

RETAIL **LEASE**

by and between

[LANDLORD NAME]
Landlord

and

[TENANT NAME]
Tenant

Dated September __, 2002

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Guaranty

LEASE

THIS LEASE is made as of September ____, 2002, by and between [Landlord name] ("Landlord") and [Tenant] ("Tenant").

Landlord, in consideration of the rent to be paid and the covenants to be performed by Tenant, does hereby, subject to the provisions of Section 1 hereof, demise and lease unto Tenant, and Tenant hereby rents and hires from Landlord, those certain premises (the "Leased Premises") situated in a building owned by Landlord in the City of Los Angeles, County of Los Angeles, State of California, as follows:

A portion of the building located at [-----] (the "Building"), as shown on Exhibit "A" attached hereto.

DATA SHEET

The following list ("Data Sheet") memorializes data embodied in, or to be incorporated by reference in, the specified Sections of the Lease and where reference is made to a Section such reference shall be construed to incorporate all of the terms of the entire Section as stated in the Lease:

- (1) Section 1.2:

Commencement Date of Term: October 1, 2002.
Expiration Date of Term: December 31, 2007.
- (2) Section 2.1: Address for Rental Payments: [-----]
- (3) Section 2.1: Minimum Annual Rental: Ninety Thousand Dollars and Zero Cents (\$90,000.00), payable in equal consecutive monthly installments of Seven Thousand Five Hundred Dollars and Zero Cents (\$7,500.00).
- (4) Section 5.1: Permitted Use: Retail sales of music records, music tapes, music compact discs, digital video discs, cellular phones, video and computer games and their systems and all related accessories and merchandise, as well as jewelry, beads and ornaments, posters, electronics, and musical instruments. Tenant may also maintain a small office ancillary to its retail sales.
- (5) Section 14.1: Trade Name: [-----]
- (6) Section 24: Security Deposit: Fifteen Thousand Dollars and Zero Cents (\$15,000.00).
- (7) Attachments: Addendum No. 1: Option to Extend Lease
Guaranty

Section 1
TERM OF LEASE

Section 1.1 CONDITIONS OF LEASE. The exterior walls, the floor above, the roof and the area beneath the Leased Premises are not demised hereunder, and the use thereof, together with the right to locate, both vertically and horizontally, install, maintain, use, repair and replace pipes, utility lines, ducts, conduits, flues, refrigerant lines, drains, sprinkler mains and valves, access panels, wires and structural elements leading through the Leased Premises in locations which will not materially interfere with Tenant's use thereof and serving other parts of the Building in which the Leased Premises are situated (the "Building") are hereby reserved unto Landlord.

Section 1.2 COMMENCEMENT AND ENDING DATE OF TERM. The term of this Lease (the "Lease Term") shall commence on the date set forth in subpart (1) of the Data Sheet set forth at the outset of this Lease (the "Commencement Date"), and shall end on the expiration date set forth in the Data Sheet, unless sooner terminated as hereinafter provided.

Section 1.3 LEASE YEAR. For the purpose of this Lease: the first "Lease Year" shall be a period commencing on the Commencement Date and ending on December 31, 2003; after the first lease year, the term "Lease Year" shall mean a fiscal year of twelve (12) consecutive calendar months commencing on January 1 of each calendar year.

Section 2
RENTAL

Section 2.1 MINIMUM ANNUAL RENTAL.

(a) Tenant agrees to pay, as the "Minimum Annual Rental" during the Lease Term, the sum set forth in the Data Sheet, which sum shall be payable by Tenant in currency of the United States in equal consecutive monthly installments in the sum set forth in the Data Sheet, on or before the first day of each month, in advance, but in no event more than two months in advance, payable to Landlord at the address set forth in the Data Sheet under "Address for Rental Payments" or such other place as the Landlord may designate, without any prior demand therefor and without any deduction or offset whatsoever. Notwithstanding the prior sentence and subject to Section 17.2 of this Lease, Tenants shall owe no Minimum Annual Rental for the first, second, and third full months of the Lease Term (the "Free Rent Period"), provided however, that if Tenant opens for business at any time during the Free Rent Period then Tenant shall begin to pay the Minimum Annual Rental from that time and shall continue to pay the Minimum Annual Rental throughout the Lease Term and any extensions or renewals thereof. The fourth month's installment of Minimum Annual Rental and the Minimum Annual Rental for any partial month at the beginning of the Lease Term is payable by Tenant to Landlord upon the execution of this Lease.

(b) Should the Lease Term commence on a day other than the first day of a calendar month, then the installment of Minimum Annual Rental for such month shall be one-third hundred and sixty-fifth (1/365th) of the annual rental multiplied by the number of days remaining in the month. Should any lease year contain less than twelve (12) calendar months, said Minimum Annual Rental shall be prorated.

Section 2.2 LANDLORD'S TAX OBLIGATIONS.

(a) Landlord shall pay all real property taxes levied or assessed upon the Building during the term of this Lease by municipal, county, state, federal or other taxing or assessing authority.

Section 2.3 JANITORIAL AND TRASH REMOVAL.

(a) Tenant shall be solely responsible for and shall promptly pay all fees and charges for janitorial service required to properly service the Leased Premises for and for any excess trash removal.

Section 2.4 ADJUSTED MINIMUM ANNUAL RENTAL. Commencing January 1st of the second Lease Year and for each successive Lease Year thereafter, the Minimum Annual Rental shall be increased by three percent (3%) over the Minimum Annual Rental of the immediately preceding year.

Section 2.5 ADDITIONAL PAYMENTS. Rental shall be defined in this Lease as Minimum Annual Rental, and any and all other sums payable by Tenant to Landlord under this Lease, all of which sums shall be payable in the manner provided in this Lease, and unless otherwise specifically provided, shall be due and payable ten (10) days after demand, without any deduction or offset whatsoever. Tenant's failure to pay any such amounts or charges set forth in this Lease and the Exhibits hereto when due shall carry with it the same consequences as Tenant's failure to pay Minimum Annual Rental. Landlord's rights and remedies pursuant to this Section shall be in addition to any and all other rights and remedies provided

under this Lease or by law. All such amounts or charges shall be payable to Landlord in the manner and at the place where Minimum Annual Rental is payable.

Section 2.6 LATE CHARGE. If Rental payments provided herein are not paid within five (5) days after same is due, a late charge (the "Late Charge") equal to ten percent (10%) of the amount overdue or One Hundred Dollars (\$100.00), whichever is greater, shall immediately become due and payable, which Late Charge Tenant hereby agrees is a reasonable estimate of the damages Landlord shall suffer as a result of Tenant's late payment, which damages include, without limitation, Landlord's additional administrative bookkeeping and other costs associated with such late payment and Landlord and Tenant agree that it would be impracticable or extremely difficult to fix Landlord's actual damage in such event. The Late Charge shall be payable to Landlord in the manner and at the place where Minimum Annual Rental is payable. The Late Charge and any interest payments due pursuant to Section 25.12 hereof are separate and cumulative and are in addition to and shall not diminish or represent a substitute for any or all of Landlord's rights or remedies under any other provision of this Lease.

Section 3 CONDITION OF LEASED PREMISES

Section 3.1 CONDITION OF LEASED PREMISES. Tenant hereby accepts the Leased Premises in their "AS-IS" condition existing as of the Commencement Date, subject to all applicable zoning, municipal, county and state laws, ordinances and regulations governing and regulating the use of the Leased Premises (including, without limitation, the Americans With Disabilities Act and Hazardous Materials Laws as defined in Section 5.5 (b) of this Lease), and any covenants or private restrictions or easements, and accepts this Lease subject thereto and to all matters disclosed thereby and by any exhibits attached hereto. Tenant acknowledges that neither Landlord nor Landlord's agent has made any representation or warranty as to the condition of the Leased Premises, the compliance of the Leased Premises with applicable law, or the present or future suitability of the Leased Premises for the conduct of Tenant's business. Tenant acknowledges that Tenant is familiar with the condition of the Leased Premises, the status thereof under applicable law, and the suitability of the Leased Premises for the conduct of Tenant's business, has had ample opportunity to fully investigate the Leased Premises, and is not relying on any representation or warranty of Landlord, express or implied, with respect thereto.

Section 4 ALTERATIONS, CHANGES AND ADDITIONS

Section 4.1 ALTERATIONS BY TENANT. Tenant shall not make or cause to be made any alterations, additions, or improvements to the Leased Premises (the "Alterations") (for example, but without limiting the generality of the foregoing, Tenant shall not install or cause to be installed any signs, floor covering, interior or exterior lighting, plumbing fixtures, shades, canopies, awnings, electronic detection devices, antennas, mechanical, electrical or sprinkler systems, or make any changes to the storefront) without the prior written approval of Landlord, which shall not be unreasonably withheld. Prior to the commencement of the Alterations, Tenant shall present Landlord with the following for Landlord's written approval, which approval shall not be unreasonably withheld: (i) architectural or similar plans and specifications in sufficient detail to describe the Alterations and (ii) the name of the contractor (who in all cases must be licensed in the State of California) that Tenant proposes to hire to perform the Alterations. In addition to the preceding sentence and prior to the commencement of the Alterations, Tenant, at its sole cost and expense, shall obtain any and all applicable governmental approvals in connection with the Alterations.

Section 4.2 REMOVAL BY TENANT. All Alterations made by Tenant shall be deemed to have been attached to the Leased Premises and to have become the property of the Landlord upon such attachment; upon expiration of this Lease or any renewal term thereof, Tenant shall not remove any of such Alterations, except that trade fixtures and items not permanently attached to the Leased Premises installed by Tenant at Tenant's expense may be removed if all Rental and other charges due herein are paid in full and Tenant is not otherwise in default hereunder, and Tenant shall promptly repair any damage caused by such removal. Further, Landlord may designate by written notice to Tenant those Alterations which shall be removed by Tenant at the expiration or termination of this Lease and Tenant shall promptly remove the same and repair any damage to the Leased Premises caused by such removal.

Section 5 CONDUCT OF BUSINESS BY TENANT

Section 5.1 PERMITTED USE. Subject to Section 5.2 of this Lease, Tenant shall use the Leased Premises only for the purpose of conducting the business specifically set forth in the Data Sheet and for no other purpose without the prior written consent of Landlord. Excluding all current leases for all other portions of the Building and any extensions, renewals, or options thereof, Landlord shall not lease

any other portion of the Building to any business whose primary use is the retail sale of music records, music tapes, or music compact discs. If any governmental license or permit shall be required for the proper and lawful conduct of Tenant's business or other activity conducted in the Leased Premises, or if a failure to procure such a license or permit might or would in any way adversely affect Landlord or the Building, then Tenant, at Tenant's expense, shall duly procure and thereafter maintain such license or permit and submit the same for inspection by Landlord. Tenant, at Tenant's expense, shall at all times comply with the requirements of each such license or permit.

