AGENDA REPORT

Meeting Date:	April 7, 2009
Item Number:	F-11
To:	Honorable Mayor & City Council
From:	Brenda A. Lavender, Real Estate & Property Manager
Subject:	APPROVAL OF A LEASE BETWEEN THE CITY OF BEVERLY HILLS AND WEG ENTERTAINMENT, INC FOR OFFICE SPACE IN THE 439 N. CANON DRIVE BUILDING.
Attachments:	1. Office Lease 2. Memorandum of Office Lease

RECOMMENDATION

Staff recommends approval of the Office Lease and Memorandum of Lease by and between City of Beverly Hills, a municipal corporation, and WEG Entertainment, Inc., a California corporation. WEG Entertainment, Inc is the former subtenant of Alliance Title Insurance in this space.

INTRODUCTION

An Office Lease and Memorandum of Lease has been prepared for City Council's approval. This agreement creates a direct lease with the former subtenant of Alliance Title for a period of two years. WEG Entertainment is newly incorporated although the principal shareholder – Kevin Washington previously occupied the space as a subtenant doing business as Flagrant Films. WEG Entertainment will continue to be the headquarters for Kevin Washington's film productions, even though no film work is conducted in the space.

DISCUSSION

This new lease is for a term of two years and will expire on January 31, 2011. The leased premise is located in on the second floor of our 439 N. Canon Drive building in suite 220. Our previous tenant Alliance Title filed bankruptcy in July of 2008, and this tenant has continued to occupy the space and pay rent on a month-to-month basis. Suite 220 is second generation space, therefore no tenant improvements are required for this deal.

FISCAL IMPACT

The fiscal impact of this deal is the continuance of base rent revenue of $252,359 through the end of the lease term. There is no out of pocket cost to the City for this lease transaction and no interruption in revenue.

Scott G. Miller, Director of
Administrative Services, CFO
Approved By

Attachment 1

Office Lease

OFFICE LEASE

by and between

CITY OF BEVERLY HILLS,
a municipal corporation,

Landlord

and

WEG ENTERTAINMENT, INC.,
a California corporation

Tenant

for Premises at

439 N. Canon Drive

Beverly Hills, California

DATE: _____, 2009

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Exhibit A – Rules and Regulations
Exhibit B – Memorandum of Lease
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OFFICE LEASE

THIS OFFICE LEASE (this "Lease") is dated as of _____, 2009 (the "Effective Date"), and is entered into by and between **CITY OF BEVERLY HILLS**, a municipal corporation ("Landlord"), and **WEG ENTERTAINMENT, INC.**, a California corporation ("Tenant").

1. TERMS AND DEFINITIONS. For the purposes of this Lease, the following terms shall have the following definitions and meanings:

(a) Address of Tenant:

WEG Entertainment, Inc.
c/o Michael Eisner
Eisner & Frank
9601 Wilshire Blvd., Ste. 700
Beverly Hills, California 90210

(b) Address of Landlord:

City of Beverly Hills
455 North Rexford Drive
Beverly Hills, California 90210
Attention: Director of Administrative Services

With a copy to: the City Attorney at the same address.

(c) Premises: Suite 220 on the 2nd floor of the "Building" located at 439 N. Canon Drive, Beverly Hills, California.

(d) Term: Two (2) years commencing on February 1, 2009 the "Commencement Date" (as defined in Section 3 below), and expiring on January 31, 2011.

(e) Rent:

Months During Term	Annual Rent	Monthly Rent
1-12	$125,238.36	$10,436.53
13-24	$131,500.28	$10,958.36

(f) CAM Charge: $78.41 per month, increased on February 1, 2010 by the percentage increase in the Index (defined in Section 6(a)).

(g) Security Deposit: $21,029.88 (which is currently in the possession of the Landlord).

(h) Permitted Use: General office use consistent with the operation of the Project (as hereinafter defined) as a first-class mixed use commercial project; and for no other use or purpose.

(i) Brokers: None.

(j) Parking: Subject to the terms and conditions of Section 26 below, Tenant shall be entitled to purchase parking passes from Landlord for five (5) unreserved parking spaces in the parking structure serving the Building.

(k) Carpet Replacement Fee: $10,969.25, previously paid to Landlord by Tenant's predecessor in interest, Kevin Washington.

(l) Lease Guaranty: Concurrently with its execution and delivery of this Lease, and as a condition to Landlord's obligations under this Lease, Tenant shall cause Kevin Washington to execute and deliver to Landlord a Guaranty of Lease in the form attached hereto as Exhibit C.

