.3 **Interest.** Interest shall accrue on all accounts which are not paid by Guarantor when due under the Lease, from the date due until due date paid by Guarantor, at the interest rate specified in the Lease, but not to exceed the maximum legal rate of interest.

12.4 **Joint and Several.** If Guarantor is more than one person, each person's obligations hereunder are joint and several and are independent of Lessee's obligations. Lessor may bring a separate action against any Guarantor whether the action is brought against any other Guarantor, or whether any other Guarantor is joined in the action.

12.5 **Modification.** This Guaranty may not be amended, modified, released, or terminated except by a written instrument executed by Guarantor and Lessor.

12.6 **Severability.** If any of Guarantor's obligations hereunder shall be held to be unenforceable, the remainder of this Guaranty and its application to all obligations other than those with respect to which is held unenforceable shall not be affected thereby and shall remain in full and effect.

12.7 **Successors.** The terms and provisions of this Guaranty shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto.

IN WITNESS WHEREOF, the undersigned has executed this guaranty of lease as of the date first written above.

GUARANTOR:

Res. Address: _____ By: _____
Phone: _____
Soc Sec#: _____
DL#: _____ DOB _____

Res. Address: _____ By: _____
Phone: _____
Soc Sec#: _____
DL#: _____ DOB _____

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*DELETED

*EXHIBIT J-1

SPOUSAL CONSENT

To the Lease dated _____ 20___, by and between _____, as Lessor, and _____, as Lessee, for the premises known as _____.

The undersigned, being the spouse of the Guarantor to this Lease, hereby (a) consent to the Lease, (b) agree that all now owned and hereafter acquired community and quasi-community property of the undersigned and Guarantor shall be liable for the satisfaction of obligations imposed by the Lease, and (c) agree solely for purposes of subjecting any community or quasi-community property received pursuant to liability for satisfaction of the obligations imposed by the Lease, the undersigned have "incurred" the obligations of the Lease.

_____ Spouse

_____

_____

_____

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*DELETED

*EXHIBIT K

MEMORANDUM
CERTIFICATE

This memorandum is made of _____,20____ with reference to that certain Lease Agreement (hereinafter referred to as the "Lease") dated _____ by and between _____ as "Lessor" therein, and _____ as "Lessee."

The undersigned, as Lessee under said Lease, hereby confirms the following:

1. The Lessee accepted possession of the Demised Premises (as described in said Lease) on _____ and acknowledges that the premises are as represented by Lessor and in good order, condition and repair; and that the improvements, if any, required to be constructed for and/or furnished to Lessee by Lessor under said Lease have been so constructed and/or furnished and are satisfactorily completed in all respects.

2. That all conditions of said Lease to be performed by Lessor prerequisite to the full effectiveness of said Lease have been satisfied and that Lessor has fulfilled all of its duties of an inducement nature.

3. That in accordance with the provisions of Paragraph 4 of said Lease die Commencement Date (as the phrase "Commencement Date" is defined in said Lease) of the term is _____ and that, unless sooner terminated, the original term thereof expires on _____.

4. That said Lease (as amended, if amended) is in full force and effect and that the same represents the entire agreement between Lessor and Lessee concerning said Lease.

5. That there are no existing defenses which Lessee has against the enforcement of said Lease by Lessor, and no offsets or credits against rentals except as may be expressly provided in said Lease.

6. That the minimum rental obligation of said Lease is presently in effect and that all rentals, charges and other obligations on the part of Lessee undersaid Lease commenced to accrue on _____.

7. That the undersigned Lessee has no notice of any prior assignment, hypothecation or pledge of said Lease or of the rents thereunder.

LESSOR: LESSEE:

BY: _____ BY: _____

ITS: _____ ITS: _____

This "Memorandum" is hereby approved in form and shall be completed (if necessary) pursuant with Paragraph 4.A of The Lease and incorporated as part of The Lease.

LESSOR'S INITIALS: LESSEE'S INITIALS:

_____ _____

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*DELETED

*EXHIBIT L

OPTION(S) TO EXTEND

ADDENDUM TO
STANDARD LEASE

Dated _____

By and Between (Lessor) M.C. Strauss Company

(Lessee) _____

Property Address: _____ Hancock Street, Suite _____, San Diego, CA 92110

Paragraph _____

A. **OPTION(S) TO EXTEND:**

Lessor hereby grants to Lessee the option to extend the term of this Lease for _____ additional _____ month period(s) commencing when the prior term expires upon each and all of the following terms and conditions:

(i) Lessee gives to Lessor, and Lessor actually receives on a date which is prior to the date that the option period would commence (if exercised) by at least _____ and not more than _____ months, a written notice of the exercise of the option(s) to extend this Lease for said additional term(s), time being of essence. If said notification of the exercise of said option(s) is (are) not so given and received, the option(s) shall automatically expire; said option(s) may (if more than one) only be exercised consecutively;

(ii) The provisions of paragraph 39, including the provision relating to default of Lessee set forth in paragraph 39.4 of this Lease are conditions of this Option;

(iii) All of the terms and conditions of this Lease except where specifically modified by this option shall apply;

(iv) The monthly rent for each month of the option period shall be calculated as follows, using the method(s) indicated below:

(Check Method(s) to be Used and Fill In Appropriately)

0 I. **Cost of Living Adjustment(s) (COL)**

(a) On (Fill in COL Adjustment Date(s): _____ the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted by the change, if any, from the Base Month specified below, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for (select one): 0 CPI-W (Urban Wage Earners and Clerical Workers) or q CPI-U (All Urban Consumers), for (Fill in Urban Area): _____ All Items (1982-1984 = 100), herein referred to as "C.P.I."