Section 5.2 OPERATION OF BUSINESS. Tenant, at Tenant's expense, shall promptly comply with all present and future laws, ordinances, orders, rules, regulations and requirements of all governmental authorities having jurisdiction, and any recommendations or requirements of insurance underwriters for the Building or any applicable insurance rating organization or authority affecting or applicable to the Leased Premises or the cleanliness, safety, occupancy and use of the same, whether or not any such law, ordinance, order, rule, regulation or requirement is substantial, or foreseen or unforeseen, or ordinary or extraordinary, or shall necessitate structural changes or improvements or interfere with the use and enjoyment of the Leased Premises. Tenant shall, at Tenant's expense, comply promptly with all applicable statutes, ordinances, rules, regulations, orders, covenants and private restrictions, and requirements in effect during the term or any part of the term hereof (collectively, "Laws"), regulating: (a) the use of the Leased Premises by Tenant or any other party; and (b) the ownership, operation and/or condition of the Leased Premises, including, without limitation, compliance with Hazardous Materials Laws, the Americans With Disabilities Act ("ADA") and similar handicap or "path-of-travel" laws or ordinances, without regard to whether the costs to comply with same are capital or noncapital or are customarily paid by or imposed upon owners or Tenants. Tenant shall not use or allow the Leased Premises to be used for any improper, immoral or objectionable purposes. No auction, liquidation, going out of business, fire or bankruptcy sale may be conducted or advertised by sign or otherwise in the Leased Premises. Tenant agrees that it will conduct its business in good faith. Tenant shall not display or sell any alcoholic beverages or paraphernalia used in the consumption of controlled substances, and will not do any act tending to injure the reputation of the Building. Tenant shall not permit noise or odors in the Leased Premises which are objected to by Landlord or by any tenant or occupant of the Building and, upon written notice from Landlord, Tenant shall immediately cease and desist from causing such noise or odors, and failing of which Landlord may deem the same a material breach of this Lease. Tenant shall not permit the operation of any coin operated or vending machines or pay telephones on the Leased Premises. Tenant shall not use the areas adjacent to the Leased Premises for business purposes. Tenant shall not store anything in service or exit corridors. Tenant shall not use or permit the use of any portion of the Leased Premises as sleeping quarters, lodging rooms, for cooking, or for any unlawful purposes. Tenant shall not install any radio or television or other similar device exterior to the Leased Premises and shall not erect any aerial on the roof or exterior walls of the Building without Landlord's prior written consent, which consent will not be unreasonably conditioned or withheld.

Section 5.3 STORAGE; OFFICE SPACE. Tenant shall warehouse, store and/or stock in the Leased Premises only such goods, wares and merchandise as Tenant intends to offer for sale at, in, from or upon the Leased Premises. Tenant shall use for offices, clerical or other non-selling purposes only such space in the Leased Premises as is from time to time reasonably required for Tenant's business in the Leased Premises.

Section 5.4 CARE OF LEASED PREMISES. Tenant, at Tenant's expense, shall at all times keep the Leased Premises (including service areas adjacent to the premises, show windows and signs) orderly, neat, safe, clean and free from rubbish and dirt, and shall store all trash, garbage and other solid waste within the Leased Premises or in areas designated by Landlord for such storage, if Landlord elects to designate such areas. Tenant shall not burn any trash or garbage at any time in or about the Building. Tenant shall arrange for the regular pickup of all solid waste.

Section 5.5 TENANT'S COVENANTS REGARDING HAZARDOUS MATERIALS.

(a) Landlord's Prior Consent. Notwithstanding anything contained in this Lease to the contrary, Tenant shall not cause or permit any "Hazardous Materials" (as defined below) to be brought upon, kept, stored, discharged, released or used in, under or about the Leased Premises by Tenant, its agents, employees, contractors, subcontractors, licensees or invitees, unless (a) such Hazardous Materials are reasonably necessary to Tenant's business and will be handled, used, kept, stored and disposed of in a manner which complies with all "Hazardous Materials Laws" (as defined below); (b) Tenant will comply with such other rules or requirements as Landlord may from time to time impose, including without limitation that such materials are handled and disposed of in accordance with the highest accepted industry standards for safety, storage, use and disposal, (c) notice of and a copy of the current material safety data sheet is provided to Landlord for each such Hazardous Material.

(b) Definition of Hazardous Materials Laws. As used herein, the term "Hazardous Materials" means any (a) oil, petroleum, petroleum products, flammable substances, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes,

materials or pollutants which (i) pose a health or safety hazard to the Leased Premises or to persons on or about the Leased Premises or (ii) cause the Leased Premises to be in violation of any Hazardous Materials Laws (as hereinafter defined); (b) asbestos in any form, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (c) chemical, material or substance defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous waste," "restricted hazardous waste," or "toxic substances" or words of similar import under any applicable local, state or federal law or under the regulations adopted or promulgated pursuant thereto, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. § 9601, et seq.; the Resources Conservation Recovery Act, 42 U.S.C. § 6901, et seq.; the Hazardous Materials Transportation Act, as amended, 49 U.S.C. § 1801, et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. § 1251, et seq.; Sections 25115, 25117, 25122.7, 25140, 25249.8, 25281, 25316 and 25501 of the California Health and Safety Code; and Section 9 or Section 11 of Title 22 of the California Code of Regulations, Division 4, Chapter 20; (d) other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or may or could pose a hazard to the health and safety of the occupants of the Leased Premises or the owners and/or occupants of property adjacent to or surrounding the Leased Premises, or any other Person coming upon the Leased Premises or adjacent property; and (e) other chemical, materials or substance which may or could pose a hazard to the environment. As used herein the term "Hazardous Materials Laws" means any applicable federal, state or local laws, ordinances, regulations or policies relating to the environment, health and safety, and Hazardous Materials (including, without limitation, the use, handling, transportation, production, disposal, discharge or storage thereof) or to industrial hygiene or the environmental conditions on, under or about the Leased Premises, including, without limitation, soil, groundwater and indoor and ambient air conditions. Tenant shall at all times and in all respects comply with all Hazardous Materials Laws, excluding (x) remediation, treatment or removal of Hazardous Materials present on the Leased Premises prior to the Commencement Date in violation of Hazardous Materials Laws; and (y) remediation, treatment or removal of Hazardous Materials used, handled, produced, disposed, discharged or stored by Landlord on the Leased Premises following the Commencement Date.

(c) Hazardous Materials Removal. Upon expiration or earlier termination of this Lease, Tenant shall, at Tenant's sole cost and expense, cause all Hazardous Materials brought on the Leased Premises with Landlord's consent to be removed from the Leased Premises in compliance with all applicable Hazardous Materials Laws. If Tenant or its employees, agents, or contractors violates the provisions of the foregoing two paragraphs, or if Tenant's acts, negligence, or business operations contaminate, or expand the scope of any existing contamination of, the Leased Premises from such Hazardous Materials, then Tenant shall promptly, at Tenant's expense, take all investigatory and/or remedial action (collectively, the "Remediation") that is necessary in order to clean up, remove and dispose of such Hazardous Materials causing the violation on the Leased Premises or the underlying groundwater or the properties adjacent to the Leased Premises to the extent such contamination was caused by Tenant, in compliance with all applicable Hazardous Materials Laws. Tenant shall further repair any damage to the Leased Premises caused by the Hazardous Materials contamination. Tenant shall provide prior written notice to Landlord of such Remediation, and Tenant shall commence such Remediation no later than thirty (30) days after such notice to Landlord and diligently and continuously complete such Remediation. Such written notice shall also include Tenant's method, time and procedure for such Remediation and Landlord shall have the right to require reasonable changes in such method, time or procedure of the Remediation. Tenant shall not take any Remediation in response to the presence of any Hazardous Materials in or about the Leased Premises or enter into any settlement agreement, consent decree or other compromise in respect to any claims relating to any Hazardous Materials in any way connected with the Leased Premises, without first notifying Landlord of Tenant's intention to do so and affording Landlord ample opportunity to appear, intervene or otherwise appropriately assert and protect Landlord's interests with respect thereto.

(d) Notices. Tenant shall notify Landlord in writing within seventy two (72) hours of: (a) any enforcement, cleanup, removal or other governmental or regulatory action threatened, instituted, or completed pursuant to any Hazardous Materials Laws with respect to the Leased Premises; (b) any claim, demand, or complaint made or threatened by any person against Tenant or the Leased Premises relating to damage, contribution, cost recovery compensation, loss or injury resulting from any Hazardous Materials; and (c) any reports made to any governmental authority arising out of any Hazardous Materials on or removed from the Leased Premises. Landlord shall have the right (but not the obligation) to join and participate, as a party, in any legal proceedings or actions affecting the Leased Premises initiated in connection with any Hazardous Materials Laws.

(e) Indemnification and Survival. Tenant shall indemnify, protect, defend and forever hold Landlord harmless from any and all damages, losses, expenses, liabilities, obligations and costs arising out of (a) any failure of Tenant to observe the foregoing covenants in the Paragraphs relating to Hazardous Materials as set forth above; and (b) any use, handling, production, disposal, discharge or storage of Hazardous Materials by Tenant following the Commencement Date. The terms of this Paragraph shall survive the expiration or termination of this Lease.

Section 6 COMMON AREA

Section 6.1 OPERATION AND MAINTENANCE OF COMMON AREA. Landlord agrees to cause to be operated and maintained during the term of this Lease the Common Area (defined below in Section 6.2 of this Lease) in the Building. The manner in which such areas and facilities shall be operated and maintained, and the expenditures therefor, shall be at the sole discretion of Landlord and the use of such areas and facilities shall be subject to such reasonable regulations as Landlord shall make from time to time. Notwithstanding the foregoing, Tenant's use of the Common Area may be interrupted or inhibited by any modifications or expansions to the Common Area which Landlord, in its sole discretion, may effect from time to time.

Section 6.2 USE OF COMMON AREA. The term "Common Area", as used in this Lease, shall mean and include, to the extent provided by Landlord, the following areas within the Building: (i) parking areas and facilities (collectively "Parking Facilities"), traffic control and traffic information signs and equipment, roadways, alleyways, pedestrian sidewalks, driveways, truckways, delivery areas, landscaped areas, roof, skylights, beams, stairs and ramps not contained within any floor area, public restroom if any, and (ii) those areas within the Building and areas adjacent to the Building which from time to time may be provided for the use of the tenants of the Building and their respective concessionaires, agents, employees, customers, invitees and any other licensees. The use and occupancy by Tenant of the Leased Premises shall include the nonexclusive use of the Common Area with Landlord and with all others for whose convenience and use of the Common Area have been or may hereafter be provided by Landlord, subject, however, to rules and regulations for the use thereof as prescribed from time to time by Landlord.

Section 6.3 PARKING. During the term of this Lease, Landlord shall operate, manage and maintain the portions of the Building which are designated by Landlord as Parking Facilities. The manner in which such areas and facilities shall be maintained, and the expenditures for maintenance shall be at the sole discretion of Landlord, and the use of such area shall be subject to such reasonable regulation and changes as Landlord shall make from time to time. Notwithstanding the prior sentence, during the term of this Lease, Tenant shall have the exclusive right to eight (8) parking stalls as shall be designated from time to time by Landlord.

Section 7 SIGNS

Section 7.1 SIGNS. No signs or awnings shall be erected or maintained by Tenant ("Tenant's Signs"), without prior written approval of Landlord, which approval will be in Landlord's sole and absolute discretion. Any of Tenant's Signs requiring electrical power shall be connected to Tenant's electric meter. Tenant's Signs shall be maintained and kept in first-class condition by Tenant at its sole cost and expense. At the expiration of the Term, Landlord may, at its option, require Tenant to remove Tenant's Signs and repair any damage to the Building caused by such removal. All signs shall comply with all applicable laws, statutes, ordinances or any private restrictions or covenants.

Section 8 MAINTENANCE OF LEASED PREMISES

Section 8.1 LANDLORD'S OBLIGATIONS FOR MAINTENANCE. Landlord shall keep and maintain the structural elements of the Leased Premises (exclusive of doors, door frames, door checks, other entrances, windows and window frames, tenant signs, and non-structural elements of storefronts) in good repair, except that Landlord shall not be called upon to make any such repairs occasioned by the act or omission of Tenant, its agents, employees, invitees, licensees or contractors. Landlord shall not be called upon to make any improvements or repairs of any kind upon the Leased Premises and appurtenances, except as may be required under Sections 15 and 16 or other specific provisions of this Lease, and nothing contained in this Section 8.1 shall limit Landlord's right to reimbursement from Tenant for maintenance, repair costs and replacement costs conferred elsewhere in this Lease.

