

OFFICE LEASE

29422

1. Basic Provisions ("Basic Provisions")

1.1 **Parties:** This Office Lease ("**Lease**"), dated for reference purposes only as of December 23, 2005 is made by and between Danari Broadway, LLC, a Delaware limited liability company ("**Lessor**") and the City of Long Beach, a municipal corporation ("**Lessee**"). The Lessor and Lessee are sometimes referred herein collectively as the "**Parties**", or individually as a "**Party**").

1.2 (a) **Premises:** That certain portion of the Project (as defined below), including all improvements therein or to be provided by Lessor under the terms of this Lease, commonly know by the street address of 100 W. Broadway located in the City of Long Beach, County of Los Angeles, State of California with zip code 90802 as indicated on Exhibit A attached hereto ("**Premises**") and generally described as: approximately 12,669 rentable square feet located on the fourth 4th floor.

In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Area (as defined in Paragraph 2.6 of this Lease) as hereinafter specified, but shall not have any rights to the roof (except as expressly provided in Paragraph 50 of this Lease), exterior walls or utility raceways of the building containing the Premises ("**Building**") or to any other buildings in the Project. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other adjacent buildings and land owned by Lessor adjacent to the Building are herein collectively referred to as the "**Project**" (See Paragraph 2 of this Lease).

1.2 (b) **Parking:** Up to three (3) unreserved automobile parking spaces per one thousand (1,000) square feet of rentable square footage of the Premises, as more particularly set forth in Exhibit D attached hereto.

1.3 **Original Term:** 5 years and 1 month ("**Original Term**") commencing (subject to adjustment pursuant to Paragraph 3.3) on or about January 1, 2006 ("**Commencement Date**") and ending on or about January 31, 2011 ("**Expiration Date**"). Such Original Term, together with any extension thereof pursuant to the terms and conditions of Paragraph 39 of this Lease, shall be the "**Term**." (See also Paragraph 3.)

1.4 **Early Possession:** Upon substantial completion of tenant improvements. ("**Early Possession Date**"). (See also Paragraph 3.2 and 3.3)

1.5 **Base Rent:** The monthly rent schedule of base rent shall be as follows, and such monthly base rent (the "**Base Rent**") shall be payable on the first day of each month occurring during the Term (See also Paragraph 4.)

<u>Period During Initial Term and Option Term</u>	<u>Monthly Installment of Base Rent</u>	<u>Monthly Rental Rate per Rentable Square Foot</u>
Initial Term:		
Month 1	\$0.00	\$0
Months 2 - 12	\$19,636.95	\$1.55
Months 13 - 24	\$20,270.40	\$1.60
Months 25 - 36	\$20,903.85	\$1.65
Months 37 - 48	\$21,537.30	\$1.70
Months 49 - 61	\$22,170.75	\$1.75
Option Term, if applicable:		
Months 62 - 73	\$24,071.10	\$1.90
Months 74 - 85	\$24,704.55	\$1.95
Months 86 - 97	\$25,338.00	\$2.00
Months 98 - 109	\$25,971.45	\$2.05
Months 110 - 121	\$26,604.90	\$2.10

1.6 **Lessee's Share of Common Area Operating Expenses; Base Year:** Six and six-tenths of one percent (6.60%) ("Lessee's Share") of the Common Area Operating Expenses, with the Base Year being 2006

1.7 **Base Rent and Other Monies Paid Within Three Weeks After Execution:**

- (a) Base Rent: \$19,636.95 for the period February 1, 2006 through February 28, 2006 (subject to adjustment pursuant to Paragraph 3.3)
- (b) Common Area Operating Expenses: \$0
- (c) Security Deposit: Waived
- (d) Other: \$0
- (e) Total Due Within Three Weeks After Execution of this Lease: \$19,636.95

1.8 **Agreed Use:** General office use for the Code Enforcement Division and/or any other City department which is consistent with a use that is commercially reasonable in a first class office building.

1.9 **Insuring Party.** Lessee is the Insuring Party (see also Paragraph 8.)

1.10 **Real Estate Brokers:**

The following real estate brokers (the "**Brokers**") and brokerage relationships exist in this transaction (See Paragraph 15):

- (a) CB Richard Ellis represents Lessor exclusively; and
- (b) CRESA Partners represents Lessee exclusively.

Lessor and Lessee hereby acknowledge and agree that there is no guarantor in connection with this Lease.

1.11 **Exhibits.** Attached hereto are Exhibits A through E all of which are hereby incorporated herein and constitute a part of this Lease.

2. **Premises.**

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

2.2 **Condition.** Lessor shall deliver the Premises to Lessee broom clean and free of debris on the Commencement Date or the Early Possession Date, whichever first occurs ("**Start Date**"), subject to the Work Letter Agreement attached hereto as Exhibit C.

2.3 **Compliance.** Lessor covenants that the improvements on the Premises and the Common Areas comply with the building codes that were in effect at the time that each such improvement, or portion thereof, was constructed, and also with all applicable laws, covenants or restrictions of record, regulations, and ordinances in effect on the Start Date ("**Applicable Requirements**"). Said covenant does not apply to the particular use to which Lessee will put the Premises or to any Alterations or Utility Installations (as defined in Paragraph 7.2(a)) made or to be made by Lessee. Lessee is responsible for determining whether or not the zoning is appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed. If the Premises do not comply with said covenant, Lessor shall promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense; provided, however, Lessor's obligations to comply with such Applicable Requirements under this sentence (i) shall not apply to the extent such compliance is the express responsibility of Lessee under this Lease, and (ii) shall only apply to the extent Lessor's failure to comply therewith would prohibit Lessee from obtaining or maintaining a certificate of occupancy for the Premises, or would unreasonably and materially affect the safety of Lessee's employees or create a significant health hazard for Lessee's employees. If the Applicable Requirements are hereafter changed so as to require during the Term the construction of an addition to or an alteration of the Premises and/or Building, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Premises and/or Building ("**Capital Expenditure**"), Lessor and Lessee shall allocate the cost of such work as follows:

- (a) Subject to Paragraph 2.3(c), if such Capital Expenditure is required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the

cost thereof, provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease and the cost thereof exceeds 6 months' Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within 10 days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and the amount equal to 6 months' Base Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least 90 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessee shall be obligated to pay for a percentage of the costs equal to the percentage of Common Area Operating Expenses Lessee pays as described in Paragraph 1.6; provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to the Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with interest (calculated according to the prime rate reported in the Wall Street Journal as published closest prior to the date when such Capital Expenditure is due plus 4% per annum, but shall not exceed the maximum rate allowed by law (as applicable from time-to-time, the "Interest Rate")), from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor.

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

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

2.5 Intentionally Omitted.

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

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

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

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

2.7 Common Areas- Definition. The term "Common Areas" is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Project and interior utility raceways and installations within the Building that are provided and designated by the Lessor from time to time for the general non-exclusive use of Lessor, Lessee and other tenants of the Project and

their respective employees, suppliers, shippers, customers, contractors and invitees, including parking areas, loading and unloading areas, trash areas, roadways, walkways, driveway and landscaped areas.

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

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

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

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

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

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

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

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

3. Term.

3.1 Term. The Commencement Date, Expiration Date, Original Term and entire Term of this Lease are as specified in Paragraph 1.3.

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

3.3 Delay In Possession. Lessor agrees to use its good faith, commercially reasonable efforts to deliver possession of the Premises in a "Ready for Occupancy" condition (as that term is set forth in Section 8.1 of the Work Agreement attached as Exhibit C to this Lease) to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession as agreed, Lessor shall not be subject to any liability therefore, nor shall such failure affect the validity of this Lease. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until the date which is five (5) days after the date on which it receives possession of the Premises in such Ready for Occupancy condition. If possession is not so delivered within 60 days after the Commencement Date, Lessee may, at its option, by notice in writing within 10 days after the end of such 60-day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10-day period, Lessee's right to cancel shall terminate. Notwithstanding the foregoing, if Lessee timely delivers a cancellation notice to Lessor, then Lessor shall have the right to suspend the occurrence of cancellation for a period of thirty (30) days by delivering to Lessee, within five (5) business days of Lessor's receipt of such cancellation notice, a certificate of Lessor's contractor responsible for the construction certifying that it is such contractor's good faith judgment that the Premises shall be in the Ready for

Occupancy condition within thirty (30) days. If the Premises is completed and delivered in the Ready for Occupancy condition prior to the expiration of such thirty-day period, then Lessee's cancellation notice shall be deemed rescinded and shall be of no force or effect, but if the Premises is not delivered in the Ready for Occupancy condition within such thirty-day period, then this Lease shall terminate upon the expiration thereof. Except as otherwise provided, if possession is not tendered to Lessee by the Start Date and Lessee does not terminate this Lease, as aforesaid, Commencement Date and Expiration Date shall be extended for the period of the delay, and any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee, and the Parties shall execute an amendment to this Lease in the form of Exhibit E attached hereto confirming the revised terms. If possession of the Premises is not delivered within 4 months after the Commencement Date, this Lease shall terminate unless other agreements are reached between Lessor and Lessee, in writing.

3.4 **Lessee Compliance.** Lessor shall not be required to tender possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of insurance pursuant to the terms and conditions of Paragraph 8.