This Section 1 represents a summary of the basic terms of this Lease. In the event of any inconsistency between the terms contained in this Section 1 and any specific provision of this Lease, the terms of the more specific provision shall prevail.

2. PREMISES LEASED.

(a) Landlord hereby leases the Premises to Tenant and Tenant hereby leases the Premises from Landlord, upon and subject to the terms of this Lease.

(b) The Building is located on one or more parcels of real property (the "Site"). The parking serving the Building shall include, without limitation, any parking structure (the "Parking Structure") now or hereafter located upon the Site and, at Landlord's option, surface parking which may be located on and/or off the Site. The Site (as the same may hereafter he expanded in accordance herewith), the Building, any and all other improvements now or hereafter situated on the Site (as the same may hereafter be expanded in accordance herewith), the Parking Structure (as the same may hereafter be expanded in accordance herewith) and the other "Common Areas" (as hereinafter defined) are herein collectively referred to as the "Project".

(c) Tenant shall have the nonexclusive right to use in common with other tenants in the Building and the Project and subject to the Rules and Regulations referred to in Section 32(a), the following areas to the extent included in the Project (collectively, "Common Areas"): (i) common lobbies, restrooms, elevators, stairways, access ways, loading docks, ramps, drives and platforms and any passageways and service ways thereto, and the common pipes, conduits, wires and appurtenant equipment serving the Project; and (ii) loading and unloading areas, trash areas, parking areas (including, without limitation, the Parking Structure and other Project parking areas), roadways, sidewalks, walkways, driveways and landscaped areas and similar areas and facilities within the Project made available by Landlord for the common use and enjoyment of the occupants of the Project; provided, however, that notwithstanding the

designation of the Parking Structure and the other Project parking areas as a part of the Common Areas pursuant hereto, Tenant understands and acknowledges that the Parking Structure and the other parking facilities for the Project may, at Landlord's sole and absolute option and in accordance with applicable laws and governmental requirements, be available and open to the general public for parking.

(d) Landlord reserves the right from time to time: (i) to designate other land outside the current boundaries of the Site to be a part of the Site, in which event the Site shall be deemed to include such additional land, and the Common Areas shall be deemed to include Common Areas upon such additional land; (ii) to add additional buildings and/or other improvements (including, without limitation, additional parking structures and/or expansion of the Parking Structure) to the Project, which (by way of example only and without limitation) may be located on land added to the Site pursuant to clause (i) above, and/or to remove existing and/or future buildings and/or improvements; (iii) to make changes to the Common Areas, including, without limitation, addition of additional improvements, changes in the location, size, shape and number of driveways, entrances, parking spaces, parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscape areas and walkways; (iv) to close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available; (v) to use the Common Areas while engaged in making additional improvements, repairs or alterations to the Building or the Project, or any portion thereof; and (vi) to install, use, maintain, repair and replace pipes, ducts, conduits, wires and appurtenant meters and equipment for service to other parts of the Project above the ceiling surfaces, below the floor surfaces, within the walls and in the central core areas, and to relocate any pipes, ducts, conduits, wires and appurtenant meters and equipment included in the Premises which are located in the Premises or located elsewhere outside the Premises, and to alter, expand and/or demolish any building within the Project; and (vii) to do and perform such other acts and make such other changes in, to or with respect to the Common Areas, the Building or any other portion of the Project as Landlord deems to be appropriate in the exercise of its reasonable business judgment; provided, however, that Landlord shall in no event take any action pursuant hereto which would materially and adversely affect the operation of Tenant's business from the Premises or reasonable means of access to and from the Premises and parking areas serving the Premises without the prior consent of Tenant, which consent shall not be unreasonably withheld, conditioned or delayed.

3. TERM. The term of this Lease ("Term") shall be for the period referenced in Section 1(d) above (such initial period is referred to herein as the "Initial Term"), commencing on the "Commencement Date", as hereinafter defined, unless this Lease is earlier terminated in accordance with this Lease.

4. DELIVERY OF POSSESSION. The parties hereby acknowledge that the Premises are currently occupied by Tenant and Landlord has delivered possession of the Premises to Tenant.