Section 8.2 TENANT'S OBLIGATIONS FOR MAINTENANCE.

(a) Except as provided in Section 8.1 of this Lease, Tenant, at Tenant's expense, shall keep and maintain in first-class appearance, and in good condition and repair as determined by Landlord (including replacement of parts and equipment, if necessary), the Leased Premises and every part thereof and any and all appurtenances thereto wherever located, including, but without limitation, the surfaces of the exterior walls, the exterior and interior portion of all doors, door frames, door checks, other entrances, windows, window frames, Tenant signs, plate glass, storefronts, all plumbing and sewage facilities within the Leased Premises (including free flow to the Building's main sewer line), fixtures, ventilation, heating

and air conditioning and electrical systems (whether or not located in the Leased Premises), sprinkler systems, walls, floors, roofs and ceilings, and all other repairs, replacements, renewals and restorations, interior and exterior, ordinary and extraordinary, foreseen and unforeseen. Tenant shall, at its sole cost and expense, repair and maintain the Leased Premises's roof and other portions or areas of the Building roof (without regard to whether such areas serve the Leased Premises or are used by Tenant) if Landlord determines in good faith that such repair or maintenance is necessary as a result of the actions or omissions of Tenant or its agents.

(b) Tenant shall keep and maintain the Leased Premises in a clean, sanitary and safe condition in accordance with the laws of the State of California and the City and County of Los Angeles, and in accordance with all directions, rules and regulations of the health officer, fire marshal, building inspector, or other proper officials of the governmental agencies, and Tenant shall comply with all requirements of Laws, affecting the Leased Premises, all at the sole cost and expense of Tenant. At the time of the expiration of the tenancy created herein, Tenant shall surrender the Leased Premises in good order, condition and repair.

(c) Tenant shall keep the Leased Premises and all other parts of the Building free from any and all liens arising out of any work performed, materials furnished or obligations incurred by or for Tenant, and agrees to bond against or discharge any mechanics or materialmen lien within ten (10) days after written request therefore by Landlord. Tenant shall give Landlord at least fifteen (15) days' notice prior to commencing or causing to be commenced any work on the Leased Premises (whether prior or subsequent to the commencement of the Lease Term), so that Landlord shall have reasonable opportunity to file and post a notice of non-responsibility for Tenant's work. Tenant shall reimburse Landlord for any and all costs and expenses which may be incurred by Landlord by reason of the filing of any such liens and/or removal of same, such reimbursement to be made within ten (10) days after receipt by Tenant from Landlord of a statement setting forth the amount of such costs and expenses.

(d) Tenant, at its own expense, shall install and maintain fire extinguishers and other fire protection devices as may be required from time to time by any agency having jurisdiction thereof and/or the insurance underwriters insuring the Building.

(e) Tenant expressly waives all rights to make repairs at the expense of Landlord as provided for in California Civil Code Sections 1941 or 1942 or in any statute or law in effect during the term of this Lease.

(f) In the event Tenant fails, refuses or neglects to commence and complete repairs promptly and adequately, to remove any lien, to pay any cost or expense, to reimburse Landlord, or otherwise to perform any act or fulfill any obligation required of Tenant pursuant to this Section 8.2, Landlord may, but shall not be required to, make or complete any such repairs, remove such lien, pay such cost or perform such act or the like without prior notice to, but at the sole cost and expense of, Tenant. Tenant shall reimburse Landlord for all costs and expense of Landlord thereby incurred, with interest as provided in Section 25.12, within ten (10) days after receipt by Tenant from Landlord of a statement setting forth the amount of such costs and expenses. The failure by Tenant so to make repairs, to remove any lien, to pay any such cost or expenses or so to reimburse Landlord (in the case of reimbursement, within such ten (10) day period) shall constitute a default by Tenant under this Lease and shall carry with it the same consequences as failure to pay Minimum Annual Rental. Landlord's rights and remedies pursuant to this subsection (g) shall be in addition to any and all other rights and remedies provided under this Lease or by law.

Section 9 INSURANCE AND INDEMNITY

Section 9.1 TENANT'S INSURANCE.

(a) Tenant, at its sole cost and expense, shall, during the entire term hereof, procure, pay and keep in full force and effect: (i) full public liability and property damage insurance with respect to the Leased Premises and the operations of Tenant, in, on or about the Leased Premises, including steam boiler insurance if applicable, in which the limits with respect to public liability shall be not less than One Million Dollars (\$1,000,000) per occurrence for personal injury and death and in which the limits with respect to property damage liability shall not be less than Five Hundred Thousand Dollars (\$500,000); (ii) plate glass insurance, at full replacement value; (iii) insurance against fire, extended coverage, vandalism, malicious mischief and such other additional perils as now are or hereafter may be included in a standard form of "all risk" insurance policy from time to time in general use in Los Angeles County, insuring Tenant's tenant improvements, merchandise, trade fixtures (whether or not paid for by Tenant), furnishings, equipment, inventory and all other items of personal property of Tenant located on or in the Leased Premises, in an amount equal to not less than the actual replacement cost thereof and with a deductible not in excess of Five Hundred Dollars (\$500.00); (iv) worker's compensation coverage as

required by law; (v) with respect to the Alterations and the like, contingent liability and builders risk insurance, in an amount satisfactory to Landlord; (vi) loss of income and business interruption insurance in such amounts as will reimburse Tenant for a period of not less than one (1) year for direct or indirect loss of earnings and extra expense attributable to all perils commonly insured against by prudent tenants or attributable to prevention of access to the Leased Premises or the Building, or any portion thereof, as a result of such perils; and (vii) any additional types of insurance and/or increased policy limits as may be reasonably required by Landlord from time to time or Landlord's lender.

(b) All policies of insurance required to be carried by Tenant pursuant to this Section 9.1 shall be written by responsible insurance companies authorized to do business in the State of California, and reasonably acceptable to Landlord and any lender of Landlord. Any such insurance required of Tenant hereunder may be furnished by Tenant under any blanket policy carried by it or under a separate policy therefor. A copy of each paid-up policy evidencing such insurance (appropriately authenticated by the insurer) or a certificate of the insurer, certifying that such policy has been issued, provides the coverage required by this Section and contains provisions specified herein, shall be delivered to Landlord prior to the commencement of the term of this Lease and, upon policy renewals, not less than thirty (30) days prior to the expiration of such coverage. Landlord may, at any time, and from time to time, inspect and/or copy any and all insurance policies required to be procured by Tenant hereunder.

(c) Each policy evidencing insurance required to be carried by Tenant pursuant to this Section 9.1 shall contain the following provisions and/or clauses: (i) a cross-liability clause; (ii) a provision that such policy and the coverage evidenced thereby shall be primary and noncontributing with respect to any policies carried by Landlord and that any coverage carried by Landlord is excess insurance; (iii) a provision including Landlord and any other parties in interest designated by Landlord as additional insureds; (iv) with respect to "all risk" casualty insurance, a waiver by the insurer of any right to subrogation against Landlord, its agents, employees and representatives which arises or might arise by reason of any payment under such policy or by reason of any act or omission of Landlord, its agents, employees or representatives; (v) a severability clause; (vi) a provision that the insurer will not cancel or change the coverage provided by such policy without first giving Landlord and any other additional insureds thirty (30) days' prior written notice.

(d) In the event that Tenant fails to procure, maintain and/or pay for, at the times and for the duration specified in this Section 9.1, any insurance required by this Section, or fails to carry insurance required by law or governmental regulation, Landlord may (but without obligation to do so) at any time or from time to time, and without notice, procure such insurance and pay the premiums therefor, in which event Tenant shall repay Landlord all sums paid by Landlord with interest thereon as provided elsewhere herein and any cost or expenses incurred by Landlord in connection therewith, within ten (10) days following Landlord's written demand to Tenant for such payment.

(e) Tenant shall not carry a stock of goods or do anything in or about the Leased Premises which will in any way tend to increase the insurance rates on the Building or the Leased Premises. If Tenant installs any electrical equipment that overloads the lines in the Leased Premises, Tenant shall at its own expense make whatever changes are necessary to comply with the requirement of the insurance underwriters and governmental authorities having jurisdiction.

Section 9.2 LANDLORD'S INSURANCE.

(a) Landlord agrees, during the term thereof, to provide, to the extent the same is available from Landlord's insurance carrier, in coverages determined by Landlord, with or without deductibles, insurance coverage against loss or damage by fire, and other risks as are from time to time included in a standard extended coverage endorsement, insuring the Building (exclusive of leasehold improvements to the Leased Premises, Tenant's merchandise, trade fixtures, furnishings, equipment, heaters, air conditioners, plate glass, signs and all other items of personal property of Tenant and further exclusive, to the extent Landlord determines, of similar improvements and property of other tenants in the Building) in an amount equal to the replacement cost of the property so insured.

(b) Any insurance required of Landlord hereunder may be furnished by Landlord under a blanket policy carried by it or under a separate policy therefor. Landlord and Tenant hereby waive any rights each may have against the other in connection with any of the damage occasioned to Landlord or Tenant, as the case may be, their respective property, the building, Leased Premises, or the Building or its contents, arising from covered causes of loss for which property insurance is carried or required to be carried pursuant to this Lease. Each party on behalf of their respective insurance companies insuring their respective property against any such loss, waive any right of subrogation that it may have against the other party.

Section 9.3 COVENANT TO HOLD HARMLESS. Tenant covenants to indemnify Landlord, its trustees, beneficiaries, trustors, representatives, agents and employees, and defend and save them harmless from and against any and all claims, actions, damages, costs, liability loss and expense,

including attorneys' fees, in connection with all losses, including loss of life, personal injury and/or damage to property, arising from or out of any occurrence or omission, upon or at the Leased Premises or the occupancy or use by Tenant of the Leased Premises or any part thereof, or any other portion of the Building, or arising from or out of Tenant's failure to comply with any provision of this Lease or occasioned wholly or in part by any act or omission of Tenant, its concessionaires, agents, contractors, suppliers, employees, servants, customers or licensees. In case Landlord or any other party so indemnified shall, be made a party to any litigation commenced by or against Tenant, then Tenant shall protect and hold them harmless and shall pay all costs, expenses and reasonable attorney's fees incurred or paid by them in connection with such litigation.

Section 10 UTILITY CHARGES

Section 10.1 UTILITY CHARGES.

(a) Tenant shall be solely responsible for and shall promptly pay all fees, deposits and charges, including use and/or connection fees, hook-up fees, standby fees, and/or penalties for discontinued or interrupted service, and the like, for electricity, centrally conditioned cold air supply, sewer and sanitation, solid waste disposal and any other service or utility used in or upon or furnished to the Leased Premises. Within thirty (30) days following the Commencement Date, Landlord shall install a meter to separately measure Tenant's electricity usage.

(b) In no event shall Landlord be liable for damages or otherwise for any interruption, reduction, disruption, curtailment or failure in the supply, quality or character of electricity or any other utility or other service, or if the quantity, quality or character thereof supplied to or by Landlord is changed or is no longer available for Tenant's requirements, nor shall any such interruption, reduction, disruption, curtailment, failure or change in quantity, quality or character constitute or be deemed to constitute constructive eviction of Tenant, or excuse or relieve Tenant from its obligations under this Lease, including without limitation the obligation to pay rent.