(b) The monthly rent payable in accordance with paragraph A(a) of this Addendum shall be calculated as follows: the Base Rent set forth in paragraph 1.5 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the C.P.I. of the calendar month 2 (two) months prior to the month(s) specified in paragraph A(a) above during which the adjustment is to take effect, and the denominator of which shall be the C.P.I. of the calendar month which is two (2) months prior to (select one): 0 the first month of the term of this Lease as set forth in paragraph 1.3 ("Base Month") or 0 (Fill In Other "Base Month"): _____. The sum so calculated shall constitute the new monthly rent hereunder, but in no event, shall any such new monthly rent be less than the rent payable for the month immediately preceding the date for rent adjustment plus 5% increase and 5% for each option year rounded up to the next dollar figure.

(c) In the event the compilation and/or publication of the C.P.I. shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the C.P.I. shall be used to make such calculation. In the event that Lessor and Lessee cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid equally by Lessor and Lessee.

0 II. **Market Rental Value Adjustment(s) (MRV)**

(a) On (Fill in MRV Adjustment Date(s): _____ the monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be adjusted to the "Market Rental Value" of the property as follows:

1) Four months prior to the Market Rental Value (MRV) Adjustment Date(s) described above, Lessor and Lessee shall meet to establish an agreed upon new MRV for the specified term. If agreement cannot be reached, then:

i) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the parties, or

ii) Both Lessor and Lessee shall each immediately select and pay the appraiser or broker of their choice to establish a MRV within the next 30 days. If, for any reason, either one of the appraisals is not completed within the next 30 days, as stipulated, then the appraisal that is completed at that time shall automatically become the new MRV. If both appraisals are completed and the two appraisers/brokers cannot agree on a reasonable average MRV then they shall immediately select a third mutually acceptable appraiser/broker to establish a third MRV within the next 30 days. The average of the two appraisals closest in value shall then become the new MRV. The costs of the third appraisal will be split equally between the parties.

2) In any event, the new MRV shall not be less than the rent payable for the month immediately preceding the date for rent adjustment plus five percent (5%, rounded up) and five percent (5%, rounded up) each succeeding option year.

(b) Upon the establishment of each New Market Rental Value as described in paragraph A.II:

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1) the monthly rental sum so calculated for each term as specified in paragraph AII(a) will become the new "Base Rent" for the purpose of calculating any further Cost of Living Adjustments as specified in paragraph AII(a) above and

2) the first month at each Market Rental Value term as specified in paragraph AII(a) shall become the new "Base Month" for the purpose of calculating any further Cost of Living Adjustments as specified In paragraph AI(b).

θ III. **Fixed Rental Adjustment(s) (FRA)**

The monthly rent payable under paragraph 1.5 ("Base Rent") of the attached Lease shall be increased to the following amounts on the dates set forth below:

On (Fill in FRA Adjustment Date(s)):	The New Base Rental shall be:
_____	$_____
_____	$_____
_____	$_____
_____	$_____

B. **NOTICE:** Unless specified otherwise herein, notice at any escalations other than Fixed Rental Adjustment(s) shall be made as specified in paragraph 23 of the attached Lease.

*C. **BROKER'S FEE: *Deleted**

The Real Estate Brokers specified in paragraph 1.10 of the attached Lease shall be paid a Brokerage Fee for each adjustement specified above in accordance with paragraph 15 of the attached Lease.

D. **OPTION RIGHTS CONDITION:** Lessee's Option Rights are contingent upon Lessee not having previously breached or otherwise failed to perform under the Lease since its inception. Otherwise Landlord at its sole discretion may declare any option to extend null and void.

LESSOR'S INITIAL: _____

LESSEE'S INITIAL: _____

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EXHIBIT M

SPECIAL ADDENDUM

This Addendum to Lease ("Addendum") is made a part of the Lease dated April 9, 2013, by and between Strauss Family Trust UDT 6/5/92, dba: MC Strauss Company ("Lessor") and Stephen Adib, an individual, dba: Cuba Rica Inc., ("Lessee") for the Demised Premises commonly known as 3770 Hancock Street, Suite H, San Diego, CA 92110. Should there be any conflicts between the terms and conditions of this Addendum and the Lease, this Addendum shall prevail.

1. LEASE CONTINGENCY:

This Lease is contingent upon Lessor obtaining approval by the City of San Diego of Lessee and its use.