5. RENT; SECURITY DEPOSIT.

(a) Commencing on the Commencement Date, Tenant agrees to pay Landlord as Annual Rent for the Premises during the Term the applicable Annual Rent designated in Section 1(e) in monthly installments (as specified in Section 1(e). Annual Rent shall be paid in monthly installments, in advance, on the first day of each and every calendar month during the Term, except that Tenant shall pay the Annual Rent for the initial full month for which Annual Rent is payable under this Lease (i.e., $10,436.53) concurrently with Tenant's execution of this Lease. In the event the Term of this Lease commences on a day other than the first day of a calendar month or ends on a day other than the last day of a calendar month, then the "Rent" (as hereinafter defined) for such periods shall be prorated in the proportion that the number of days this Lease is in effect during such periods bears to the actual number of days in such month, and such Rent shall be paid at the commencement of such period. In addition to the Annual Rent, commencing on the Commencement Date, Tenant agrees to pay all other amounts required to be paid hereunder as and when they are due as hereinafter provided in this Lease. Except as otherwise specifically provided in this Lease, Rent shall be paid to Landlord, without any prior notice or demand therefor, and without any abatement, deduction or offset whatsoever, in lawful money of the United States of America, which shall be legal tender at the time of payment, at the address of Landlord designated in Section 1(b) or to such other person or at such other place as Landlord may from time to time designate in writing. All charges to be paid by Tenant hereunder other than Annual Rent shall constitute additional rent, shall be paid in the manner provided herein and shall sometimes he collectively referred to as "Additional Rent". Annual Rent and Additional Rent are collectively referred to herein as "Rent".

(b) Tenant acknowledges that the late payment by Tenant to Landlord of any sums due under this Lease will cause Landlord to incur costs not contemplated by this Lease, the exact amount of such costs being extremely difficult and impracticable to fix. Such costs include, without limitation, processing and accounting charges, and late charges that may be imposed on Landlord by the terms of any encumbrance or note secured by all or any portion of the Project. Therefore, if Tenant fails to pay any Rent within five (5) business days after the due date under this Lease for any reason, Tenant shall pay to Landlord, as Additional Rent, the sum of six percent (6%) of the overdue amount as a late charge. All past-due installments of Rent shall also bear interest, as Additional Rent, at the "Interest Rate" (as hereinafter defined), from the date due until paid. For purposes of this Lease, the "Interest Rate" shall meant the greater of (i) twelve percent (12%) per annum, or (ii) two percent (2%) per annum plus the then prevailing per annum "prime rate" as most recently published in the Wall Street Journal (or the then "prime" rate as established by a comparable alternate source reasonably designated by Landlord in the event the Wall Street Journal ceases to publish a prevailing "prime" rate), provided that in no event shall the Interest Rate exceed the maximum rate permitted by applicable law governing interest rate restrictions. Landlord's acceptance of any late charge or interest shall not constitute a waiver of Tenant's default with respect to the overdue amount or prevent Landlord from exercising any of the other rights and remedies available to Landlord under this Lease, at law or in equity.

(c) Pursuant to that certain Settlement Agreement dated January 5, 2009 between Landlord and Tenant's predecessor-in-interest (Kevin Washington), Tenant's predecessor-in-interest has previously deposited with Landlord the sum designated in Section 1(g). Tenant hereby represents and warrants to Landlord that Kevin Washington has contributed such sum (which is on deposit with Landlord) to Tenant. Tenant hereby grants to Landlord a security interest in the Security Deposit in accordance with applicable provisions of the California Commercial Code. The Security Deposit shall he held by Landlord as security for the faithful performance by Tenant of all of the terms, covenants, and conditions of this Lease to he kept and performed by Tenant during the Term hereof. If Tenant defaults with respect to any provisions of this Lease, including but not limited to the provisions relating to the payment of Rent, Landlord may (but shall not be required to) use, apply or retain all or any part of the Security Deposit for the payment of any Rent or any other sum in default, or for the payment of any other amount which Landlord may spend or become obligated to spend by reason of Tenant's default or to compensate Landlord for any loss or damage which Landlord may suffer by reason of Tenant's default. If any portion of the Security Deposit is so used or applied, Tenant shall, within ten (10) business days after demand therefor, deposit cash with Landlord in an amount sufficient to restore the Security Deposit to the then required amount. Landlord shall not be required to keep the Security Deposit separate from its general funds, and Tenant shall not be entitled to interest on such Security Deposit. Tenant waives any rights it may have under Section 1950.7 of the California Civil Code with respect to the Security Deposit. Within thirty (30) days following the expiration of the Term or earlier termination of this Lease and Tenant's performance of all of its obligations under this Lease, the Security Deposit or any balance thereof shall be returned to Tenant. If Landlord sells its interest in the Project during the Term hereof and deposits with the purchaser thereof the then unappropriated funds deposited by Tenant as aforesaid, Landlord shall be discharged from any further liability with respect to such Security Deposit accruing after the date Landlord deposits such Security Deposit with such purchaser.