Section 11 ESTOPPEL STATEMENT, ATTORNMENT AND SUBORDINATION

Section 11.1 ESTOPPEL STATEMENT. Tenant agrees within ten (10) days after request therefor by Landlord or any mortgagee or beneficiary under a deed of trust covering the Leased Premises, to execute in recordable form and deliver to Landlord or such mortgagee or beneficiary a statement, in writing, certifying (a) that this Lease is in full force and effect, (b) the date of commencement and termination of the term of this Lease, (c) that the Minimum Annual Rental and all other charges hereunder are paid currently without any offset or defense thereto, (d) the amount of Minimum Annual Rental and all other charges hereunder, if any, paid in advance, (e) whether this Lease has been modified and, if so, identifying the modifications, (f) that there are no uncured defaults by Landlord or stating those claimed by Tenant and (g) any other reasonably requested information.

Section 11.2 ATTORNMENT. In the event any proceedings are brought for the foreclosure of, or in the event of exercise of the power of sale under any mortgage and/or deed of trust made by Landlord covering the Leased Premises, or in the event Landlord sells, conveys or otherwise transfers its interest in the Building or any portion thereof containing the Leased Premises, this Lease shall remain in full force and effect and Tenant hereby attorns to, and covenants and agrees to execute an instrument in writing reasonably satisfactory to the mortgagee, beneficiary or new owner whereby Tenant attorns to, such successor in interest and recognizes such successor as the Landlord under this Lease.

Section 11.3 SUBORDINATION. Tenant agrees this Lease, including any rights of Tenant with respect to condemnation or insurance proceeds, shall, at the request of Landlord or the first mortgagee or beneficiary under the first deed of trust covering the Leased Premises, be subordinate to any mortgages or deeds of trust that have been or may hereafter be placed upon the Building, or any portion thereof, and all renewals, replacement and extensions thereof, provided, however, that the mortgagee or beneficiary named in any such mortgage or deed of trust shall agree to recognize the interest of Tenant under this Lease in the event of foreclosure, if Tenant is not then in default. Tenant also agrees that any mortgagee or beneficiary may elect to have this Lease constitute an interest prior to its mortgage or deed of trust, and in the event of such election and upon notification by such mortgagee or beneficiary to Tenant to that effect, this Lease shall be deemed prior to such mortgage or deed of trust, whether this Lease is dated prior to or subsequent to the date of said mortgage or deed of trust. Tenant agrees that upon the request of Landlord, or any mortgagee or beneficiary, Tenant shall, within five (5) days of the receipt of said request, execute whatever instruments may be required to carry out the intent of this Section.

Section 11.4 REMEDIES. Failure of Tenant to execute any statements or instruments necessary or desirable to effectuate the foregoing provisions of this Section, within ten (10) days after written request so to do by Landlord, shall constitute a breach of this Lease. In the event of such failure, Landlord, in addition to any other rights or remedies it might have, shall have the right by written notice to Tenant to declare this Lease terminated, in which event this Lease shall cease and terminate on the date specified in such notice with the same force and effect as though the date set forth in such notice were the date originally set forth herein and fixed for the expiration of the term; upon such termination Tenant shall vacate and surrender the Leased Premises, but shall remain liable as provided in this Lease by reason of said breach. Further, Tenant hereby irrevocably appoints Landlord as its attorney-in-fact with full power and authority to execute and deliver in the name of Tenant any such statement or instrument.

Section 11.5 NOTICE OF MORTGAGEES. Notwithstanding any provision to the contrary contained herein, Landlord shall not be deemed to be in default under any provision of this Lease until Tenant, after giving written notice to Landlord and allowing Landlord reasonable time in which to cure any alleged default, gives written notice to the first mortgagee or beneficiary under the first deed of trust covering the Leased Premises which notice shall state the alleged default and allow said beneficiary or mortgagee an additional thirty (30) days to cure said default.

Section 12 ASSIGNMENT AND SUBLETTING

Section 12.1 LANDLORD'S RIGHTS.

(a) Consent Required. Tenant agrees not to assign or in any manner transfer this Lease or any estate or interest therein, and not to lease or sublet the Leased Premises or any part or parts thereof or any right or privilege appurtenant thereto, and not to allow anyone to conduct business, upon or from the Leased Premises (whether as concessionaire, franchisee, licensee, permittee, subtenant, department operator, manager or otherwise), or to come in, by, through or under it, in all cases either by voluntary or involuntary act of Tenant or by operation of law or otherwise, without the prior written consent of Landlord, which consent will not be unreasonably withheld. For the purposes of this Lease, any transfer(s), directly or indirectly, of more than twenty five percent (25%) of the stock or ownership interest in the Tenant shall require the prior written consent of Landlord, which consent shall not be unreasonably withheld. Tenant hereby acknowledges that it would be reasonable for Landlord to withhold consent if:

- (i) the proposed assignee or subtenant is less creditworthy than Tenant or, if in Landlord's reasonable business judgment, the proposed assignee shall not be in satisfactory financial condition to meet its prospective obligations under this Lease;
- (ii) Tenant has not complied with this Section 12.1; or
- (iii) the proposed use is inconsistent with Section 5.1, incompatible with Landlord's objectives for the tenant mix of the Building, or in violation of an exclusive use provision granted to another tenant of the Building; or
- (iv) the proposed assignment or sublease does not conform to the terms and conditions of this Lease, and/or the proposed assignee or subtenant has refused to assume, in writing, all obligations of Tenant under the Lease; or
- (v) the proposed assignee or subtenant proposes to perform modifications to the Leased Premises which Landlord has not approved; or
- (vi) in Landlord's reasonable business judgment, the assignee or subtenant lacks sufficient business reputation or experience to operate a successful business of the type and quality permitted under this Lease; or
- (vii) Tenant fails to pay all or a portion of the Consent Fee as required and described in Section 12.1(d) as and when such payment shall be due and payable, or the amount described in Section 12.1(e)(vi) below.

The foregoing prohibitions are expressly agreed to by Tenant as an inducement to Landlord to lease to Tenant.

(b) Surrender of Lease. The voluntary or other surrender of this Lease by Tenant, or mutual cancellation thereof, shall not work a merger and shall, at the option of Landlord, terminate all or any existing franchises, concessions, licenses, permits, subleases, subtenancies, departmental operating arrangements, management agreements or the like, or may, at the option of Landlord, operate as an

assignment to Landlord of the same. Nothing contained elsewhere in this Lease shall authorize Tenant to enter into any franchise, concession, license, permit, subtenancy, departmental operating arrangement, management agreement or the like except pursuant to the provisions of this Section.

(c) Recapture. If Tenant proposes to sublease or assign the Leased Premises, Landlord may, at its option, upon written notice to Tenant given within thirty (30) days after receipt of the Tenant's request for consent to sublease or assign, elect to recapture the Leased Premises and upon such election, this Lease shall terminate. Landlord may, at its option, lease the recaptured Leased Premises to the subtenant or assignee identified in Tenant's consent request without liability to Tenant. If Landlord does not elect to recapture pursuant to this Section 12.1 and has provided its consent consistent with the terms and conditions of this Section 12.1, Tenant may thereafter enter into a valid sublease or assignment with the proposed subtenant or assignee provided that: (i) the sublease or assignment in the form approved by Landlord is executed by Tenant and subtenant or assignee within thirty (30) days after Landlord's consent; and (ii) Tenant agrees to pay or agrees to pay the Consent Fee described in Section 12.1(d).

(d) Consent Fee. The fees described in this Section 12.1(d) are collectively referred to in this Lease as the "Consent Fee."

(i) If Tenant shall enter into any sublease of the Leased Premises or any part thereof Tenant agrees to pay to Landlord one hundred percent (100%) of all excess rental or other profit realized by Tenant from the sublease (the "Sublease Consent Fee"), calculated on a per-square foot basis in the event of a sublease of a portion of the Leased Premises. In calculating the Sublease Consent Fee Tenant may deduct actual, reasonable, documented out-of-pocket expenses incurred by Tenant in connection with the sublease. Tenant agrees to pay to Landlord the Sublease Consent Fee within five (5) business days after subrents are due or other profits are realized.

(ii) If Landlord shall consent to any proposed assignment or other transfer, including but not limited to a sale of the Tenant's business, Tenant agrees to pay to Landlord, ten percent (10%) of all consideration, in whatever form, realized by Tenant from the assignment or other transfer (the "Transfer Consent Fee"). In calculating the Transfer Consent Fee Tenant may deduct actual, reasonable, documented out-of-pocket expenses incurred by Tenant in connection with the assignment or other transfer. Tenant agrees to pay to Landlord the Transfer Consent Fee prior to the effective date of, and as an express condition to Landlord's obligation to consent to, the assignment or other transfer.

(e) Further Conditions. In addition, each of the following conditions shall apply to any proposed assignment, or sublease or other transfer:

- (i) the occupancy resulting therefrom shall not violate any rights theretofore given to any other tenant of the Building;
- (ii) substantially the same class, quality of business, and management, including, without limiting the generality of the foregoing, financial soundness and business experience of ownership and management, shall be maintained and furnished in a manner compatible with the high standards contemplated by this Lease;
- (iii) each and every covenant, condition or obligation imposed upon Tenant by this Lease and each and every right, remedy or benefit afforded Landlord by this Lease, shall not be impaired or diminished;
- (iv) consent by Landlord to one or more assignments of this Lease or to one or more sublettings of the Leased Premises shall not be deemed to be a consent to any subsequent assignment or subletting.
- (v) any assignment or subletting without Landlord's consent shall be void.
- (vi) Tenant shall pay Landlord One Thousand Dollars (\$1,000), as additional rent, and Landlord's reasonable costs and attorney's fees incurred in conjunction with the processing and documentation of any such requested assignment, subletting, transfer, change of ownership or hypothecation of this Lease or Tenant's interest in and to the Leased Premises.
- (vii) no subletting or assignment, even with the consent of Landlord, shall relieve Tenant of its obligation to pay the rent and to perform all of the other obligations to be performed by Tenant hereunder; and

- (viii) the acceptance of rent by Landlord from any person shall not be deemed to be a waiver by Landlord of any provision of this Lease or to be a consent to any assignment or subletting.

Section 13 WASTE

Section 13.1 WASTE OR NUISANCE. Tenant shall not commit or suffer to be committed any waste upon the Leased Premises and shall not place a load upon any floor of the Leased Premises which exceeds the floor load per square foot which such floor was designed to carry. Tenant shall not commit or suffer to be committed any nuisance or other act or thing which disturbs the quiet enjoyment of any other occupant or tenant of the Building. Tenant shall not use or permit to be used any medium that might constitute a nuisance, such as loudspeakers, sound amplifiers, phonographs, radios, televisions, or any other sound producing or other device which will carry sound or odors outside the Leased Premises. Tenant agrees that business machines and mechanical equipment used by Tenant which cause vibration or noise that may be transmitted outside of the leased premise, to such a degree as to be reasonably objectionable to Landlord or to any occupant, shall be placed and maintained by Tenant at its expense in a setting of cork, rubber or spring-type vibration isolators sufficient to eliminate such vibrations or noise.

Section 14 TRADE NAME

Section 14.1 TRADE NAME. Tenant agrees (a) to operate its business in the Leased Premises under the name specifically set forth in the Data Sheet so long as the same shall not be held to be in violation of any applicable law, (b) not to change the advertised name or character of the business operated in the Leased Premises without the prior written approval of Landlord, which approval will not be unreasonably withheld.

Section 14.2 SOLICITATION OF BUSINESS. Tenant and Tenant's employees and/or agents shall not solicit business in the Common Area or any part of the Building other than in the Leased Premises, nor shall Tenant distribute any handbills or other advertising matter in the Common Area or any part of the Building other than in the Leased Premises. Tenant shall not approach customers outside the Leased Premises for purposes of soliciting sales.