3.5 **Termination Option.** Lessee shall have a one time right (the "Termination Right") to terminate the lease (effective as of 11:59 p.m. on the last day of the 36th month of the Original Term) pursuant to the terms and conditions of Paragraph 3.5. Lessee shall exercise such Termination Right, if at all, by delivery to Lessor, on or before the last day of the 27th month of the Original Term, (i) written notice of such election, and (ii) concurrently with its delivery of such written notice, the Termination Fee; provided, however, that in addition to the foregoing notice obligation and payment of the Termination Fee, Lessee shall satisfy any then-remaining repayment obligation with regard to any "Improvement Overage," as that term is set forth in, and pursuant to the terms and conditions of, Section 1(b) of the Work Agreement. The "Termination Fee" shall be an amount equal to the sum of (A) the then remaining (as of the termination date), unamortized (calculated on a straight line basis over the Original Term with no interest imputed) value of the tenant improvements and brokerage fees and (B) one month's rent.

4. **Rent.**

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

4.2 **Operating Expense.** In addition to the Base Rent, Lessee shall be responsible for increase in operating and tax expenses over a 2006 base year. Operating expenses shall be calculated as if the building were 100% leased and fully assessed for tax purposes. Notwithstanding the foregoing, if the Common Area Operating Expenses that are controllable by Lessor (which shall exclude taxes, insurance, utilities, and necessary repairs) exceed the amount of such expenses for the prior year by over 5%, then Lessee shall not be charged for such overage.

4.3 **Proposition 13 Property Tax Protection.**

(a) Notwithstanding anything to the contrary contained in this Lease, in the event that, at any time during the Original Term, any sale, refinancing, or change in ownership of the Building is consummated, and as a result thereof, and to the extent that in connection therewith, the Building is reassessed (the "Reassessment") for real estate tax purposes by the appropriate governmental authority pursuant to the terms of Proposition 13, then the terms and conditions of this Paragraph 4.3 shall apply to such Reassessment of the Building or Project.

(b) For purposes of this Paragraph 4.3, the term "Tax Increase" shall mean that portion of the Real Property Taxes, as calculated immediately following the Reassessment, which is attributable solely to the Reassessment. Accordingly, the term Tax Increase shall not include any portion of the Real Property Taxes, as calculated immediately following the Reassessment, which (i) is attributable to the initial assessment of the value of the Building, the base, shall and core of the Building or the tenant improvements located in the Building; (ii) is attributable to assessments which were pending immediately prior to the Reassessment which assessments were conducted during, and included in, such Reassessment, or which assessments were otherwise rendered unnecessary following the Reassessment; or (iii) is attributable to the annual inflationary increase of real estate taxes, but not in excess of two percent (2.0%) per annum.

(c) During the Original Term, Lessee shall not be obligated to pay any portion of the Tax Increase relating to any Reassessment of the Building.

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

(a) "Common Area Operating Expenses" means for any calendar year all costs of holding, managing, operating, overhauling, repairing and maintaining the Building, determined as if the Building were 100% occupied for an entire calendar year, and are defined, for purposes of this Lease, as all costs incurred by Lessor relating to the ownership and operation of the Project, including, but not limited to, the following:

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

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

(B) Exterior signs and any tenant directories.

(C) Any fire sprinkler systems.

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

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

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

(v) The cost of insurance premiums maintained by Lessor in accordance with the terms and conditions of Paragraph 8.2.

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

(vii) The cost of any Capital Expenditure to the Building or the Project not covered under the provisions of Paragraph 2.3 and including the cost of any Capital Expense made by Lessor to reduce Common Area Operating Expenses provided; however, that Lessor shall allocate the cost of such Capital Expenditure over a ten (10) year period and Lessee shall not be required to pay more than Lessee's Share of 1/120th of the cost of such Capital Expenditure in any given month.

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

(b) Any Common Area Operating Expenses and Real Property Taxes that are specifically attributable to the Building or to any other building in the Project or to the operation, repair and maintenance thereof, shall be allocated entirely to such Building, or other building. However, any repair and maintenance thereof, shall be equitably allocated by Lessor to all buildings in the Project.

(c) The inclusion of the improvements, facilities and services set forth in Paragraph 4.4(a) shall not be deemed to impose an obligation upon Lessor to either have said improvements or facilities or to provide those services unless the Project already has the same, Lessor already provides the services, or Lessor has agreed elsewhere in this Lease to provide the same or some of them.

(d) Lessee's Share of Common Area Operating Expenses shall be payable by Lessee within 10 days after a reasonably detailed statement of actual expenses is presented to Lessee. At Lessor's option, however, an amount may be estimated by Lessor from time to time of Lessee's Share of annual Common Area Operating Expenses and the same shall be payable monthly or quarterly, as Lessor shall designate, during each 12-month period of the Term, on the same day as the Base Rent is due hereunder. Lessor shall deliver to Lessee within 60 days after the expiration of each calendar year a reasonably detailed statement showing Lessee's Share of the actual Common Area Operating Expenses incurred during the preceding year. If Lessee's payments under this Paragraph 4.4(d) during the preceding year exceed Lessee's Share as indicated on such statement, Lessor shall credit the amount of such over-payment against Lessee's Share of Common Area Operating Expenses next becoming due. If Lessee's payments under this Paragraph 4.4(d) during the preceding year were less than Lessee's Share as indicated on such statement, Lessee shall pay the Lessor the amount of the deficiency within 10 days after delivery by Lessor to Lessee of the statement.

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

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

5. **Security Deposit.** Lessor and Lessee hereby acknowledge and agree that Lessee shall not be obligated to post any security deposit in connection with its lease of the initial Premises under this Lease.

6. **Use.**

6.1 **Use.** Lessee shall use and occupy the Premises only for the Agreed Use, or any other legal use which is reasonably comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties. Lessor shall not unreasonably withhold or delay its consent to any written request for a modification of the Agreed Use, so long as the same will not impair the structural integrity of the improvements on the Premises or the mechanical or electrical systems therein, and/or is not significantly more burdensome to the Premises. If Lessor elects to withhold consent, Lessor shall within 7 days after such request give written notification of same, which notice shall include an explanation of Lessor's objections to the change in the Agreed Use.

6.2 **Hazardous Substances.**

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

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

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

neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the Term, by or for Lessee, or any third party.

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

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

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

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

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

6.4 Inspection; Compliance. Lessor and Lessor's "Lender" (as defined in Paragraph 30) and consultants shall have the right to enter into Premises at any time, in case of any emergency, and otherwise reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease. The cost of any such inspection shall be paid by

Lessor, unless a violation of Applicable Requirements, or a contamination is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination.

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

7.1 Lessee's Obligations.

(a) **In General.** By occupying the Premises, Lessee shall be deemed to accept the same in their "as is" condition and acknowledge that they are in good condition and comply fully with Lessor's covenants and obligations hereunder, subject to completion of any items which it is Lessor's responsibility hereunder to furnish and which are listed by Lessor and Lessee upon inspection of the Premises. Lessee acknowledges that it is relying solely on its own inspection and evaluation of the Building and Premises and not on any representation or warranty which may have been made by Lessor or any agent, employee or representative of Lessor, or any warranty implied by law, with respect to the condition of the Building or Premises or their merchantability, habitability, suitability or fitness for the conduct of Lessee's business or any other purpose. Except as set forth in the next succeeding sentence, Lessor expressly disclaims any such representation or warranty. During the Term, Lessee shall maintain the Premises in as good order, condition and repair as when Lessee took possession, ordinary wear and tear and repairs which are the responsibility of Lessor hereunder excepted. Lessee shall, at its expense and with Lessor's prior approval, promptly and adequately repair or replace all damage to the interior of the Premises, glass, fixtures, equipment, appurtenances and other property within the Premises. In addition, Lessee shall repair all damage or injury to the Building or to fixtures, appurtenances and equipment of the Building caused by Lessee's installation or removal of its property or resulting from the acts or omissions of Lessee, its employees, contractors, agents, licensees and invitees.

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

(c) **Lessor's Obligations.** Subject to the provision of Paragraphs 2.2 (Condition), 2.3 (Compliance), 4.4 (Common Area Operating Expenses), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.4, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler system, HVAC, electrical and plumbing systems, Common Area fire alarm and/or smoke detection systems, fire hydrants, parking lots, walkways, parkways, driveways, landscaping, fences, signs and utility systems serving the Common Areas and all parts thereof, as well as providing the services for which there is a Common Area Operating Expense pursuant to Paragraph 4.4. Lessee hereby waives any and all rights under and benefits of subsection 1 of Section 1932 and Sections 1941 and 1942 of the California Civil Code or under any similar law, statute, or ordinance now or hereafter in effect.

7.2 Utility Installations; Trade Fixtures; Alterations.

(a) **Definitions.** The term "Utility Installations" refers to all floor and window coverings, air lines, power panels, electrical distribution, security and fire protection systems, communication systems, lighting fixtures, HVAC equipment, plumbing, and fencing in or on the Premises. The term "Trade Fixtures" shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term "Alterations" shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. "Lessee Owned Alterations and/or Utility Installations" are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.3(a).

(b) **Consent.** Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations to the interior of the Premises without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, and the cumulative cost thereof during this Lease as extended does not exceed a sum equal to 3 month's Base Rent in the aggregate or a sum equal to one month's Base Rent in any one year. Except as provided in Paragraph 50, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all

conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alterations or Utility Installation and/or upon Lessee's posting a reasonable Security Deposit with Lessor.

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

(d) In addition to Lessee's obligations under Paragraph 7.2(c) of this Lease, upon completion of any alterations, Lessee agrees to cause a Notice of Completion to be recorded in the office of the Recorder of the County of Los Angeles in accordance with Section 3093 of the Civil Code of the State of California or any successor statute, and Lessee shall deliver to the Building construction manager a reproducible copy of the "as built" drawings of such alterations, to the extent applicable, as well as all permits, approvals and other documents issued by any governmental agency in connection with the alterations.