6. OPERATING EXPENSES; POSSESSORY INTEREST TAX.

(a) Commencing on the Commencement Date, Tenant shall pay to Landlord as Additional Rent, in equal monthly installments, in advance, on or before the first (1st) day of each month, without prior demand and without offset, abatement or deduction (except as expressly and specifically provided in this Lease), the amount specified in Section 1(f) (the "CAM Payment") for Tenant's share of operating expenses, except that Tenant shall pay the CAM Payment for the first full month for which the CAM Payment is payable under this Lease (i.e., $78.41) concurrently with Tenant's execution of this Lease. On the first anniversary of the Commencement Date ("Adjustment Date"), the CAM Payment shall be increased to reflect the percentage increase in the "Index" (hereinafter defined) over the preceding year (approximately), calculated by dividing the Index for the calendar month which is four (4) full months immediately preceding such Adjustment Date by the Index for the calendar month which is sixteen (16) full months immediately preceding such Adjustment Date. Should the Initial Commencement Date be a day other than the first (1st) day of a calendar month, then the monthly installment of the Annual CAM Payment for the first partial month shall

be equal to one thirtieth (1/30th) of the monthly installment of the Annual CAM Payment for each day from the Commencement Date to the end of the partial month. As used in this Lease, the term "Index" shall mean the Consumer Price Index published by the United States Department of Labor, Bureau of Labor Statistics (the "Bureau") "All Items" for All Urban Consumers in the Los Angeles-Anaheim-Riverside metropolitan area, (1982-84=100). Should the Bureau discontinue the publication of the Index, publish the same less frequently or alter the same in some other manner, the most nearly comparable index or procedure as reasonably determined by Landlord shall be substituted therefor.

(b) Notwithstanding anything contained in this Lease to the contrary, Tenant acknowledges and agrees that for so long as Landlord's interest in the Project is owned by the state or any local public entity or government, including without limitation a municipal corporation (collectively, a "Governmental Entity"), this Lease and Tenant's interest hereunder may constitute a possessory interest subject to property taxation and as a result Tenant may be subject to the payment of real estate taxes levied on that interest (in which event, Tenant shall pay such taxes within thirty (30) days following billing from the applicable governmental authority, or, if such taxes are not separately assessed, then in accordance with the further provisions of this Article). In addition, for so long as the Landlord's interest in the Project is owned by a municipal corporation, the full cash value, as defined under applicable laws, of the possessory interest upon which real estate taxes may be based shall equal the greater of (A) the full cash value of the possessory interest, or (B) Tenant's allocable share of the full cash value of the property that would have been taxed if the property had been subject to property tax upon acquisition by the municipal corporation. Tenant agrees to forward Landlord a copy of its tax bill or possessory interest tax statement within thirty (30) days of its receipt.

7. USE.

(a) Tenant shall use the Premises for the use or uses set forth in Section 1(h) above, and shall not use or permit the Premises to be used for any other purpose whatsoever. Tenant shall use and occupy the Premises in compliance with all applicable federal, state and local laws, codes, rules, ordinances, statutes and other requirements (collectively, "Laws") (which Laws shall include, without limitation, the Americans with Disabilities Act of 1990, applicable fire-life safety codes of the City where the Project is located, and governmental requirements imposed in connection with the development or occupancy of the Building, including, without limitation, participation in any transportation management programs and compliance with any applicable air quality/trip reduction requirements), and shall, upon written notice from Landlord, discontinue any use of the Premises which is declared by any governmental authority having jurisdiction to be a violation of applicable Laws. Tenant shall make any and all alterations or improvements to the Premises required to comply with applicable Law, except that Tenant shall not be required to make structural alterations or improvements to the Premises required to comply with applicable Laws unless such compliance is necessitated by Tenant's particular use of, or Alterations to, the Premises. Tenant shall comply with all rules, orders, regulations and requirements of any insurance authority having jurisdiction over the Project or any present or future insurer relating to