Section 15 DESTRUCTION

Section 15.1 INSURED CASUALTY. In the event that the Leased Premises are partially or totally destroyed by fire or any other peril covered by insurance maintained by Landlord, Landlord shall, within a period of one hundred eighty (180) days after the occurrence of such destruction, commence reconstruction and restoration of the Leased Premises and prosecute the same to completion, but only to the extent that proceeds of such insurance are available to Landlord for such purpose, in which event this Lease shall continue in full force and effect. Notwithstanding the foregoing, if (a) the insurance proceeds are not sufficient to pay the cost of such reconstruction, or (b) the damage or destruction is due to the acts or omissions of Tenant, its agents, employees or contractors, or (c) Landlord is restricted by any governmental authority, or (d) in Landlord's judgement, the Leased Premises cannot be repaired, then Landlord shall have the option to terminate this Lease. Notwithstanding anything to the contrary contained herein, in the event any holder of a mortgage or deed of trust on the Building should require that the insurance proceeds payable upon damage or destruction to the Building by fire or other casualty be used to retire the debt secured by such mortgage or deed of trust, Landlord shall in no event have any obligation to rebuild and at Landlord's election this Lease shall terminate. Landlord's obligations, should it exist, to reconstruct or restore is limited to the perimeter walls, floors, ceiling and roof of the Leased Premises. Tenant shall be obligated for the restoration, as well as the replacement of, Tenant's leasehold improvements, heating, ventilating and air conditioning equipment and distribution, trade fixtures and other personal property on the Leased Premises. In the event that Landlord elects to terminate this Lease under this Section 15.1, Landlord shall be entitled to receive all insurance proceeds without any obligation to repair, restore, or reconstruct the Leased Premises.

Section 15.2 UNINSURED CASUALTY. In the event that the Leased Premises are partially or totally destroyed as a result of any casualty or peril not covered by Landlord's insurance, Landlord may, within a period of ninety (90) days after the occurrence of such destruction (a) commence reconstruction and restoration of the Leased Premises and prosecute the same diligently to completion, in which event the Lease shall continue in full force and effect, or (b) notify Tenant in writing that it elects not to so reconstruct or restore the Leased Premises, in which event this Lease shall cease and terminate as of the

date of service of such notice. In the event of any reconstruction of the Leased Premises by Landlord following destruction as a result of any casualty or peril not covered by Landlord's insurance, such reconstruction shall be limited to the perimeter wall, floor, ceiling and roof of the Leased Premises. Tenant shall be obligated for the restoration and replacement of Tenant's leasehold improvements, heating, ventilating and air conditioning equipment and distribution, trade fixtures and other personal property on the Leased Premises.

Section 15.3 DAMAGE TO THE BUILDING. Notwithstanding anything to the contrary herein contained, in the event of a total destruction of the Building or a partial destruction of the Building, by any cause whatsoever, the cost of restoration of which would exceed one-third (1/3) of the then replacement value of the Building, whether or not insured against and whether or not the Leased Premises are partially or totally destroyed, Landlord may, within a period of one hundred eighty (180) days after the occurrence of such destruction, notify Tenant in writing that it elects not to so reconstruct or restore the Building, in which event this Lease shall cease and terminate as of the date of such destruction.

Section 15.4 DAMAGE NEAR END OF TERM. Notwithstanding anything to the contrary herein contained, in the event that more than twenty-five percent (25%) of the Leased Premises or of the Building are partially or totally destroyed during the last year of the Term, Landlord shall have the option to terminate this Lease by giving written notice to the Tenant of the exercise of such option within ninety (90) days after such destruction, in which event this Lease shall cease and terminate as of the date of such notice.

Section 15.5 RELEASE OF LIABILITY. In the event of any termination of this Lease in accordance with this Section 15, the parties shall be released thereby without further obligation to the other party coincidental with the surrender of possession of the Leased Premises to Landlord except for items which have theretofore accrued and are then unpaid or unperformed.

Section 15.6 ABATEMENT OF RENT. Except as otherwise expressly provided herein, in no event shall any rent payable under this Lease abate or otherwise be subject to reduction or offset. In the event of reconstruction and restoration as herein provided, then, except to the extent that same shall be covered by the business interruption insurance required to be carried by Tenant pursuant to Section 9.1 above, the Minimum Annual Rent to be paid under this Lease shall be abated in the same proportion that the square footage of the Leased Premises has been destroyed or damaged if such damage has, in the reasonable judgment of Landlord, rendered such portion of the Leased Premises unusable, commencing from the date of destruction and continuing during the period of such reconstruction or restoration. Tenant shall continue the operation of its business on the Leased Premises during any such period to the extent reasonably practicable from the standpoint of prudent business management, and the obligation of Tenant to pay all other charges, except as provided above, shall remain in full force and effect. Tenant shall not be entitled to any compensation or damages from Landlord for loss of use of the whole or any part of the Leased Premises, Tenant's personal property or any inconvenience or annoyance occasioned by such destruction, reconstruction or restoration.

Section 15.7 WAIVER OF STATUTORY RIGHTS. Tenant, hereby acknowledges that it is the intention of the parties hereto that the express terms of this Lease shall control in the event of any damage or destruction to the Leased Premises or the Building and hereby expressly waives any statutory rights of termination or abatement which may arise by reason of any partial or total destruction of the Leased Premises, including, but not limited to, its rights under the provisions of Sections 1932(2) and 1933(4) of the California Civil Code.

Section 15.8 WAIVER OF SUBROGATION. Each party hereto does hereby waive, remise, release and discharge the other party, hereto and any officer, director, shareholder, beneficiary, partner, agent, employee or representative of such party, of and from any liability whatsoever hereafter arising from loss, damage or injury caused by fire or other casualty for which insurance containing a waiver of subrogation is carried or is required pursuant to this Lease to be carried, by the injured party at the time of such loss, damage or injury, to the extent of any recovery by the injured party under such insurance.

Section 16 EMINENT DOMAIN

Section 16.1 TOTAL CONDEMNATION OF LEASED PREMISES. If the whole of the Leased Premises shall be taken by any public authority under the power of eminent domain or sold to a public authority under threat or in lieu of such taking, then the term of this Lease shall cease as of the day possession shall be taken by such public authority, and the Rental and other charges shall be paid up to that day with a proportionate refund by Landlord of such Rental and other charges as may have been paid in advance for a period subsequent to the date of the taking.

Section 16.2 PARTIAL CONDEMNATION. If less than the whole of the Leased Premises shall be so taken under eminent domain, or sold to public authority under threat or in lieu of such a taking, but such taking will render the remainder of the Leased Premises unusable for the purposes for which the Leased Premises were leased, Tenant and Landlord shall each have the right to terminate this Lease as of the day possession is taken by public authority, upon notifying the other party in writing within ten (10) days after such taking. In the event Tenant shall remain in possession all of the terms herein provided shall continue in effect, except that as of the day possession of such percentage of the Leased Premises is taken by public authority, the Minimum Annual Rental and other charges which are based upon Tenant's proportionate share shall be reduced in proportion to the area of the Leased Premises taken thereafter, Landlord shall, at its own cost and expense, make all the necessary repairs or alterations to the basic building, so as to constitute the remaining Leased Premises a complete architectural unit, and Tenant, at Tenant's sole cost, shall similarly act with respect to Tenant's improvements, trade fixtures, furnishings and equipment. Notwithstanding the foregoing, in no event shall Landlord be obligated to perform restoration work costing in excess of the net condemnation award allocable to the Leased Premises. In the event that this Lease shall be terminated by reason of such taking, this Lease shall terminate as of the day possession is taken by public authority. The Rental and other charges shall be paid up to the day possession is taken by public authority, with an appropriate refund by Landlord of such Rental and of charges as may have been paid in advance for any period subsequent to that date.

Section 16.3 LANDLORD'S AND TENANT'S DAMAGES. All damages awarded for such taking under the power of eminent domain or proceeds from any sale under threat or in lieu of such a taking, whether for the whole or a part of the Leased Premises or leasehold improvements thereto, shall belong to and be the property of Landlord, irrespective of whether such damages shall be awarded or proceeds obtained as compensation for diminution in value to the leasehold improvements thereto, or to the fee of or Landlord's interest in the Leased Premises, and Tenant shall have no claim against either Landlord or the condemning authority with respect thereto: provided, however, that Tenant shall have the right to recover directly from the condemning authority, but not from Landlord any award specifically designated as compensation for, depreciation to, and cost of removal of, Tenant's stock and trade fixtures.

Section 17 DEFAULT

Section 17.1 RIGHTS UPON DEFAULT. Notwithstanding any provision herein to the contrary and irrespective of whether all or any rights conferred upon Landlord by this Section 17 are expressly or by implication conferred upon Landlord elsewhere in this Lease, in the event of (i) any failure of Tenant to pay any rental or installments thereof, or any other charges or sums whatsoever when due hereunder (including without limitation, amounts due as reimbursement to Landlord for costs incurred by Landlord in performing obligations of Tenant hereunder upon Tenant's failure so to perform), (ii) any default or failure by Tenant to perform any other of the terms, conditions, or covenants of this Lease to be observed or performed by Tenant for more than ten (10) days after written notice from Landlord to Tenant of such default (unless such default cannot be cured within ten (10) days and Tenant shall have commenced to cure said default within said ten (10) days and cures the same with all reasonable dispatch), or (iii) failure of Tenant to use the Leased Premises for the purpose specified in the Data Sheet, or if Tenant shall abandon the Leased Premises, or permit this Lease to be taken under any writ of execution or similar writ or order, then Landlord shall, in addition to all other rights or remedies it may have under this Lease or by law, have the right to (1) immediately terminate this Lease and Tenant's right to possession of the Leased Premises by giving Tenant written notice that this Lease is terminated, in which event, upon such termination, Landlord shall have the right to recover from Tenant the sum of (a) the worth at the time of award of the unpaid rental which had been earned at the time of termination; (b) the worth at the time of award of the amount by which the unpaid rental which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant affirmatively proves could have been reasonably avoided (after taking into account any restrictions on use contained herein); (c) the worth at the time of award of the amount by which the unpaid rental for the balance of the term after the time of award exceeds the amount of such rental loss that Tenant affirmatively proves could be reasonably avoided (after taking into account any restrictions on use contained herein); (d) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform Tenant's