7.3 Ownership; Removal; Surrender; and Restoration.

(a) **Ownership.** Subject to Lessor's right to require removal or elect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per Paragraph 7.3(b), all lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

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

(c) **Surrender; Restoration.** Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris, and in good operation order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing, if this Lease is for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures, Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall also completely remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Project) even if such removal would require Lessee to perform or pay for work that exceeds statutory requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.3(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26.

8. Insurance.

8.1 **By Lessee.** Lessee is self insured and will maintain a commercial general liability insurance or formal self-insurance equivalent in coverage scope to ISO, CGL, CG, 00 01 for claims, demands, causes of action, expenses, costs or liability for injury to or death of persons, or damage to or loss of property arising out of the use of the Premises and all activities performed at the Premises by or on behalf of Lessee in an amount not less than One Million Dollars (\$1,000,000) per occurrence and in aggregate. Lessor shall be

solely responsible for any and all other costs for insurance coverage required in this Lease including but not limited to earthquake and flood insurance.

8.2 **By Lessor.** The coverage and amounts of insurance carried by Lessor in connection with the Building shall, at a minimum, be comparable to the coverage and amounts of insurance which are carried by reasonably prudent landlords of comparable buildings, and Worker's Compensation and Employer's Liability coverage as required by applicable law.

9. **Damage or Destruction.**

9.1 **Definitions.**

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

(b) "**Insured Loss**" shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8, irrespective of any deductible amounts or coverage limits involved.

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

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

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

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

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

satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

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

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

9.6 Abatement of Rent; Lessee's Remedies.

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

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

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

9.8 Waiver of Statutory Provision. Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of this Lease and hereby waive the provision of any present or future statute to the extent inconsistent herewith, including, without limitation, Sections 1932(2) and 1933(4) of the California Civil Code, and any other statute or regulation, now or hereafter in effect, shall have no application to this Lease or any damage or destruction to all or any part of the Premises and the Building.

10. Real Property Taxes.

10.1 Definitions.

(a) **"Base Real Property Taxes."** As used herein, the term "Base Real Property Taxes" shall be the amount of Real Property Taxes, which are assessed against the Premises, Building, Project or Common Areas in the 2005-2006 real estate tax year.

(b) **"Real Property Taxes."** As used herein, the term "Real Property Taxes" shall include any form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Project. Lessor's right to other income therefrom, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Project address and where the proceeds so generated are to be applied to the city, county or other local taxing authority of a jurisdiction within which the

Project is located. Subject to the terms and conditions of Paragraph 4.3, the term "**Real Property Taxes**" shall also include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring during the Term, including but not limited to, a change in the ownership of the Project or any portion thereof or change in the improvements thereon.

10.2 Payment of Taxes. Lessor shall pay Lessee's Share of any increase in the Real Property Taxes in excess of the Base Real Property Taxes applicable to the Project, and except as otherwise provided in Paragraph 10.3, any increases in such amounts over the Base Real Property Taxes shall be included in the calculation of Common Area Operating Expenses in accordance with the provisions of Paragraph 4.4.

10.3 Additional Improvements. Common Area Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Project by other lessees or by Lessor for the exclusive enjoyment of such other lessees. Notwithstanding Paragraph 10.2 hereof, Lessee shall, however, pay to Lessor at the time Common Area Expenses are payable under Paragraph 4.4, the entirety of any increase in Real Property Taxes if assessed solely by reason of Alterations, Trade Fixtures or Utility Installations placed upon the Premises by Lessee or at Lessee's request.

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

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

11. Utilities.

11.1 For purposes of this Section 11, "generally accepted business days" means Monday through Friday excluding "Holidays"; and "Holidays" means New Year's Day, President's Day, Memorial Day, July 4th, Labor Day, Thanksgiving and the day after, Christmas and any other nationally recognized holiday. Provided that Lessee is not in default hereunder, Lessor agrees to furnish or cause to be furnished to the Premises throughout the Term HVAC and electricity, which in the judgment of Lessor is reasonably required for the comfortable occupancy of the Premises under normal business conditions, on generally accepted business days from 8:00 a.m. to 6:00 p.m. and on Saturdays from 9:00 a.m. to 1:00 p.m., subject to any requirements or standards, such as but not limited to energy conservation, imposed or established by governmental or cooperative organizations or public utilities. Notwithstanding the foregoing, Lessor shall make electricity available to the Premises 24-hours per day, but electricity provided outside of the generally accepted business days and hours described above or in excess of normal office conditions as referred to below, may at Lessor's sole discretion, be separately metered and paid for by Lessee. Lessor shall also make available HVAC at other times at Lessee's expense and billed to Lessee at the hourly rate charged by Lessor for after hours HVAC usage. Lessor shall make water and sewer facilities and elevator service available to the Premises and shall provide Lessee with access to the Premises 24-hours per day throughout the Term. Lessor shall provide janitorial services to Lessee five (5) days a week except Holidays. Lessee may, with Lessor's prior written consent, install, operate and maintain, at its expense, such additions or modifications to HVAC Equipment as may be reasonably determined by Lessor to be necessary in order to maintain building HVAC standards or to correct temperature imbalance resulting from Lessee's installation and operation of lights, machines, computer or electronic data processing equipment or other special equipment or facilities placing a greater burden on HVAC Equipment than would general office use. Building standard electrical power to the Premises shall be sufficient for operation under normal business conditions of building standard office lighting (approximately 3 watts per square foot of Usable Area) and receptacles (approximately 1 watt per square foot of Usable Area). Lessee shall not install or use or permit installation or use in the Premises of any computers, electronic data processing equipment, special lighting in excess of building standard office lighting, or any other item of electrical equipment which singly consumes more than 0.25 kilowatts per hour at rated capacity or requires a voltage other than 120 volts single phase without Lessor's prior written consent. In no event shall Lessee's use of electric current ever exceed the capacity of the Building standard feeders, risers or wiring to the Building or Premises.

11.2 Lessor shall provide water or any other utilities or services in excess of that required of Lessor under Section 11.1, provided that Lessee shall pay Lessor for such excess utilities or services such sums as Lessor or its Building superintendent or sub-meter, reasonably determines necessary to reimburse Lessor for the additional cost thereof plus a reasonable charge for Lessor's

administrative expenses; and provided further that such sums (excluding the administrative charge) shall not exceed the rates which could be charged to Lessee by an independent supplier or utility company for service to the Premises. All charges for such excess utilities and services shall be due and payable at the same time as the installment of rent with which they are billed or, if billed separately, shall be due and payable within fifteen (15) days after delivery of such billing. Lessor at its option may, in addition to the metering described in Section 11.1 above, install separate meters for such excess utilities and services for metering the Premises; and Lessee, upon demand therefore, shall immediately pay Lessor the costs of procuring, installing, maintaining and repairing such meters.

11.3 Except as specifically provided herein, Lessee shall provide and pay for, at its sole expense, all other utilities and other services applicable to and reasonably necessary for the operation of the Premises.

11.4 Lessee agrees to cooperate fully, at all times, with Lessor, in abiding by all reasonable regulations and requirements that Lessor may prescribe for the functioning and protection of such services and utilities. Lessor, throughout the Term, shall have free access to any and all mechanical installations. Lessee shall not allow any improvements or other obstructions which might interfere with moving of Lessor's servicing equipment to or from the enclosures containing such installations. Neither Lessee nor its servants, employees, agents, visitors, licensees or contractors shall at any time, or in any manner tamper with, adjust or otherwise affect Lessor's mechanical installations.

11.5 Lessor does not warrant that any service will be free from interruptions or delays in providing or restoring the same caused by accidents, emergencies, breakage, repairs, renewals, improvements, changes of service, alterations, strikes, lockouts, labor controversies, shortages of labor or materials, governmental regulations, moratoria, energy conservation programs or other governmental actions, brown outs, inability to obtain electricity, fuel, steam, water or other supplies, delay in the adjustment of fire or other casualty insurance, failure or delay of any public utility to provide service or other cause beyond the reasonable control of Lessor. Lessor agrees to give Lessee notice of any extended interruptions of which Lessor has prior knowledge. No failure, interruption or delay of service shall entitle Lessee to any damages or be deemed or construed as an eviction or disturbance of Lessee's use and possession of the Premises or any part thereof, nor relieve Lessee from the full payment of rent or from performance of Lessee's other obligations under this Lease. As a material inducement to Lessor's entry into this Lease, Lessee waives and releases its right to make repairs at Lessor's expense under Sections 1941 and 1942 of the California Civil Code or a successor statute of similar import.

11.6 Lessor is hereby relieved of any obligation whatsoever to provide guard service or other security measures for the Building or the Premises. Lessee assumes all responsibility for the security and protection of the person and property of Lessee, its agents, guests and invitees against the acts of third parties.

11.7 Notwithstanding the provision of Paragraph 4.4, if at any time in Lessor's sole judgments, Lessor determines that Lessee generating such a large volume of trash as to require an increase in the size of dumpster and/or an increase in the number of times per month that the dumpster is emptied, then Lessor may increase Lessee's Base Rent by an amount equal to such increased costs.

12. Assignment and Subletting.

12.1 Lessor's Consent Required.

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

(b) An assignment of subletting without consent shall be a Default curable after notice per Paragraph 13.1(c) and shall be of no further force or effect.

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

(d) Provided the use continues to satisfy the requirements of Paragraph 1.12 and the remaining terms and conditions of this Lease, occupancy of the Premises by another department of the City of Long Beach (*i.e.*, a department other than the department of Code Enforcement which will initially occupy the Premises) shall not constitute an assignment or sublease, and such occupancy shall not be subject to any of the conditions to an assignment or sublet contained in this Lease; provided, however, in no event shall any such occupancy release Lessee of any obligations hereunder or alter the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

12.2 Terms and Conditions Applicable to Assignment and Subletting.

(a) Regardless of Lessor's consent, any assignment or subletting shall not: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of

any obligations hereunder, or (iii) alter the primary liability of Lessee of the payment of Rent or for the performance of any other obligations to be performed by Lessee.