the Premises or the Project. Tenant shall promptly, upon demand, reimburse Landlord for any additional premium charged for any existing insurance policy held by Landlord (or endorsement to Landlord's insurance required) by reason of Tenant's failure to comply with the provisions of this Section 7 or by reason of Tenant's use or occupancy of the Premises. Tenant shall not do or permit anything to he done in or about the Premises which will in any manner obstruct or interfere with the rights of other tenants or occupants of the Project, or injure or annoy them, or use or allow the Premises to be used for any unlawful purpose, nor shall Tenant cause, maintain or permit any nuisance in, on or about the Premises. Tenant shall not commit or suffer to be committed any waste in or upon the Premises and shall keep the Premises in first class repair and appearance, subject to ordinary wear and tear. Notwithstanding anything to the contrary contained in this Lease, in no event shall the Premises be used for any medical or dental office uses. Tenant shall not place a load upon the Premises exceeding the average pounds of live load per square foot of floor area specified for the Building by Landlord's architect, with the partitions to be considered a part of the live load. Landlord reserves the right to prescribe the weight and positions of all safes, files and heavy equipment which Tenant desires to place in the Premises so as to distribute properly the weight thereof.

Except general office supplies typically used in an office area in the ordinary course of business, such as copier toner, liquid paper, glue, ink, and cleaning solvents, for use in the manner for which they were designed and in accordance with applicable laws, in such amounts as may be normal for the office business operations conducted by Tenant in the Premises, neither Tenant nor any subtenant nor any of their respective employees, agents, representatives, contractors, licensees or invitees, shall use, handle, store or dispose of any Hazardous Materials, as hereinafter defined, in, on, under or about the Premises, the Building or the Project. In the event of a breach of the covenant contained in the immediately preceding sentence, or in the event Hazardous Materials are otherwise caused to he located in, on, under or about the Premises, Building or Project by Tenant, any of its subtenants, or any of their respective employees, agents, representatives, contractors, licensees or invitees, Tenant shall be solely responsible for and shall indemnify, defend and hold Landlord harmless' from and against any and all claims, judgments, damages, penalties, fines, costs, liabilities and losses (including, without limitation, diminution in valuation of the Premises, Building or Project, and sums paid in settlement of claims and for reasonable attorneys' fees, consultant fees and expert fees) which arise during or after the Term as a result of any contamination directly or indirectly arising from the activities which are the basis for such breach. This indemnification of Landlord by Tenant includes, without limitation, costs incurred in connection with any investigation of site conditions or any clean-up, remedial, removal or restoration work. Tenant shall promptly take all actions, at its sole cost and expense, as are necessary to return the Premises, Building and/or Project to the condition existing prior to the introduction of any such Hazardous Materials, provided Landlord's approval of such actions shall first he obtained and Tenant shall fully cooperate in connection with any such clean-up, restoration or other work, at Tenant's sole cost and expense. Furthermore, Tenant shall immediately notify Landlord of any inquiry, test, investigation or enforcement proceeding by or against Tenant or the Premises concerning the presence of any Hazardous Materials. Tenant acknowledges that Landlord, at Landlord's election, shall have the sole right, at Tenant's expense, to negotiate, defend, approve and appeal

any action taken or order issued by any governmental authority with regard to any Hazardous Materials contamination which Tenant is obligated hereunder to remediate. The covenants of Tenant under this Section 7(b)(ii) shall survive the expiration of the Term or earlier termination of this Lease.

As used in this Lease, "Hazardous Materials" shall mean asbestos, petroleum fuel, natural gas or any fraction thereof, and any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, the State of California or the United States Government, including, but not limited to, any material or substance defined as a "hazardous waste," "extremely hazardous waste," "restricted hazardous waste," "hazardous substance," "hazardous material" or "toxic pollutant" under state or federal laws, statutes or regulations, including, without limitation, the California Health and Safety Code anti/or tinder the Comprehensive Environmental Response, Compensation and Liability Act, 42. U.S.C. §9601, et seq.

Notwithstanding anything in this Section 7 to the contrary, Tenant shall not be responsible or liable for abating any Hazardous Material existing at the Premises prior to November 1, 2006, or for indemnifying Landlord against any such pre-existing Hazardous Materials.