LESSOR:

STRAUSS FAMILY TRUST UDT 6/5/92
DBA: MC STRAUSS COMPANY

By: _____

Its: _____

LESSEE:

STEPHEN ADIB, AN INDIVIDUAL,
DBA: CUBA RICA, INC.

By: _____
Stephen Adib

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Exhibit N

SPORTS ARENA BUSINESS PARK

RULES AND REGULATIONS

1. Use of Premises.

(a) All floor area, including vestibules, entrances and returns, doors, fixtures, windows and plate glass shall be maintained in a safe, neat and clean condition.

(b) All trash, refuse and waste material shall be regularly removed from the premises of each occupant and until removal shall be stored (i) in adequate containers, which containers shall be located so as not to be visible to the general public in the Center; and (ii) so as not to constitute any health or fire hazard or nuisance to any occupant.

(c) No portion of the Premises or Center shall be used for lodging purposes.

(d) Neither sidewalks nor walkways shall be used to display, store or place any merchandise, equipment or devices.

(e) No advertising medium, device, instrument or apparatus shall be utilized which can be heard or experienced outside the Premises including, without limiting the generality of the foregoing, flashing lights, searchlights, loudspeakers, phonographs, organs, radios, television or video monitors.

(f) No auction, fire, bankruptcy, or going-out-of-business sale shall be conducted in, at, or about the Center or any portion or portions thereof, except pursuant to court order.

(g) No use shall be made of the Center or any portion or portions thereof which would (i) violate any law, ordinance or regulation; (ii) constitute a nuisance; (iii) constitute a hazardous use; or (iv) violate, suspend; or void any policy or policies of insurance.

(h) All occupants of the Center shall use their best efforts to cause all trucks servicing retail facilities within the Center to load and unload prior to the hours of the Center opening for business to general public.

2. Conduct of Persons.

The following rules and regulations govern the use of roadways, walkways, the Center, parking areas and other common areas and facilities:

(a) No person shall use any roadway or walkway except as a means of egress from or ingress to any floor area or parking area within the Center or adjacent public streets. Such use shall be in an orderly manner and in accordance with directional or other signs or guides. Roadways shall not be used at a speed in excess of ten (10) miles per hour or any lesser posted speed limit and shall not be used for parking or stopping, except for the immediate loading or unloading of passengers. No walkways, hallways or corridors shall be used for other than pedestrian travel.

(b) No person shall use any parking area, except for ingress and egress to and from the Center and for the parking of motors vehicles during the period of time such person or the occupants of such vehicle are customers or business invitees of the establishments within the Center. All motor vehicles shall be parked in an orderly manner within the painted lines defining the individual parking places. During peak periods of business activity, limitations may be imposed as to the length of time for parking use. Such limitations may be made in specified areas.

(c) No person shall use any utility area, truck court or other area reserved for use in connection with the conduct of business, except for the specific purpose for which permission to use such area is given.

(d) No tenant, contractor, agent or employee of any business in the Center shall use any area for motor vehicle parking, except the area or areas specifically designated by Landlord for employee parking and for the particular period of time such use is to be made as determined, or as established by ordinance.

(e) Unless the following prohibitions are forbidden by law, no person shall, in or on any part of the common areas:

(i) Vend, peddle, store, display, place or solicit orders for sales or distribution of any merchandise, equipment, device, service, periodical, book, pamphlet or other matter whatsoever.

(ii) Exhibit any sign, placard, banner, notice or other written material; distribute any circular, booklet, handbill, placard, or other material; solicit signatures or registration for membership in any organization, group or association or contribution for any purpose; parade, rally, patrol, picket, demonstrate, or engage in any conduct that might tend to interfere with or impede the use of any of the common areas by any person entitled to use the same, create a disturbance, attract attention or harass, annoy, disparage or be detrimental to the interest of any of the retail establishments within the Center.

(iii) Throw, discard, or deposit any paper, glass or extraneous matter of any kind, except in designated receptacles, or create litter or hazards of any kind.

(iv) Use any sound-making device of any kind or create or produce in any manner noise or sound that is annoying, unpleasant, or distasteful to occupants or invitees.

(vi) Deface, damage or demolish any sign, light standard or fixture, landscaping material or other improvements within the Center, or the property of customers, business invitees or employees situated within the Center.

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The listing of specific items as being prohibited is not intended to be exclusive, but to indicate in general the manner in which the right to use the common areas solely as a means of access and convenience in shopping at the establishments in the Center is limited and controlled.

3. Prohibited Operations and Nuisances.

No use or operation will be made, conducted or permitted on any part of the Center site, which use or operation is clearly objectionable to the development or operation of the Center. Included among the uses or operations which are objectionable are uses or operations which produce or are accompanied by the following characteristics, which list is not intended to be all inclusive:

(a) Any noise, litter, dust, dirt, odor or other activity which may constitute a public or private nuisance;

(b) Any unusual firing, explosive or other damaging or dangerous hazards (including the storage, display or sale of explosives or fireworks);

(c) Any trailer court, mobile home park, labor camp, junkyard, stockyard or animal raising;

(d) The sale, distribution or growth of marijuana.

LESSOR'S INITIALS:

LESSEE'S INITIALS:

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