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

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

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

(e) Each request for consent to assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of \$1,000. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested.

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

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

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

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

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

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

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

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

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

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.1 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of 10 business days following written notice to Lessee.

(c) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the reasonable written evidence of rescission of an unauthorized assignment or subletting, (iii) an Estoppel Certificate, (iv) a requested subordination, or (v) any document requested under Paragraph 41 (Easements), where any such failure continues for a period of 10 business days following written notice to Lessee.

(d) A default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 2.9 hereof, other than those described in Paragraphs 13.1(a), (b) or (c), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion, but in no event exceeding a period of time in excess of 90 days after the above-referenced written notice (which 90-day period shall nevertheless remain subject to extension to the extent of events of force majeure).

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

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

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

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the Term after the time of award exceed the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of thing would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired Term. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be

computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover damages under Paragraph 12. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

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

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

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

13.4 Late Charges. Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within 10 days following written notice to Lessee, then Lessee shall pay to Lessor a one-time late charge equal to five percent (5%) of each such overdue amount or \$100, whichever is greater. The Parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder.

13.5 Interest. Excepting the first such occurrence in any twelve (12) month period, any monetary payment due Lessor hereunder (other than late charges), not received by Lessor by the date on which it was due (*i.e.*, on the first of the corresponding calendar month with regard to scheduled payments (such as Base Rent) or within 30 days following Lessee's receipt of an invoice therefore with regard to non-scheduled payments) (as applicable, a "**Payment Failure**"), shall bear interest from the date when due. The interest charged shall be equal to Interest Rate (*i.e.*, the prime rate reported in the Wall Street Journal as published closest prior to the date when due plus 4%, but shall not exceed the maximum rate allowed by law). Interest under this Paragraph 13.5 is payable in addition to the potential late charge provided for in Paragraph 13.4. With regard to the first occurring Payment Failure in any twelve (12) month period, interest (at the Interest Rate) shall only be charged with regard to such Payment Failure, where such failure continues for a period of ten (10) business days following written notice thereof to Lessee, and in such event, such interest shall only apply from the date such ten (10) business day period expires.

13.6 Breach by Lessor.

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

diligently pursued to completion, but in no event exceeding a period of time in excess of 90 days after the above-referenced written notice (which 90-day period shall nevertheless remain subject to extension to the extent of events of force majeure).

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

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

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

16. **Estoppel Certificates.**

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

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

(c) If Lessor Desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past 3 years; provided, however, the obligations of this Section 16(c) shall not apply with regard to the Original Lessee. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. **Definition of Lessor.** The term "**Lessor**" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor, if any. Except as provided in Paragraph 15, upon such transfer or assignment and delivery of any applicable

Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined. Notwithstanding the above, and subject to the provisions of Paragraph 20 below, the original Lessor under this Lease, and all subsequent holders of the Lessor's interest in this Lease shall remain liable and responsible with regard to the potential duties and liabilities of Lessor pertaining to Hazardous Substances as outlined in Paragraph 6.2 above.

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

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

20. **Lessor Exculpation; Limitation on Liability.** The liability of Lessor (or any Lessor parties) to Lessee for any default by Lessor under this Lease or arising in connection herewith or with Lessor's operation, management, leasing, repair, renovation, alteration or any other matter relating to the Building or the Premises shall be limited solely and exclusively to an amount which is equal to the "net" interest of Lessor (following payment of any outstanding liens and/or mortgages, whether attributable to sales or insurance proceeds or otherwise) in the Building (including any insurance and/or sales proceeds which Lessor receives). Neither Lessor nor any Lessor parties shall have any personal liability therefor, and Lessee hereby expressly waives and releases such personal liability on behalf of itself and all persons claiming by, through or under Lessee. The limitations of liability contained in this Paragraph 20 shall inure to the benefit of Lessor's (and the Lessor parties') present and future partners, beneficiaries, officers, directors, trustees, shareholders, agents and employees, and their respective partners, heirs, successors and assigns. Under no circumstances shall any present or future partner of Lessor (if Lessor is a partnership), or trustee or beneficiary (if Lessor or any partner of Lessor is a trust), have any liability for the performance of Lessor's obligations under this Lease. Notwithstanding any contrary provision herein, neither Lessor nor the Lessor parties shall be liable under any circumstances for injury or damage to, or interference with, Lessee's business, including but not limited to, loss of profits, loss of rents or other revenues, loss of business opportunity, loss of goodwill or loss of use, in each case, however occurring.

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

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

23. **Notices.**

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

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

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

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

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

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

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

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

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

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

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

26. **No Right to Holdover.** Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 150% of the Base Rent

applicable immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

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

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

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

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

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

30.2 **Attornment.** Subject to the non-disturbance provisions of Paragraph 30.3, Lessee agree to attorn to a Lender or any other party who acquired ownership of the Premises by reason of a foreclosure of a Security Device, and that in the event of such foreclosure, such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; provided, however, such new owner shall nevertheless be responsible for any ongoing obligations of the Lessor hereunder following its date of acquisition; (b) be subject to any offsets or defenses in excess of one months' rent which Lessee might have against any prior lessor, (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor, except to the extent actually received by such new owner.

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

30.4 **Self-Executing.** The agreements contained in this Paragraph 31 shall be effective without the execution of any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

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

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

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

34. **Signs.** In addition to the "For Sublease" signs which may be placed on the Premises in accordance with Paragraph 32, above, Lessee shall be entitled, at its sole cost and expense, to identification signage outside of Lessee's Premises on the floor on which Lessee's Premises are located. The location, quality, design, style, lighting and size of such signage shall be consistent with the Lessor's Building standard signage program and shall be subject to Lessor's prior written approval, in its sole discretion. Upon the expiration or earlier termination of this Lease, Lessee shall be responsible, at its sole cost and expense, for the removal of such signage and the repair of all damage to the Building caused by such removal. Any signs, notices, logos, pictures, names or advertisements which are installed and that have not been individually approved by Lessor may be removed without notice by Lessor at the sole expense of Lessee. Lessee may not install any signs on the exterior or roof of the Building or the common areas of the Building or the Project. Any signs, window coverings, or blinds (even if the same are located behind the Lessor approved window coverings for the Building), or other items visible from the exterior of the Premises or Building are subject to the prior approval of Lessor, in its sole discretion.

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

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

37. **Guarantor.** Lessor and Lessee acknowledge and agree that there is no guarantor with regard to Lessee's lease of the initial Premises pursuant to this Lease.

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

39. **Option to Extend.**

39.1 **Option Right.** Lessor hereby grants the Lessee originally named in this Lease (the "Original Lessee"), one (1) option to extend the Original Term with regard to the entire Premises for a period of five (5) years (the "Option Term"). Such option shall be exercisable, if at all, only by Lessee's delivery of a written notice (the "Exercise Notice") to Lessor not more than fifteen (15) months nor less than nine (9) months prior to the expiration of the Original Term, stating that Lessee is exercising its option; provided, however, that such delivery of the Exercise Notice shall only be deemed valid to the extent that, as of the date of delivery of such Exercise Notice, (i) Lessee is not then in default under this Lease (beyond any applicable notice and cure periods), (ii) Lessee has not

been in default under this Lease (beyond any applicable notice and cure periods) more than once during the prior twelve (12) month period, and (iii) Lessee has not been in default under this Lease (beyond any applicable notice and cure periods) more than three (3) times during the Original Term. Upon the proper exercise of such option to extend, and provided that, as of the end of the Original Term, (A) Lessee is not in default under this Lease (beyond any applicable notice and cure periods), (B) Lessee has not been in default under this Lease (beyond any applicable notice and cure periods) more than once during the prior twelve (12) month period, and (C) Lessee has not been in default under this Lease (beyond any applicable notice and cure periods) more than three (3) times during the Lease Term, then the Original Term, as it applies to the entire Premises, shall be extended for a period of five (5) years. The rights contained in this Paragraph 39 shall only be exercised by the Original Lessee (and not any other assignee, sublessee or other transferee of the Original Lessee's interest in this Lease) if Original Lessee (including another department of Original Lessee in accordance with the terms and conditions of Paragraph 12.1(d)) is in occupancy of the entire then-existing Premises.

39.2 **Option Rent.** The Base Rent payable by Lessee during the Option Term shall be as set forth in Paragraph 1.5 of this Lease.

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

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

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

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

44. **Conflict.** Any conflict between the printed provision of this Lease and the typewritten or handwritten provision shall be controlled by the typewritten or handwritten provisions.

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

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

47. **Multiple Parties.** If more than one person or entity is named herein as either Lessor or Lessee, such multiple Parties shall have joint and several responsibility to comply with the terms of this Lease.

48. **Waiver of Jury Trial.** The Parties hereby waive their respective rights to trial by jury in any action or proceeding involving the Property or arising out of this Agreement.

49. **Expansion Rights.** In the event that during the Term (including any option term during which the Original Lessee remains in possession of the entire Premises), any space on the fourth (4th) floor of the Building shall become available for lease to third parties after the expiration of the lease(s) of any existing leases for such space, Lessor shall notify Lessee of such availability and the anticipated date on which such space will be vacated by the existing tenant. Lessor shall further notify Lessee of Lessor's then current

scheduled rental rate and other terms and conditions for available space in the Building. For a period of ten (10) business days following the delivery of such notice, Lessee shall have the first right to lease such space at the rental rate and upon the terms and conditions set forth therein. If Lessee fails to deliver to Lessor written notice of its election to lease such space within the ten (10) business day period, then Lessor shall be entitled to lease such space on the open market and the provision shall no longer apply.