obligations under this Lease or which in the ordinary course of things would be likely to result therefrom; and (e) all such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time under applicable law; or (2) exercise the remedy described in California Civil Code Section 1951.4 (Landlord may continue the Lease after Tenant's breach and abandonment and recover rent as it becomes due, if Tenant has right to sublet or assign subject only to reasonable limitations) and have this Lease continue in effect for so long as Landlord does not terminate this Lease and Tenant's right to possession of the Leased Premises, in which event Landlord shall have the right to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the rent and other charges payable by Tenant under this Lease as they become due under this Lease, and Tenant shall in this connection have the right to sublet the Leased Premises or assign Tenant's interest in this Lease for the use permitted hereby subject to the provisions of Section 12 hereof; or (3) without terminating this Lease Landlord may pay or discharge any breach or violation hereof which amount so expended shall be added to the next monthly rental payment due and treated in the same manner as rental hereunder; or (4) without terminating this Lease, make such alterations and repairs as may be necessary in order to relet the Leased Premises, and relet the Leased Premises or any part thereof for such term or terms (which may be for a term extending beyond the term of this Lease) and at such rental or rentals and upon such other terms and conditions as Landlord in its sole discretion may deem advisable. Upon each such reletting all rentals and other sums received by Landlord from such reletting shall be applied, first, to the payment of any indebtedness other than rental due hereunder from Tenant to Landlord; second, to the payment of any costs and expenses of such reletting, including brokerage fees and attorneys' fees and of costs of such alterations and repairs; third, to the payment of rental and other charges due and unpaid hereunder, and the residue, if any, shall be held by Landlord and applied in payment of future rental and other charges payable by Tenant hereunder as the same may become due and payable hereunder. If such rentals and other sums received from such reletting during any month are less than that to be paid during that month by Tenant hereunder, Tenant shall pay such deficiency to Landlord; if such rentals and sums shall be more, Tenant shall have no right to the excess. Such deficiency shall be calculated and paid monthly. No re-entry or taking possession of the Leased Premises by Landlord shall be construed as an election on its part to terminate this Lease unless a written notice of such intention is given to Tenant or unless the termination thereof is decreed by a court of competent jurisdiction. Notwithstanding any such reletting without termination, Landlord may at any time hereafter elect to terminate this Lease for such previous breach. Should Landlord at any time terminate this Lease for any breach, in addition to any other remedies it may have, it may recover from Tenant all damages it may incur by reason of such breach, including the cost of recovering the Leased Premises and attorneys' fees, all of which amount shall be immediately due and payable from Tenant to Landlord. The failure or refusal of Landlord to relet the premises shall not affect Tenant's liability. The terms "entry" and "reentry" are not limited to their technical meanings. If Tenant shall default hereunder prior to the date fixed as the commencement of any renewal or extension of this Lease, Landlord may cancel and terminate such renewal or extension agreement by written notice. In the event of re-entry by Landlord, Landlord may remove all persons and property from the Leased Premises and such property may be stored in a public warehouse or elsewhere at the cost of, and for the account of, Tenant without notice or resort to legal process and without Landlord being deemed guilty of trespass, or becoming liable for any loss or damage which may be occasioned thereby. In the event Tenant shall not remove its property from the Leased Premises within ten (10) days after Tenant has vacated the premises, then such property shall be deemed abandoned by Tenant and Landlord may dispose of the same without liability to Tenant. At any time that Tenant has either failed to pay rental or other charges within ten (10) days after the same shall be due or shall have delivered checks to Landlord for payments pursuant to this Lease which shall have on at least three occasions during the term of this Lease (whether consecutive or not or whether involving the same check or different checks) been returned by Landlord's bank for any reason then and in either of those events, thereafter Landlord shall not be obligated to accept any payment from Tenant unless such payment is made by cashier's check or in bank certified funds. For the purpose of subparts (1)(a) and (1)(b) of this Section 17.1, "worth at the time of award" shall be computed by allowing interest at a rate equal to the lesser of eighteen percent (18%) per annum or the highest rate then allowed under the usury laws of the State of California for such a forbearance by Landlord; for the purpose of subpart (1)(c) of this Section 17.1 "worth at the time of the award" shall be computed by discounting the amount described in subpart (1)(c) of Section 17.1 at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award plus one percent (1%). For the purpose of this Section 17.1, the rental reserved in this Lease shall be deemed to be (i) a monthly rental arrived at [A] by adding to the monthly installment of Minimum Annual Rental under this Lease an amount equal to the monthly average of all the percentage rental based on Gross Sales received by or payable to Landlord hereunder during the period that Tenant was conducting Tenant's business in the Leased Premises in the manner and to the extent in this Lease required of Tenant or [B] if greater, one-twelfth (1/12th) of the Minimum Annual Rental for the then current lease year plus (ii) one-twelfth (1/12th) of the annual average of any other payments paid or payable by Tenant hereunder.

Section 17.2 INDUCEMENT RECAPTURE. Any agreement for free or abated rent or other charges, including without limitation, the Free Rent Period provided for in Section 2.1(a) of this Lease, or for the giving or paying by Landlord to or for Tenant of any cash or other bonus, inducement or consideration for Tenant's entering into this Lease, all of which concessions are hereinafter referred to as "Inducement Provisions", shall be deemed conditioned upon Tenant's full and faithful performance of all of the terms, covenants and conditions of this Lease. Upon any default of this Lease by Tenant beyond

applicable periods for notice and cure, 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 Landlord under such an Inducement Provision shall be immediately due and payable by Tenant to Landlord, notwithstanding any subsequent cure of said default by Tenant (which cure is accepted by Landlord). The acceptance by Landlord of rent or the cure of the default which initiated the operation of this section shall not be deemed a waiver by Landlord of the provisions of this section unless specifically so stated in writing by Landlord at the time of such acceptance.

Section 17.3 **LEGAL EXPENSES.** In the event that Landlord should retain counsel and institute any suit against Tenant for violation of or to enforce any of the covenants or conditions of this Lease, or should Tenant institute any suit against Landlord for violation of any of the covenants or conditions of this Lease, or should either party institute a suit against the other for a declaration of rights hereunder, or should either party intervene in any suit in which the other is a party, to enforce or protect its interest or rights hereunder, the prevailing party shall be entitled to all of its costs, expenses and reasonable fees of its attorney(s) in connection therewith.

Section 18 BANKRUPTCY OR INSOLVENCY

Section 18.1 **TENANT'S INTEREST NOT TRANSFERABLE.** Neither Tenant's interest in this Lease, nor any estate hereby created in Tenant nor any interest herein or therein, shall pass to any trustee or receiver or assignee for the benefit of creditors or otherwise by operation of law except as may specifically be provided pursuant to the Federal Bankruptcy Code.

Section 18.2 **TERMINATION.** In the event the interest or estate created in Tenant hereby shall be taken in execution or by other process of law, or if Tenant's Guarantor, if any, or its executors, administrators, or assigns, if any, shall be adjudicated insolvent or bankrupt pursuant to the provisions of any California law or the Federal Bankruptcy Code or if Tenant or Tenant's Guarantor, if any, is adjudicated insolvent by a Court of competent jurisdiction other than the United States Bankruptcy court, or if a receiver or trustee of the property of Tenant or Tenant's Guarantor, if any, shall be appointed by reason of the insolvency or inability of Tenant or Tenant's Guarantor, if any, to pay its debts, or if any assignment shall be made of the property of tenant or Tenant's Guarantor, if any, for the benefit of creditors, then and in such events, this Lease and all rights of Tenant hereunder shall automatically cease and terminate with the same force and effect as though the date of such event were the date originally set forth herein and fixed for the expiration of the term, and Tenant shall vacate and surrender the Leased Premises but shall remain liable as herein provided.

Section 18.3 **OBLIGATION TO AVOID CREDITORS' PROCEEDINGS.** Tenant or Tenant's Guarantor, if any, shall not cause or give cause for the appointment of a trustee or receiver of the assets of Tenant or Tenant's Guarantor, if any, and shall not make any assignment for the benefit of creditors, or become or be adjudicated insolvent. The allowance of any petition under insolvency law except under the Federal Bankruptcy Code or the appointment of a trustee or receiver of Tenant or Tenant's Guarantor, if any, or of the assets of either of them, shall be conclusive evidence that Tenant caused, or gave cause therefore, unless such allowance of the petition, or the appointment of a trustee or receiver, is vacated within thirty (30) days after such allowance or appointment. Any act described in this Section 18.3 shall be deemed a material breach of Tenant's obligations hereunder, and this Lease shall thereupon automatically terminate. Landlord does, in addition, reserve any and all other remedies provided in this Lease or in law.

Section 18.4 **RIGHTS AND OBLIGATIONS UNDER THE FEDERAL BANKRUPTCY CODE.**

(a Upon the filing of a petition by or against Tenant under the Federal Bankruptcy Code, Tenant, as debtor and as debtor in possession, and any trustee who may be appointed agree as follows: (i) to perform each and every obligation of Tenant under this Lease including, but not limited to, the manner of "operations" as provided in Section 5.2 of this Lease until such time as this Lease is either rejected or assumed by order of the United States Bankruptcy Court; (ii) to pay when due under this Lease all rental and other sums to be paid by Tenant hereunder; (iii) to reject or assume this Lease within sixty (60) days of the filing of such petition under Chapter 7 of the Federal Bankruptcy Code or within one hundred twenty (120) days (or such shorter term as Landlord, in its sole discretion, may deem reasonable so long as notice of such period is given) of the filing of a petition under any other Chapter; (iv) to give Landlord at least forty-five (45) days prior written notice of any proceeding relating to any assumption of this Lease; (v) to give at least thirty (30) days' written notice of any abandonment of the Leased Premises, any such abandonment to be deemed a rejection of this Lease; (vi) to do all other things of benefit to Landlord otherwise required under the Federal Bankruptcy Code; (vii) to be deemed to have rejected this Lease in the event of the failure to comply with any of the above; (viii) to have consented to the entry of an order

by appropriate United States Bankruptcy Court providing all of the above, waiving notice and hearing of the entry of same.

(b) No default of this Lease by Tenant, either prior to or subsequent to the filing of such a petition, shall be deemed to have been waived unless expressly done so in writing by Landlord.

(c) It is understood and agreed that this Lease is a lease of real property in a Building as such a lease is described in Section 365(b)(3) of the Federal Bankruptcy Code.

(d) Included within and in addition to any other conditions or obligations imposed upon Tenant or its successor in the event of assumption and/or assignment are the following: (1) the cure of any monetary defaults and the reimbursement of pecuniary loss within not more than thirty (30) days of assumption and/or assignment; and (2) the deposit of an additional sum equal to three (3) months' rental to be held as security pursuant to the terms of this Lease; and (3) the use of the Leased Premises as set forth in the Data Sheet of this Lease and the quality, quantity and/or lines of merchandise of any goods or services required to be offered for sale are unchanged; and (4) the reorganized debtor or assignee of such debtor in possession or of Tenant's trustee demonstrates in writing that it has sufficient background including, but not limited to, substantial retailing experience and financial ability to operate a retail establishment out of the Leased Premises in the manner contemplated in this Lease and meet all other reasonable criteria of Landlord as did Tenant upon execution of this Lease; and (5) the prior written consent of any mortgagee to which this Lease has been assigned as collateral security; and (6) the Leased Premises, at all times, remains a single store and no physical changes of any kind may be made to the Leased Premises unless in compliance with the applicable provisions of this Lease.

Section 19 ACCESS BY LANDLORD

Section 19.1 RIGHT OF ENTRY. Landlord and Landlord's agents shall have the right to enter the Leased Premises at all reasonable times for the purpose of examining or inspecting same or showing the Leased Premises to prospective purchasers and mortgagees. Landlord and Landlord's agents shall have the further right to enter the Leased Premises to make such repairs, alterations, improvements or additions as the Landlord may deem necessary or desirable, and Landlord shall be allowed to take all material into and upon the Leased Premises that may be required therefor without the same constituting an eviction of Tenant in whole or in part, and the rental and other charges reserved shall in no wise abate while said repairs, alterations, improvements, or additions are being made, by reason of loss or interruption of business of Tenant, or otherwise. During the six (6) months prior to the expiration of the term of this Lease, Landlord may exhibit the Leased Premises to prospective tenants and may post any usual "to rent" or "to lease" signs upon the Leased Premises.