50. **Roof Rights.** Throughout the Term, Lessee shall be allowed, at Lessee's sole cost and expense, to install one small eighteen inch (18") to twenty-four inch (24") satellite dish or similarly sized antenna on the roof of the Building to the extent the same services the business conducted by Lessee from within the Premises (the "**Telecommunications Equipment**"); provided that Lessee shall, in connection therewith, comply with the terms and conditions of Paragraph 7.2 of this Lease and the remainder of this Paragraph 50. Lessee shall maintain the equipment and repair any damage caused by same. The physical appearance and the size of the Telecommunications Equipment shall be subject to Lessor's reasonable approval, the location of any such installation of the Telecommunications Equipment shall be designated by Lessee subject to Lessor's reasonable approval and Lessor may require Lessee to install screening around such Telecommunications Equipment, at Lessee's sole cost and expense, as reasonably designated by Lessor; provided, however, that to the extent reasonably practicable, Lessor shall make available a five foot (5') by five foot (5') portion of the roof to allow the installation of such Telecommunications Equipment on a weighted, non-roof-penetrating platform. Lessee shall maintain such Telecommunications Equipment, at Lessee's sole cost and expense. In the event Lessee elects to exercise its right to install the Telecommunication Equipment, then Lessee shall give Lessor prior notice thereof. Lessee shall reimburse to Lessor the actual costs reasonably incurred by Lessor in approving such Telecommunications Equipment. Lessee shall remove such Telecommunications Equipment upon the expiration or earlier termination of this Lease and shall return the affected portion of the rooftop and the Building to the condition the rooftop and the Building would have been in had no such Telecommunications Equipment been installed (reasonable wear and tear accepted). Such Telecommunications Equipment shall be installed pursuant to plans and specifications approved by Lessor, which approval will not be unreasonably withheld, conditioned, or delayed. Such Telecommunications Equipment shall, in all instances, comply with applicable governmental laws, codes, rules and regulations. Lessee shall not be entitled to license its Telecommunication Equipment to any unrelated third party, nor shall Lessee be permitted to receive any revenues, fees or any other consideration for the use of such Telecommunication Equipment by an unrelated third party. Lessee's right to install such Telecommunication Equipment shall be non-exclusive, and Lessee hereby expressly acknowledges Lessor's continued right (i) to itself utilize any rooftop space, and (ii) to re-sell, license or leasing of any rooftop space to an unaffiliated third party.

51. **Americans With Disabilities Act.** Notwithstanding anything to the contrary contained in this Lease, Lessor, at Lessor's sole cost and expense, shall be responsible for the Building being kept in compliance throughout the Term with the then-applicable provisions of the Americans with Disabilities Act, including all incorporated statutes, rules and regulations, to the extent the same is reasonably required by Lessee as a result of valid, third-party allegations of non-compliance underlying credible threats of litigation actually received by Lessee. Any costs for said compliance shall not be included in Common Area Operating Expenses or otherwise be passed through to Lessee.

52. **City Council Approval.** This Lease, and the exercise of the Option or any other amendments hereto, are subject to the prior approval of the City Council of the City of Long Beach.

53. **Labor Code Compliance.** Lessor shall comply with California Labor Code Section 1720 regarding the payment of prevailing wages for all work undertaken by Lessor with respect to the Project, including work specified in the Work Letter Agreement attached hereto.

54. **Nondiscrimination.** Subject to applicable laws, rules and regulations, Lessor shall not discriminate against any person or group on the basis of age, gender, sexual orientation, HIV status, marital status, race, religion, creed, ancestry, national origin, disability or handicap with respect to the use of the Premises or the performance of its obligations under this Lease. In the performance of this Lease, Lessor shall not discriminate against any employee or applicant for employment on the basis of race, color, sex, religion, ancestry or national origin. Lessor shall take affirmative action to ensure that applicants are employed and that employees are treated without regard to these bases. Such action shall include but not be limited to employment, upgrading, demotion, transfer, recruitment, recruitment advertising, layoff, termination, rates of pay or other forms of compensation, and selection for training including apprenticeship. Lessor shall post in conspicuous places notices stating this provision.

[signature page immediately follows]

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

The Parties hereto have executed this Lease at the place and on the dates specified above their respective signatures.

Executed at: _____
on: _____

Executed at: _____
on: _____

By LESSOR: Danari Broadway, LLC

By LESSEE: The City of Long Beach

By: Adler Realty Investments, Inc
Name Printed: _____
Title: Manager

By: Gerald R. Miller
Name Printed: Gerald R. Miller
Title: City Manager

By: Alan Sines
Name Printed: Alan Sines
Title: Executive Vice President
Address: ADLER REALTY INVESTMENTS INC.
21800 BURBANK BLVD, SUITE 300
WOODLAND HILLS, CA 91367

By: _____
Name Printed: _____
Title: _____
Address: 333 W. OCEAN BLVD. 13TH FLOOR
LONG BEACH, CA 90802
ATTN: PROPERTY SERVICES BUREAU - CD

Telephone: 818-884-2200 EXT. 106
Facsimile: 818-884-2205
Federal ID No. _____

Telephone: 562-570-6711
Facsimile: 562-570-7650
Federal ID No. _____

APPROVED AS TO FORM

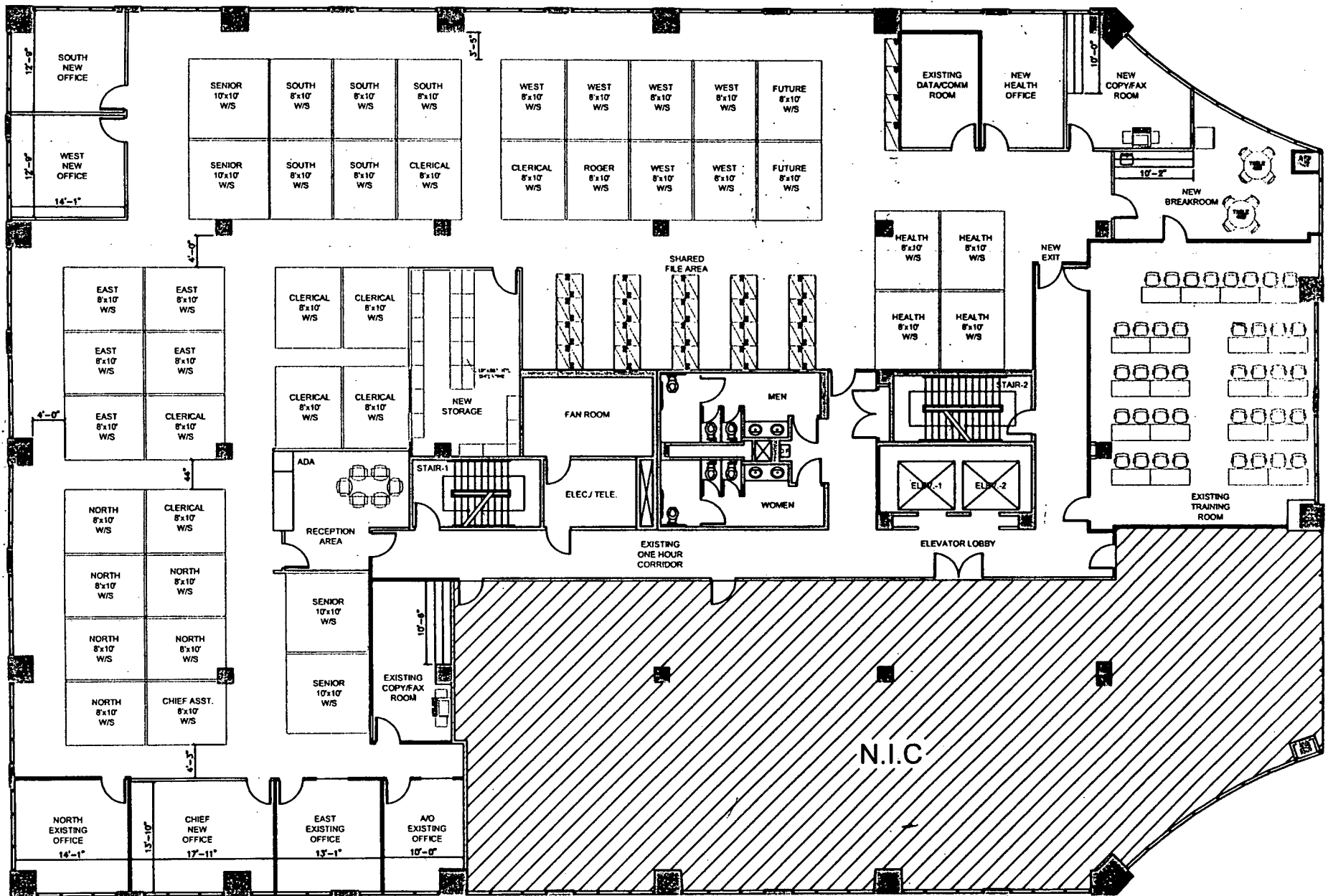
12/27, 2005
ROBERT E. SHANNON, City Attorney

By [Signature]
DEPUTY CITY ATTORNEY

EXHIBIT "A"

OUTLINE OF PREMISES

[ATTACHED]



FOURTH FLOOR WEST SUITE #400

100 W. BROADWAY
 LONG BEACH, CA 90802

EXHIBIT "B"