Section 20 TENANT'S PROPERTY

Section 20.1 TAXES ON TENANT'S PROPERTY. Tenant shall be responsible for, and agrees to pay, prior to delinquency, any and all taxes, surcharges, assessments, levies, fees and other governmental charges and impositions of every kind or nature, regular or special, direct or indirect, presently foreseen or unforeseen or known or unknown, levied or assessed by municipal, county, state, federal or other governmental taxing or assessing authority (for the purposes of this Lease, individually and/or collectively called "tax" or "taxes") upon, against or with respect to (i) the Leased Premises or any leasehold interest, (ii) all furniture, fixtures, equipment and any other personal property of any kind owned by, or placed, installed or located in, within, upon or about the Leased Premises by Tenant, any concessionaire or any previous tenant or occupant, (iii) all Alterations (if any) by Tenant, any concessionaire or any previous tenant or occupant, and (iv) rental or other charges payable by Tenant to Landlord, irrespective of whether any such tax is assessed, real or personal, and irrespective of whether any such tax is assessed to or against Landlord or Tenant. Tenant shall provide Landlord with evidence of Tenant's payment of such taxes upon Landlord's request. If at any time any of such taxes are not levied and assessed separately and directly to Tenant (for example, if the same are levied or assessed to Landlord, or upon or against the Leased Premises or the Building) Tenant shall pay to Landlord Tenant's share thereof as determined and billed by Landlord. The failure of Tenant to pay any tax or other amount payable directly to the taxing authority or to Landlord under this Section either prior to delinquency (in the case of taxes payable by Tenant directly to the taxing authority) or within ten (10) days after receipt by Tenant from Landlord of a statement therefor (in all other cases) shall carry with it the same consequences as Tenant's failure to pay Minimum Annual Rental. Tenant's obligations under this Section shall survive the expiration or earlier termination of this Lease.

Section 20.2 LOSS AND DAMAGE. Landlord shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Tenant, Tenant's employees, contractors,

invitees, customers, or any other person in or about the Leased 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 Leased Premises or upon other portions of the Building, or from other sources or places. Landlord shall not be liable for any damages arising from any act or neglect of any other tenant of Landlord nor from the failure of Landlord to enforce the provisions of any other lease for any other part of the Building. Notwithstanding Landlord's intentional misconduct, Landlord shall under no circumstances be liable for injury to Tenant's business or for any loss of income or profit therefrom and Lessee waives any claim against Landlord for actual, consequential, incidental, exemplary or punitive damages.

Section 20.3 NOTICE BY TENANT. Tenant shall give immediate notice to Landlord in case of any damage to or destruction of all or any part of, or accidents in, the Leased Premises or of defects therein or in any fixtures or equipment.

Section 21 HOLDING OVER

Section 21.1 HOLDING OVER. Any holding over after expiration of the term hereof with the consent of the Landlord shall be construed to be a tenancy from month to month at a monthly minimum rental equal to one-twelfth (1/12th) of an amount equal to twice the Minimum Annual Rental required to be paid by Tenant for the last full lease year of the Lease Term, together with an amount estimated by Landlord for the monthly additional charges payable pursuant to this Lease, and shall otherwise be on the same terms and conditions as herein specified so far as applicable. Any holding over without Landlord's consent shall entitle Landlord to reenter the Leased Premises as provided in Section 17.1 of this Lease.

Section 21.2 SUCCESSORS. Except as otherwise provided in Section 25.11, all rights and liabilities herein given to, or imposed upon the parties to this Lease shall inure to and be imposed upon the respective heirs, executors, administrators, successors, and assigns of the said parties; and if there shall be more than one Tenant, they shall all be bound jointly and severally by the terms, covenants and agreements herein. No rights, however, shall inure to the benefit of any assignee of Tenant unless the assignment to such assignee has been approved in advance by Landlord in writing.

Section 22 RULES AND REGULATIONS

Section 22.1 RULES AND REGULATIONS. Tenant agrees to comply with and observe all rules and regulations established by Landlord from time to time, provided the same shall apply uniformly to all tenants of the Building (excepting any restaurant tenants, the parking, operating hours and other rules for which may differ in certain respects in Landlord's discretion). Tenant's failure to keep and observe said rules and regulations shall constitute a breach of the terms of this Lease in the same manner as if the rules and regulations were contained herein as covenants. In the case of any conflict between said rules and regulations and this Lease, this Lease shall be controlling.

Section 23 QUIET ENJOYMENT

Section 23.1 LANDLORD'S COVENANT. Upon payment by Tenant of Rentals herein provided and other charges payable by Tenant under this Lease, and upon the observance and performance of all the covenants, terms and conditions on Tenant's part to be observed and performed, Tenant shall peaceably and quietly hold and enjoy the Leased Premises for the term hereby demised without hindrance or interruption by Landlord or any other person or persons lawfully or equitably claiming by, through or under Landlord, subject, nevertheless, to the terms and conditions of this Lease any mortgages and/or deeds of trust to which this Lease is subordinated, and any Laws, easements, private restrictions, covenants, or agreements affecting the Building.

Section 24 SECURITY DEPOSIT

Section 24.1 DEPOSIT. The sum set forth in the Data Sheet as a security deposit is payable by Tenant to Landlord upon the execution of this Lease, which sum Landlord is to retain as a deposit for the faithful performance of all covenants, conditions and agreements of Tenant under this Lease. (Such sum is occasionally referred to herein as the "deposit".) As the Minimum Annual Rent increases, as provided in Section 2.5, Tenant shall thereupon deposit with Landlord additional security deposit so that the amount of

security deposit held by Landlord shall at all times bear the same proportion to the current minimum Annual Rental as the original security deposit bears to the original Minimum Annual Rental set forth in the Data Sheet. In no event, except as specifically hereinafter provided, shall Landlord be obliged to apply the deposit to rentals or other charges in arrears or to damages for Tenant's failure to perform the said covenants, conditions and agreements; however, Landlord may so apply the deposit, at its option. Landlord's right to bring a special proceeding to recover or otherwise to obtain possession of the Leased Premises before or after Landlord's declaration of the termination of this Lease for non-payment of rental or for any other reason shall not in any event be affected by reason of the fact that Landlord holds the deposit. Such deposit, if not applied toward the payment of rental in arrears, or toward the late opening charge, or toward the payment of damages suffered by Landlord by reason of Tenant's breach of the covenants, conditions and agreements of this Lease, is to be returned to Tenant, without interest, when this Lease is terminated in accordance with its terms. In the event that Landlord repossesses the Leased Premises, whether by special proceeding or reentry or otherwise, because of Tenant's default or failure to carry out the covenants, conditions and agreements of this Lease, Landlord may apply such deposit to all damages suffered to the date of said repossession and may retain the deposit to apply to such damages as may be suffered or shall accrue thereafter by reason of Tenant's default or breach. In the event any bankruptcy, insolvency, reorganization or other creditor-debtor proceedings shall be instituted by or against Tenant, or its successors or assigns, or any Guarantor of Tenant hereunder, such deposit shall be deemed to be applied first to the payment of any rentals and/or other charges due Landlord for all periods prior to the institution of such proceedings, and the balance, if any, of such deposit may be retained by Landlord in partial liquidation of Landlord's damages. Landlord shall not be obligated to keep such deposit as a separate fund but may commingle the deposit with its own funds. In the event Landlord applies the deposit in whole or part, Tenant shall, upon demand by Landlord, deposit sufficient funds to maintain the deposit in the initial amount. Failure of Tenant to deposit such additional funds shall entitle Landlord to avail itself of the remedies provided in this Lease for non-payment of Minimum Annual Rental.

Section 25 MISCELLANEOUS

Section 25.1 **WAIVER; ELECTION OF REMEDIES.** One or more waivers of any covenant or condition by Landlord shall not be construed as a waiver of a subsequent breach of the same covenant or condition, and the consent or approval by Landlord to or of any act by Tenant requiring Landlord's consent or approval shall not be deemed to render unnecessary such consent or approval to or of any subsequent similar act. No breach by Tenant of a covenant or condition of this Lease shall be deemed to have been waived by Landlord unless such waiver is in writing signed by Landlord waiving such covenant or condition. The rights and remedies of Landlord under this Lease or under any specific Section, subsection or clause hereof shall be cumulative and in addition to any and all other rights and remedies which has or may have elsewhere under this Lease or at law or equity, whether or not such Section, subsection or clause expressly so states.

Section 25.2 **ENTIRE AGREEMENT.** All Exhibits and Addenda, if any, attached hereto are incorporated by reference and form a part of this Lease and shall be given full force and effect, as fully as if set forth at length herein. This Lease and said Exhibits and Addenda, if any, so attached hereto and forming a part hereof, set forth all the covenants, promises, agreements, conditions, and understandings between Landlord and Tenant concerning the Leased Premises, and there are no covenants, promises, agreements, conditions or understandings, either oral or written, between them other than as are set forth. No alteration, amendment, change or addition to this Lease shall be binding upon Landlord or Tenant unless reduced to writing and signed by each party. There are no oral or written agreements or representations between the parties hereto affecting this Lease. This Lease supersedes and cancels any and all previous negotiations, arrangements, representations, brochures, displays, projections, estimates, agreements and understandings, if any, made by or between Landlord and Tenant with respect to the subject matter thereof, and none thereof shall be used to interpret, construe, supplement or contradict this Lease. Although the printed provisions of this Lease were drawn by Landlord, the parties hereto agree that this circumstance shall not create any presumption, canon of construction or implication favoring the position of either Landlord or Tenant. The parties agree that any deletion of language from this Lease prior to its mutual execution by Landlord and Tenant shall not be construed to have any particular meaning or to raise any presumption, canon of construction or implication, including any implication that the parties intended thereby to state the converse, obverse or opposite of the deleted language.

Section 25.3 **INTERPRETATION AND USE OF PRONOUNS.** Nothing contained herein shall be deemed or construed by the parties hereto, nor by any third party, as creating the relationship of principal and agent or of partnership or of joint venture between the parties hereto, it being understood and agreed that neither the method of computation of rental, nor any other provision contained herein, nor any acts of the parties herein, shall be deemed to create any relationship between the parties hereto other than the relationship of Landlord and Tenant. Whenever herein the singular number is used the same shall include the plural, and the masculine gender shall include the feminine and neuter genders.

Section 25.4 DELAYS. In the event either party hereto shall be delayed in the performance of maintenance and/or repair obligations by reasons of strikes, lockouts, labor troubles, utility reduction or cessation, inability to procure materials, or shall at any time be so delayed by reason of power, restrictive governmental laws or reasons of a similar nature not the fault of the party delayed in performing work or doing acts required under the terms of the Lease, then performance of such act shall be excused for the period of the delay and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay. The provisions of this Section 25.1 shall not operate to excuse Tenant from prompt payment of Minimum Annual Rental, or any other payments required by the terms of this Lease.

Section 25.5 NOTICES. Notwithstanding the fact that certain descriptions elsewhere in this Lease of notices, demands, requests or commitments required or permitted to be given by one party to the other may omit to state that same shall be in writing, any notice, demand, request or other communication which may be or is required or permitted to be given under this Lease shall be in writing and shall be personally delivered or sent by United States certified mail, return receipt requested, postage prepaid or by "next day" delivery service and shall be addressed (a) if to the Landlord, to Landlord at 10727 Le Conte Avenue, Los Angeles, California, or at such other address or addresses as Landlord may designate by written notice, together with copies thereof to such other parties designated by Landlord and any mortgagee or beneficiary under a deed of trust covering the Leased Premises upon the request of such mortgagee or beneficiary and, (b) if to Tenant, at the Leased Premises, or such other address as Tenant shall designate by written notice. If personally delivered, such notice shall be deemed given upon such personal delivery; if mailed as aforesaid, such notice shall be deemed given on the third business day after deposit with the United States Postal Service; if delivered by "next day" delivery service, such notice shall be deemed given on the business day following deposit with such delivery service.

Section 25.6 CAPTIONS AND SECTION NUMBERS. The captions, section numbers, article numbers, and index appearing in this Lease are inserted only as a matter of convenience and in no way define, limit, construe, or describe the scope or intent of such sections or articles of this Lease nor in any way affect this Lease.

Section 25.7 BROKER'S COMMISSION. Tenant represents and warrants to Landlord that there are and shall be no claims for brokerage commissions or finder's fees for persons engaged by Tenant in connection with this Lease, and Tenant agrees to indemnify Landlord and hold it harmless from all liabilities arising from any such claim including without limitation, the cost of attorney's fees in connection therewith. Such agreement shall survive the termination of this Lease.

~~Section 25.8 RECORDING.~~ Tenant shall not record this Lease or any document or instrument which references this Lease or assert any interest in the real property comprising the Building without the prior written consent of Landlord.

Section 25.9 FURNISHING OF FINANCIAL STATEMENTS. Upon Landlord's written request, Tenant shall promptly furnish Landlord, from time to time, with financial statements reflecting Tenant's current financial condition, and written evidence of ownership of controlling stock interest if Tenant is a corporation, and written evidence of ownership of controlling partnership interest if Tenant is a Partnership.

Section 25.10 LANDLORD'S USE OF COMMON AREA. Landlord reserves the right, from time to time, to utilize portions of the Common Area for displays or other uses which in Landlord's judgment tend to attract the public. Further, Landlord reserves the right to utilize the lighting standards and other areas in the Common Area for advertising purposes.

Section 25.11 TRANSFER OF LANDLORD'S INTEREST. In the event of any transfer or transfers of Landlord's interest in the Leased Premises, the transferor shall be automatically relieved of any and all obligations on the part of Landlord accruing from and after the date of such transfer, provided that (a) the interest of the transferor, as Landlord, in any funds then in the hands of Landlord in which Tenant has an interest shall be turned over, subject to such interest, to the then transferee; and (b) notice of such sale, transfer or lease shall be delivered to Tenant as required by law. No holder of a mortgage to which this Lease is or may be subordinate shall be responsible in connection with the security deposited hereunder, unless such mortgagee or holder of such deed of trust shall have actually received the security deposit deposited by Tenant hereunder and acquired possession or title to the Leased Premises. Any mortgagee or beneficiary under a deed of trust covering the Leased Premises who takes title to the Leased Premises shall not be liable for any obligations of Landlord accruing prior to the date of foreclosure or conveyance by deed in lieu of foreclosure.

Section 25.12 INTEREST ON PAST DUE OBLIGATIONS. Any amount due from Tenant to Landlord hereunder which is not paid when due (including, without limitation, amounts due as reimbursement to Landlord for costs incurred by Landlord in performing obligations of Tenant hereunder upon Tenant's failure to so perform) shall bear interest at a rate equal to the lesser of eighteen percent

(18%) or the highest rate then allowed under the usury laws of the State of California from the date due until paid for such a forbearance by Landlord, unless otherwise specifically provided herein, but the payment of such interest shall not excuse or cure any default by Tenant under this Lease. Such interest and any Late Charge provided for in Section 2.6 hereof are separate and cumulative.

Section 25.13 **LIABILITY OF LANDLORD.** If Landlord shall fail to perform any covenant, term or condition of this Lease upon Landlord's part to be performed, and if as a consequence of such default Tenant shall recover a money judgment against Landlord, such judgment shall be satisfied only out of the proceeds of sale received upon execution of such judgment and levied thereon against the then equity of Landlord in the Building and out of rents or other income from such property receivable by Landlord, or out of the consideration received by Landlord from the sale or other disposition of all or any part of Landlord's right, title and interest in the Building and neither Landlord nor any of the partners comprising the partnership which is the Landlord herein shall be liable for any deficiency. Notwithstanding the foregoing, the right of Tenant to satisfy any judgment out of or otherwise levy upon the proceeds, rents or income described in this Section 25.13 shall be subject and subordinate to the rights of any mortgagee or beneficiary under a deed of trust covering the Leased Premises to receive such proceeds, rent or income.

Section 25.14 **ACCORD AND SATISFACTION.** Payment by Tenant or receipt by Landlord of a lesser amount than the rental or other charges herein stipulated shall be deemed to be on account of the earliest due stipulated rental or other charges, and Tenant irrevocably stipulates and agrees that no endorsements or statement on any check or any letter accompanying any check or payment as rental or other charges shall be deemed an accord and satisfaction, and Landlord shall accept such check or payment without prejudice to Landlord's right to recover the balance of such rent or other charges or to pursue any other remedy provided in this Lease or by law.

Section 25.15 **EXECUTION OF LEASE; NO OPTION.** The submission of this Lease to Tenant shall be for examination purposes only, and does not and shall not constitute a reservation of an option for Tenant to lease, or otherwise create any interest by Tenant in the Leased Premises or any other premises situated in the Building. Execution of this Lease by Tenant and return to Landlord shall not be binding upon Landlord, notwithstanding any time interval, until Landlord has in fact executed and delivered this Lease to the Tenant.

Section 25.16 **WAIVER OF JURY TRIAL.** Landlord and Tenant hereby waive their respective right to trial by jury of any cause of action, claim, counterclaim or cross-complaint in any action, proceeding and/or hearing brought by either Landlord against Tenant or Tenant against Landlord on any matter whatsoever arising out of, or in any way connected with, this Lease, the relationship of Landlord and Tenant, Tenant's use or occupancy of the Leased Premises, or any claim of injury or damage, or the enforcement of any remedy under any law, statute or regulation, emergency or otherwise, now or hereafter in effect.

Section 25.17 **GOVERNING LAW.** This Lease shall be governed by and construed in accordance with the substantive laws of the State of California (without regard to choice of law provisions) except to the extent that the laws of the United States of America shall preempt same. If any provision of this Lease or the application thereof to any person or circumstances shall to any extent be invalid or unenforceable, such provision shall be adjusted rather than voided, if possible, in order to achieve the intent of the parties, to the maximum extent possible. In any event, all other provisions of this Lease shall be deemed valid and enforceable to the full extent.

Section 25.18 **SPECIFIC PERFORMANCE OF LANDLORD'S RIGHTS.** Landlord shall have the right to obtain specific performance of any and all covenants or obligations of Tenant under this Lease, and nothing contained in this Lease shall be construed as, or shall have the effect of, abridging such right.

Section 25.19 **CERTAIN RULES OF CONSTRUCTION.** Time is of the essence of this Lease. Notwithstanding the fact that certain references elsewhere in this Lease to acts required to be performed by Tenant hereunder, or to breaches or defaults of this Lease by Tenant, omit to state that such acts shall be performed at Tenant's sole cost and expense, or omit to state that such breaches or defaults by Tenant are material, unless the context clearly implies to the contrary, each and every act to be performed or obligation to be fulfilled by Tenant pursuant to this Lease shall be performed or fulfilled at Tenant's sole cost and expense, and all breaches or defaults by Tenant hereunder shall be deemed material. Tenant shall be fully responsible and liable for the observance and compliance by concessionaires of and with all the terms and conditions of this Lease, which terms and conditions shall be applicable to concessionaires as fully as if they were the Tenant hereunder; and failure by a concessionaire fully to observe and comply with the terms and conditions of this Lease shall constitute a default hereunder by Tenant. Nothing contained in the preceding sentence shall constitute a consent by Landlord to any concession, subletting or other arrangement proscribed by Section 12.1.

Section 25.20 FUTURE AMENDMENTS. Tenant shall execute any amendments to this Lease which are requested by any mortgagee or beneficiary under a deed of trust covering the Leased Premises so long as such amendments are customary for a construction lender or permanent lender at the time of the request and such amendments do not materially affect the economic obligations of Tenant, the term of this Lease, or Tenant's right to use, occupy or possess the Leased Premises as herein demised.

Section 25.21 POSSESSION. Upon mutual execution of this Lease, Landlord shall deliver possession of the Leased Premises to Tenant. If Landlord cannot deliver possession of the Leased Premises to Tenant at that time this Lease shall not terminate, but shall continue upon the same terms and conditions set forth in this Lease except that for each day that Landlord has not delivered possession of the Leased Premises to Tenant (i) the Rental shall abate on a day for day basis and (ii) the Lease Term shall be extended on a day for day basis.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the day and year first above written.

TENANT:

LANDLORD:

THE

By: _____

Its: _____

,

ADDENDUM NO. 1

OPTION TO EXTEND LEASE

ATTACHED TO and made a part of the Lease between The _____, covering a portion of the Building commonly known as [-----].

Landlord grants Tenant two options (collectively, the "Options") to extend the term of the Lease. Each Option shall extend the Lease Term for a period of five (5) years (each, a "Renewal Term"). Each Option is granted on the following terms and conditions:

(i) Tenant shall exercise each Option by delivering written irrevocable and unconditional notice to Landlord of such exercise not later than three (3) months prior to the expiration of the Lease Term or the Renewal Term, as applicable, and not earlier than six (6) months prior to the expiration of the Lease Term or the Renewal Term, as applicable.

(ii) Tenant shall not be in default of the Lease on the date each Option is exercised and Tenant shall not be in default of the Lease on the commencement date of a Renewal Term.

(iii) At no time during the Lease Term (or a Renewal Term) shall Tenant have been delinquent in the payment of any amount due under the Lease, or otherwise in default under the Lease, for more than ten (10) days.

(iv) All terms and conditions of the Lease shall remain in full force and effect, except as follows:

(a) The Minimum Annual Rental shall be as follows:

The Minimum Annual Rental for the first year of each of the Renewal Terms shall be adjusted as of the commencement date of the Renewal Term to the then "Fair Market Rental Value" of the Leased Premises if such Fair Market Rental Value is then in excess of the Minimum Annual Rental payable during the immediately preceding Lease Year under the Lease. The "Fair Market Rental Value" shall mean the annual amount that a willing, non-renewal Tenant would pay and a willing, non-renewal Landlord of retail space in Hollywood, California of the nature of the Tenant's business would accept for leased premises similar to the Leased Premises at arms-length and on the other terms and conditions hereunder applicable to the Renewal Term. If Landlord and Tenant cannot agree on the Fair Market Rental Value for the Renewal Term, it shall be determined by a panel of three qualified appraisers licensed in California and experienced in valuing the rental of real property in Los Angeles County, California. Tenant shall appoint one such appraiser to determine Fair Market Rental Value, Landlord shall then appoint one appraiser and the first two appraisers so appointed shall appoint a third appraiser, who shall act as Chairman of the panel. The determination of the panel of appraisers as to the Fair Market Rental Value for the Leased Premises during the first year of the Renewal Term shall be final and binding upon the parties hereto. If a party does not appoint an appraiser within 30 days after the other party has given written notice of the name of its appraiser, the single appraiser so appointed shall be the sole appraiser and such appraiser's determination of the Fair Market Rental Value of the Leased Premises shall be final and binding on the parties. Each appraiser appointed by the parties shall be a member of the American Institute of Real Estate Appraisers and, to the extent reasonably practicable, should have experience in appraising the fair market rental value of real property on and in which a retail space for the sales of high-end audio-visual equipment is located. Costs of the appraisal shall be borne exclusively by the Tenant. Following the first year of each Renewal Term the Minimum Annual Rental shall be adjusted pursuant to Section 2.4 of the Lease.

(b) The Security Deposit required under the Lease shall be increased to an amount equal to two (2) monthly installments of the new Minimum Annual Rental by no later than the commencement date of the Renewal Term.

(c) Tenant shall have no further options to extend the Lease Term.

TENANT: _____
(Initial)

LANDLORD: _____
(Initial)