LESSOR RULES AND REGULATIONS

GENERAL RULES

1. Lessee shall not suffer or permit the obstruction of any Common Areas, including driveways, walkways and stairways.
2. Lessor reserves the right to refuse access to any persons Lessor in good faith judges to be a threat to the safety, reputation, or property of the Office Building Project and its occupants.
3. Lessee shall not make or permit any noise or odors that annoy or interfere with other Lessees or persons having business within the Office Building Project.
4. Lessee shall not keep animals or birds within the Office Building Project, and shall not bring bicycles, motorcycles or other vehicles into areas not designated as authorized for same.
5. Lessee shall not make, suffer or permit litter except in appropriate receptacles for that purpose.
6. Lessee shall not alter any lock or install new or additional locks or bolts.
7. Lessee shall be responsible for the inappropriate use of any toilet rooms, plumbing or other utilities. No foreign substances of any kind are to be inserted therein.
8. Lessee shall not deface the walls, partitions or other surfaces of the Premises or Office Building Project.
9. Lessee shall not suffer or permit anything in or around the Premises or Building that causes excessive vibration or floor loading in any part of the Office Building Project.
10. Furniture, significant freight and equipment shall be moved into or out of the building only with the Lessor's knowledge and consent, and subject to such reasonable limitations, techniques and timing, as may be designated by Lessor. Lessee shall be responsible for any damage to the Office Building Project arising from any such activity.
11. Lessee shall not employ any service or contractor for services or work to be performed in the Building, except as approved by Lessor.
12. Lessor reserves the right to close and lock the Building on Saturday s, Sundays, and legal holidays, ad on other days between the hours of 6:00 pm and 8:00 am. If Lessee uses the Premises during such periods, Lessee shall be responsible for securely locking any doors it may have opened for entry.
13. Lessee shall return all keys at the termination of its tenancy and shall be responsible for the cost of replacing any keys that are lost.
14. No window coverings, shades or awnings shall be installed or used by Lessee.
15. No Lessee, employee or invitee shall go upon the roof of the Building.
16. Lessee shall not suffer or permit smoking or carrying of lighted cigars or cigarettes in areas reasonably designated by Lessor or by applicable governmental agencies as non-smoking areas.
17. Lessee shall not use any method of heating or air conditioning other than as provided by Lessor.
18. Lessee shall not install, maintain or operate any vending machines upon the Premises without Lessor's written consent.
19. The Premises shall not be used for lodging or manufacturing, cooking or food preparation.
20. Lessee shall comply with all safety, fire protection and evacuation regulations established by Lessor or any applicable governmental agency.
21. Lessor reserves the right to waive any one of these rules or regulations, and/or as to any particular Lessee, and any such waver shall not constitute a waiver of any other rule or regulation or any subsequent application thereof of such Lessee.
22. Lessee assumes all risks from theft or vandalism and agrees to keep its Premises locked as may be required.
23. Lessor reserves the right to make such other reasonable rules and regulations as it may from time to time deem necessary for the appropriate operation and safety of the Office Building Project and it occupants. Lessee agrees to abide by these and such rules and regulations.

PARKING RULES

1. Parking areas shall be used only for parking by vehicles no longer than full size, passenger automobiles herein called "Permitted Size Vehicles".
2. Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers, shippers, customers, or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.

3. Parking stickers or identification devices shall be the property of Lessor and be returned to Lessor by the holder hereof upon termination of the holder's parking privileges. Lessee will pay such replacement charge as is reasonably established by Lessor for the loss of such devices.
4. Lessor reserves the right to refuse the sale of monthly identification devices to any person or entity that willfully refuses to comply with the applicable rules, regulations, laws and/or agreements.
5. Lessor reserves the right to relocate all or part of parking spaces from floor to floor, within one floor, and/or to reasonably adjacent offsite location (s), and to reasonably allocate them between compact and standard size spaces, as long as the complies with applicable laws, ordinances and regulations.
6. Users of the parking area will obey all posted signs and park only in the areas designated for vehicle parking.
7. Unless otherwise instructed, every person using the parking area is required to park and lock his own vehicle. Lessor will not be responsible for any damage to vehicles, injury to persons or loss of property, all of which risks are assumed by the party using the parking area.
8. Validation, if established, will be permissible only by such method or methods as Lessor and /or its licensee may establish at rates general applicable to visitor parking.
9. The maintenance, washing, waxing or cleaning of vehicles in the parking structure or Common Areas is prohibited.
10. Lessee shall be responsible for seeing that all of its employees, agents and invitees comply with the applicable parking rules, regulations, laws and agreements.
11. Lessor reserves the right to modify these rules and/or adopt such other reasonable and non-discriminatory rules and regulations as it may deem necessary for the proper operation of the parking area.
12. Such parking use as is herein provided is intended merely as a license only and no bailment is intended or shall be created hereby.

EXHIBIT "C"

WORK AGREEMENT

(with Lessee Allowance)

This Work Agreement supplements the Office Lease ("Lease") dated December 23, 2005 executed by Danari Broadway, LLC, a Delaware limited liability company ("Lessor") and the City of Long Beach, a municipal corporation ("Lessee"), covering the initial Lessee improvements to be installed in the Premises in conjunction with the Lease ("Lessee Improvements"). The Lessor and Lessee are sometimes referred herein collectively as the "Parties", or individually as a "Party". Unless otherwise expressly defined herein, all capitalized terms when used herein shall have the same meaning as is given such terms in the Lease.

1. Improvements.

(a) Allowance. Lessor hereby grants Lessee a credit (the "Allowance") for Lessee Improvements to be installed in the Premises up to the amount of Twenty and No/100 Dollars (\$20.00) per rentable square foot of the Premises. The Allowance may be applied to architectural, engineering and space planning, permitting, design, construction and acquisition costs for the Lessee Improvements to be built pursuant to this Work Agreement, including those costs chargeable to the Allowance under the express terms of this Work Agreement. Lessee shall have the right to use a portion of such Allowance up to Five and No/100 Dollars (\$5.00) per rentable square foot toward signage, computer and telephone cabling, furniture acquisition and installation, moving expenses, and any other cost of relocating or opening this facility.

(b) Improvement Overage. For any Lessee Improvement overage up to Ten Dollars (\$10) per rentable square foot, Lessee shall be allowed to amortize the overage over the Original Term of the lease at Nine Percent (9%) with the ability to prepay the balance, in part or in whole, at anytime. To the extent Lessee makes a partial prepayment of the balance, the amortization of the then-remaining balance will be re-calculated over the remainder of the Original Term. To the extent the Lessee timely exercises its Termination Right pursuant to Paragraph 3.5 of the Lease, then Lessee shall be obligated to prepay the entire then-existing balance of such Improvement Overage on or before the last day of the thirty-fifth (35th) month of the Original Term.

(c) Base Building. In addition to the above allowance, Lessor shall be responsible for the following base building and core items: (i) Existing perimeter door frames and hardware; provided, however, any new perimeter door frames and hardware required by Lessor shall be deducted from the Allowance; (ii) Main sprinkler system (except for relocating and adding heads which relocation/addition shall be included as part of the Lessee Improvements); (iii) Fire, life safety system (except for relocating or adding signs and strobes, which relocation/addition shall be included as part of the Lessee Improvements); (iv) Main HVAC duct loop and VAV boxes (as opposed to Premises distribution systems); provided, however, any additional ducting or VAV boxes required due to Lessee's design of the Lessee Improvements shall be deducted from the Allowance; and (v) Homerun conduit from main phone room to Premises perimeter (items (i) through (v) being, collectively, the "Lessor Work").

(d) Installation by Lessor. The Lessee Improvements shall be specified in Lessee's Plans and Improvement Plans as set forth in Section 2 below and shall be installed by (or on behalf of) the Lessor pursuant to the terms of this Work Agreement. The Lessee Improvements may include, but are not limited to, partitions, ceilings, lighting, electrical circuitry and outlets, telephone outlets, HVAC, plumbing, sprinklers, fire and life safety systems, security systems, doors, hardware, painting, wall, window and floor coverings, finishes and treatments, raised flooring and all other work and materials required by Lessee for the Premises. Lessee Improvements shall expressly exclude, however, and Lessor shall not be obligated to select, purchase, construct or install Lessee's furniture, furnishings, trade fixtures, telephone system, equipment and other interior décor, and in no event shall any portion of the Allowance be applied toward the purchase, construction or installation of the same in excess of \$5.00 per rentable square foot (i.e., as expressly permitted pursuant to Section 1(a), above).

2. Improvement Plans and Specifications.

(a) Following Lessor's receipt of the design drawings prepared by Lessee, which design drawings shall consist of a demolition plan, a partition plan, a power and signal plan, a reflected ceiling plan and a finish plan (collectively, "**Lessee's Plans**") in accordance with the schedule set forth in Section 3 below, Lessor shall cause construction drawings to be prepared (the "**Improvement Plans**"), and shall submit the same to Lessee for Lessee's reasonable approval; provided, however, it shall be deemed unreasonable for Lessee to withhold its consent to such Improvement Plans to the extent the same are consistent with, and a natural evolution of, the Lessee's Plans; provided further, however, Lessee shall approve or withhold (with reasonable detail explaining the reason(s) therefore) such Improvement Plans within five (5) business days of Lessor's delivery of the same. In the event Lessee notifies Lessor that all or any portion of the Improvement Plans are disapproved, Lessor shall re-submit to Lessee the Improvement Plans incorporating the revisions reasonably required by Lessee. The revisions shall be subject to Lessee's written approval, which shall be granted or withheld (with reasonable detail explaining the reason(s) therefore) within three (3) business days of Lessor's delivery of the same. The Improvement Plans shall be prepared by qualified professionals designated by Lessor, shall be in form sufficient for submittal for plan check and for contractor bidding purposes, shall be consistent with sound architectural and construction practice in first class office buildings, and shall be consistent with the design, construction and operation of all structural elements and mechanical systems of the building; provided, however, the Parties hereby acknowledge that rather than being specified in such Improvement Plans, the mechanical, electrical and plumbing ("MEP") contractors will be responsible, on a design-build basis, for the construction of the MEP elements of such Improvement Plans..

(b) Intentionally Omitted.

(c) All interior design and decorating services, including but not limited to (i) the selection of wall paint colors and/or wall coverings, (ii) the selection of fixtures, (iii) the selection of carpeting and/or other floor coverings, (iv) the selection of window treatments and furnishings, and (v) all other efforts to select and install decorations shall be set forth in Lessee's Plans and shall be paid out of the Allowance or as Additional Costs (defined in Section 4(c) below); provided, however, to the extent the same are not contained/selected in Lessee's Plans, then Lessee's subsequent selection shall be treated as a change, addition or alteration pursuant to the terms and conditions of Section 6, below.

(d) All costs and expenses Lessor reasonably incurs in connection with (i) the preparation of the Improvement Plans (including but not limited to Lessor's reasonable engineering fees incurred in connection therewith), and (ii) to the extent third-party engineering review is reasonably required in connection with the same, such third-party review of change orders and similar documents shall be charged against the Allowance or as Additional Costs regardless of whether Lessor approves the same.

(e) Lessor's contractor shall be responsible for securing all necessary approvals, permits and authorizations from all governmental authorities having jurisdiction over the Lessee Improvements (collectively the "**Permits**"), and shall, promptly following Lessee's approval of the Improvement Plans, file all necessary papers to secure the Permits. Any fees or exactions imposed in connection with the Permits, and any other fees or charges to secure the Permits shall be charged against the Allowance.

3. Planning Schedule. Lessee's Plans and the Improvement Plans shall be prepared in accordance with the following schedule and **Schedule 1** to **Exhibit C** attached hereto:

(a) Lessor and Lessee hereby acknowledge and agree that Lessee previously furnished to Lessor, and Lessor previously reviewed and approved, a preliminary space plan for the Lessee Improvements prepared by Lessee's architect or space planner showing the general layout of the Premises upon completion of the Lessee Improvements (the "**Preliminary Plan**"), a copy of which is attached as **Exhibit A** to the Lease. On or before the corresponding outside date set forth on **Schedule 1** to this **Exhibit C**, Lessee shall furnish to Lessor for its review and approval the Lessee's Plans, to be used for the construction of the Lessee Improvements in accordance with the Preliminary Plan, and which Lessee's Plans shall identify, with specificity, all phone, data and electrical locations.

(b) The Improvement Plans shall include without limitation the final mechanical, electrical, plumbing, life-safety and structural plans and specifications for the Premises and all final architectural plans,

working drawings and specifications for the Lessee Improvements. The Improvement Plans shall show thereon all information necessary to obtain all required permits and to construct the Lessee Improvements, including partitions, doors, electrical and telephone outlets, light fixture locations, wall finishes, floor coverings and any special fixtures, equipment or other requirements; provided, however, the Parties hereby acknowledge that rather than being specified in such Improvement Plans, the MEP contractors will be responsible, on a design-build basis, for the construction of the MEP elements of such Improvement Plans.

(c) The Improvement Plans shall comply with all applicable building codes, laws and regulations (including without limitation the Americans with Disabilities Act) necessary to secure the Permits and ultimately cause a certificate of occupancy to be obtained, shall not materially interfere with or require any changes to or modifications of the base Building's mechanical, electrical, plumbing or other systems or to other Building operations or functions, and shall not increase maintenance or utility charges for operating the Building in excess of the standard requirements for normal office buildings comparable to the Building in the business districts of the Long Beach area.

(d) Lessee shall use its best, good faith, efforts and all due diligence to cooperate with the architect, the engineers, and Lessor to complete all phases of the Improvement Plans and the permitting process and to receive the Permits, and with contractor for approval of the final cost breakdown identified in Section 4 of this Work Agreement, below, as soon as possible after the execution of the Lease, and, in that regard, shall meet with Lessor on a scheduled basis to be determined by Lessor, to discuss Lessee's progress in connection with the same; provided, however, the Parties hereby acknowledge that department of the City of Long Beach which will be occupying the Premises (i.e., The Code Enforcement Bureau) is separate and apart from the Planning and Building department, and the cooperative efforts referenced above shall not be deemed to include an obligation to expedite permitting processes outside its control. The applicable dates for approval of items, plans and drawings as described in this Section 3 and Section 2, above, are set forth and further elaborated upon in Schedule 1 (the "**Time Deadlines**"), attached hereto. Lessee agrees to comply with the Time Deadlines.

4. Final Cost Breakdown; Additional Costs.

(a) Lessor shall submit to Lessee a written preliminary cost estimate and a written final cost breakdown for all the Lessee Improvements set forth in the Improvement Plans. The final cost breakdown shall be based on Improvement Plans as approved by Lessee and shall be based upon three competitive bids tendered by contractors for the construction of the Lessee Improvements as provided in Section 5 below. Lessee and Lessor shall mutually select the winning bid from the bids presented. Any changes to the Improvement Plans will be processed by Change Request under Section 6 below. Except as provided in Section 4(c) below or as a result of one or more Change Requests, the final cost breakdown approved and accepted by Lessor and Lessee shall constitute the agreed upon amount for the Lessee Improvements. The amount of the final cost breakdown shall be chargeable to and payable out of the Allowance.

(b) In connection with the construction of the Lessee Improvements according to the Improvement Plans, Lessee shall pay to Lessor a construction management fee that shall equal three percent (3%) of the Allowance (the "**Construction Management Fee**"). Lessee and Lessee's vendors/contractors will not be charged for parking, utilities, elevator or other Building services during the construction or move-in period.

(c) In the event that the cost of the Lessee Improvements and/or the Construction Management Fee exceeds the Allowance, Lessee shall pay all such additional amounts (all such additional amounts are herein referred to as "**Additional Costs**"). Subject to the provisions of Section 1(b) of this Work Agreement, the Additional Costs shall be paid by Lessee upon approval by Lessee of the final cost breakdown.

(d) The final cost breakdown excludes, and Lessee shall also have charged against its Allowance or added to its Additional Costs, as the case may be, all costs and expenses, plus the Construction Management Fee, attributable to any of the following:

(i) Increases in costs of materials, equipment, labor, services, construction period utilities or other construction-related items which would not have been incurred, absent Lessee Delay (defined below).

(ii) Increases in hourly labor charges due to labor contract negotiations, labor changes or automatic adjustments per union agreements.

(iii) Any changes, additions or alterations in Lessee's Plans identified in Section 6, below; provided, however, the foregoing shall not include changes to the Improvement Plans (unless the same are triggered by Lessee's changes, additions or alterations to the Lessee's Plans previously submitted), required to comply with applicable laws, ordinances, codes, rules, regulations, orders or directives of governmental or quasi-governmental bodies or authorities ("Governmental Requirements") or required to adjust to existing structural elements or mechanical systems of the Building in areas not visible.

(iv) Any demolition, relocation, reconstruction or adjustment of existing structural elements or mechanical systems of the Building in areas not visible in order to accommodate Lessee's Plans or Change Request(s).

(v) Performance of work during other than regular business hours where requested by Lessee.

(vi) Occupancy of all or any portion of the Premises by Lessee prior to completion of the Lessee Improvements (except minor details of construction, decoration and mechanical adjustments which reasonably can be completed after occupancy during regular business hours).

As soon as reasonably practicable after (i) actually determining any cost increase, or (ii) reasonably identifying a likely cost increase (e.g., cost increases due to a "Change Request," as that term is set forth in, and pursuant to the terms and conditions of, Section 6(b), below), Lessor or its contractor shall notify Lessee of the same, and shall reasonably cooperate to determine, and with Lessee's approval implement, commercially reasonable steps to minimize or avoid, as applicable, such cost increase.

5. Construction.

(a) Lessee and Lessor shall mutually, reasonably select, and Lessor shall retain, a contractor from among three (3) mutually approved contractors, each of which shall submit bids on the Lessee Improvements.

(b) The contractor selected by Lessor and Lessee shall promptly commence and diligently proceed with construction in substantial compliance with Improvement Plans only after all the following have occurred:

(i) Lessor and Lessee sign and deliver the Improvement Plans and the final cost breakdown;

(ii) Lessee pays Lessor the amount, if any, described in Section 4(c) above; and

(iii) All Permits necessary to commence construction are obtained.

Any election by Lessor to commence construction prior to satisfaction of the foregoing requirements shall not constitute a waiver of such requirements.

(c) Lessee or its space planner, architect or engineer shall have the right to enter and inspect the construction work from time to time during regular business hours, provided that, Lessee shall not interfere with the work in any manner whatsoever and entry shall be entirely at risk and expense.

6. Changes, Additions or Alterations.

(a) If Lessee shall desire any change, addition or alteration in Lessee's Plans (including any change, addition or alteration necessary to comply with any Governmental Requirements or to adjust for existing structural elements or mechanical systems of the Building to the extent directly resulting from such change,

addition or alteration in Lessee's Plans), Lessee shall promptly prepare at its own expense and submit to Lessor plans and specifications signed by Lessee respecting such change, addition or alteration and a signed request for change (collectively the "Change Request"). Any such change, addition or alteration shall be subject to Sections 2(a) and (b) above.

(b) As soon as reasonably practicable after receiving and approving a Change Request submitted under Section 6(a) above Lessor or its contractor shall prepare and submit to Lessee a written breakdown of any change in costs attributable to the change, addition or alteration specified in the Change Request, including customary charges for overhead and profit. If the change in costs attributable to the change will cause the total costs of the Lessee Improvements to exceed the Allowance plus the amount deposited pursuant to Section 4(b) above, or if such total costs are anticipated by Lessor to be in excess of such amount, Lessee (i) within three (3) business days after receipt of such cost breakdown, shall sign and return to Lessor the cost breakdown, and (ii) within five (5) business days thereafter, shall deliver to Lessor (x) the full amount of the increased costs, if any, reflected in the cost breakdown, and (y) Lessor's customary charge for reviewing and processing the Change Request. If Lessee does not timely return the cost breakdown as provided in the preceding sentence, the Change Request shall be deemed withdrawn and cancelled and Lessor may continue with the work without regard to the Change Request.

7. Inspection. Lessor shall notify Lessee when the Lessee Improvements are substantially complete. Within five (5) business days of receipt of such notice, and in any case prior to Lessee's moving into the Premises, Lessor and Lessee shall jointly inspect the work and prepare and sign a punch list itemizing details of construction, decoration and minor mechanical adjustment still to be completed. Lessor or its contractor shall complete the items on the punch list as soon as reasonably practicable.

8. Ready for Occupancy; Lessee Delay.

8.1 Ready for Occupancy. The Premises shall be deemed "Ready for Occupancy" upon the Substantial Completion of the Premises. For purposes of this Lease, "Substantial Completion" of the Premises shall occur upon the satisfaction of each of the following: (A) the completion of construction of (i) the Lessor Work identified in Section 1(c), of this Work Agreement, with the exception of any punch list items (as reasonably identified by the parties), and (ii) the Lessee's Improvements in the Premises pursuant to the Improvement Plans, with the exception of any punch list items (as identified by the parties pursuant to Section 7, above) and any tenant fixtures, work-stations, built-in furniture, or equipment to be installed by Lessee or under the supervision of Contractor, (B) Lessor's receipt of a certificate of occupancy (or its equivalent) for the Premises, (C) all (or materially all, to the extent necessary for the issuance of a certificate of occupancy (or its equivalent)) Building fire alarms, smoke detectors, exit lights, life safety equipment and other Building code requirements, being installed and operational on the Premises, and (D) the Building HVAC, utilities, plumbing service, and doors and hardware for the Premises are substantially completed to enable Lessee to move into the Premises, and install therein, its furniture, fixtures, machinery and equipment for the conduct of normal business operations.

8.2 Lessee Delay. Except as provided in this Section 8.2, the Commencement Date and commencement of Rent shall occur as set forth in the Sections 1.3, 3.1 and 3.3 of the Lease and Section 8.1, above. If there shall be a delay or there are delays in the Substantial Completion of the Premises or in the occurrence of any of the other conditions precedent to the Lease Commencement Date, as set forth in the Lease, as a direct, indirect, partial, or total result of:

(a) Lessee's failure to prepare and submit the Lessee's Plans on or before the applicable Time Deadlines;

(b) Lessee's failure to give any approval or disapproval, pay any sum or do any act required under this Work Agreement within the time period specified herein;

(c) Lessee's requirement of a Change Request which in Lessor's reasonable opinion will cause an increase in the construction schedule for the work contemplated hereunder;

(d) Any changes, additions or alterations in Improvement Plans resulting in construction work being suspended pending the approval of a Change Request;

(e) Lessee's requirement of any non-building standard materials or installations which are not readily available;

(f) Delays in performance or completion of any work to be performed by a party (other than Lessor or Lessor's contractor) retained by Lessee; or

(g) Any other delay requested or caused by Lessee,

(items (a) through (h), above, a "Lessee Delay"), then, notwithstanding anything to the contrary set forth in the Lease or this Work Agreement and regardless of the actual date of the Substantial Completion of the Premises, the Commencement Date and commencement of Rent shall be deemed to be the date such Commencement Date and commencement of Rent would have occurred if no Lessee delay or delays, as set forth above, had occurred. Lessee shall be responsible for, and shall pay, either as an additional charge against its Allowance, or directly, any and all expenses incurred by Lessor in connection with any such Lessee Delay.

9. Miscellaneous.

(a) Delivery of possession of the Premises to Lessee prior to the performance or satisfaction of all conditions or obligations of Lessee under this Work Agreement, including but not limited to the obligation to pay any sums owing hereunder, shall not constitute a waiver of any such conditions or obligations.

(b) All sums owing by Lessee to Lessor under this Work Agreement constitute rent.

(c) If Lessee fails or refuses to timely perform any act required of Lessee under this Work Agreement, then, in addition to any other remedies available to Lessor, Lessor shall have the right, but not the obligation, to do the act in question, without further notice or demand, at the cost and expense of Lessee.

(d) This Work Agreement is and shall be incorporated by reference in the Lease. All of the terms and provisions of the Lease are and shall be incorporated herein by this reference. In the event of any irreconcilable conflict between the terms of the Lease and this Work Agreement, the terms of this Work Agreement shall prevail.

Executed as of the 23rd day of December, 2005.

"LESSOR"

Danari Broadway, LLC a Delaware limited liability company,

By: Adel Realty Investments, LLC
Title: Manager

"LESSEE"

By: [Signature]
The City of Long Beach, a municipal corporation

By: [Signature]
Title: City Manager

APPROVED AS TO FORM

12/27, 2005
ROBERT E. SHANNON, City Attorney

By: [Signature]
DEPUTY CITY ATTORNEY

SCHEDULE 1 TO EXHIBIT C

TIME DEADLINES

	<u>Dates</u>	<u>Actions to be Performed</u>
A.	Completed	Preliminary Plan to be completed by Lessee and delivered to Lessor.
B.	Five (5) business days following the full execution and delivery of the Lease between the Parties.	Lessee to deliver Lessee's Plans to Lessor.
C.	Five (5) business days after the initial receipt of the Improvement Plans	Lessee to approve or disapprove such Improvement Plans.
D.	Three (3) business days after the receipt of revisions to the Improvement Plans	Lessee to approve or disapprove any revisions to the Improvement Plans.
E.	Five (5) business days after the receipt of the final cost breakdown by Lessee	Lessee to approve final cost breakdown and deliver confirmation of same to Lessor.

EXHIBIT "D"

PARKING RIDER TO OFFICE LEASE

This Parking Rider supplements the Office Lease ("Lease") between Danari Broadway LLC, a Delaware limited liability company ("Lessor") and the City of Long Beach, a municipal corporation ("Lessee") dated as of December 23, 2005. Capitalized terms used herein have the meanings set forth in the Lease.

1. For the term of the Lease, including any extensions thereof, Lessee may hereby lease from Lessor up to three (3) automobile parking spaces per one thousand (1,000) square feet of rentable area, or fraction thereof, in the parking structure of the Building on the terms and conditions of this Rider.

2. Such parking spaces shall be in either or both of unreserved, undesignated spaces, or reserved parking spaces in Lessor's sole discretion, and the particular location of which in the parking structure of the Building shall also be determined by the Lessor in its sole discretion.

3. Rent shall be at the prevailing building rate, which is currently Sixty-Five Dollars (\$65.00) per month, per unreserved space. Parking Space Rent is payable in advance on the first day of each month without offset, deduction or abatement (except as otherwise expressly provided pursuant to the terms and conditions of Paragraphs 3.3 and 9.6 of the Lease). Charges for any partial month shall be prorated based on the number of days in such month. Parking Space Rent is deemed to be rent under the Lease.

4. If access to the parking structure at any time is regulated by a key card or similar system, Lessee shall pay a deposit to Lessor for each parking access device it received in such amount as Lessor or its parking operator or licensee shall establish. Lessee shall be entitled to one access device for each leased parking space. The deposit for each device is refundable upon return of that device in good, functioning condition. Deposits on lost or damaged access devices are nonrefundable, and a new deposit shall be required for each replacement device. Lessor has no obligation to issue replacement device.

5. Lessee shall observe and abide by all rules and regulations for the parking structure created or imposed from time to time by Lessor or its parking operator or licensee. If Lessee commits, permits or allows any activity prohibited by the rules and regulations for the parking structure, Lessor or the parking operator or licensee shall have the right, without notice and in addition to any other available rights and remedies, to remove, tow or boot the vehicle involved at Lessee's cost and expense, payable immediately upon demand.

6. The right to park granted hereunder is solely for the convenience and accommodation of Lessee. Lessee waives and releases Lessor from any responsibility or liability for loss or damage to any person or property respecting use of the parking structure by Lessee, its employees or invitees.

7. Lessor reserves the right in its sole discretion to change or alter the parking structure, its layout or access thereto, and to expand or reduce the number or size of the parking spaces.

8. Lessee shall not be permitted to use the parking structure on the weekend of the Long Beach Grand Prix.

EXHIBIT "E"

MEMORANDUM OF COMMENCEMENT AND EXPIRATION DATE

The undersigned, Danari Broadway LLC, a Delaware limited liability company ("Lessor") and the City of Long Beach, a municipal corporation ("Lessee"), are the Parties to that certain Office Lease ("Lease") dated as of December 23, 2005, for certain premises located at 100 West Broadway, Long Beach, California. Pursuant to the terms and conditions of the Lease, the undersigned hereby acknowledge and agree upon the following dates.

1. The Commencement Date of the Lease occurred on _____.
2. The expiration date of the Original Term of the Lease is scheduled to occur on _____.
3. The first monthly rental payment represents payment for the period commencing on _____, 200__ and ending on _____, 200__.

Executed as of the _____ day of _____, 200__.

"LESSOR"

Danari Broadway, LLC a Delaware limited liability company,

By: _____
Title: _____

"LESSEE"

The City of Long Beach, a municipal corporation

By: _____
Title: _____