8. TAXES ON TENANT'S PROPERTY. Tenant shall be liable for and shall pay, before delinquency, all taxes levied against any personal property and/or trade fixtures placed by Tenant in or about the Premises. If any such taxes on Tenant's personal property, trade fixtures, Alterations and/or Tenant Improvements are levied against Landlord or Landlord's property or if the assessed value of the Premises or the Project is increased by the inclusion therein of a value placed upon such personal property, trade fixtures, Alterations and/or Tenant Improvements, Tenant shall pay the amount thereof as invoiced to Tenant by Landlord within thirty (30) days following receipt of such invoice together with reasonable evidence of such allocation,

9. CONDITION OF PREMISES. Tenant acknowledges that (i) the lease of the Premises by Tenant pursuant hereto shall be on an "as is" basis, (ii) neither Landlord nor any employee, representative or agent of Landlord has made any representation or warranty (express or implied) with respect to the Premises or any other portion of the Project, and (iii) Landlord shall have no obligation to improve or alter the Premises or Project for the benefit of Tenant.

10. ALTERATIONS; CARPET PAYMENT.

(a) Tenant shall not make or allow to be made any alterations, additions or improvements (collectively, any "Alterations") in or to the Premises during the Term without obtaining Landlord's prior written consent.

(b) Any mechanics' liens filed against the Premises or against the Building or the Project for work claimed to have been done for, or materials claimed to have been furnished to, Tenant will be discharged by Tenant, by bond or otherwise, within thirty (30) days after the filing thereof, at Tenant's sole cost and expense. All

Alterations upon the Premises shall, unless Landlord elects otherwise by written notice to Tenant at the time Landlord consents to such Alterations (or in the event no such consent is required, then promptly upon Landlord's receipt of notice from Tenant of such Alterations), become the property of Landlord upon the expiration of the Term or earlier termination of this Lease, and shall remain upon and be surrendered with the Premises, as part thereof, at the expiration of the Term or earlier termination of this Lease (but exclusive of Tenant's trade fixtures and personal property as further provided in Section 10(c) below). If Landlord requires Tenant to remove any Alterations, Tenant, at its sole cost and expense, agrees to remove the identified Alterations on or before the expiration of the Term or earlier termination of this Lease and repair any damage to the Premises caused by such removal (or, at Landlord's option, Tenant agrees to pay to Landlord Landlord's reasonable estimate of the costs of such removal and repair prior to such expiration or termination).

(c) All articles of personal property and all business and trade fixtures, (which are susceptible of removal without material damage to the Premises and which are not permanently affixed to the Premises) machinery, equipment, furniture and removable partitions owned by Tenant or installed by Tenant at its expense in the Premises shall be and remain the sole property of Tenant and may be removed by Tenant at any time during the Term of this Lease and shall be removed by Tenant prior to the expiration of the Term or earlier termination of this Lease, provided that Tenant shall at its sole expense repair any damage caused by such removal. If Tenant shall fail to remove all of its property from the Premises upon the expiration of the Term or earlier termination of this Lease for any cause whatsoever, Landlord may, at its option, either treat such property as being conveyed to Landlord in which case the same shall automatically and without further action be deemed to be the sole property of Landlord, or remove the same in any manner that Landlord shall choose, and store or dispose of said property without liability to Tenant for loss thereof, and Tenant agrees to pay to Landlord upon demand any and all expenses incurred in such removal, including court costs, reasonable attorneys' fees and storage charges on such property for any length of time that the same shall be in Landlord's possession. In the alternative, Landlord may, at its option, sell said property, or any of the same, in such manner as Landlord determines to be appropriate in Landlord's reasonable business judgment, for such prices as Landlord may obtain and apply the proceeds of such sale to any amounts due under this Lease from Tenant to Landlord and to the expense incident to the removal and sale of such property. Tenant waives the benefit of any statutory provisions governing the treatment by a landlord of a tenant's personal property left in leased premises following the expiration of the lease, in the event Tenant fails to remove all of its property from the Premises upon the expiration of the Term or earlier termination of this Lease, the parties hereby agreeing that the provisions of this Lease constitute the express agreement of the parties with respect thereto and are intended to govern such situation.

(d) Pursuant to that certain Settlement Agreement dated January 5, 2009 between Landlord and Tenant's predecessor-in-interest (Kevin Washington), Tenant's predecessor-in-interest has paid the amount of $10,969.25 to Landlord to compensate Landlord for carpet replacement costs for the Premises. Landlord warrants and represents that notwithstanding anything contained in this Lease to the contrary, it

shall not seek any other compensation or amounts from Tenant related to the removal of carpet or carpet replacement with respect to the Premises that occurred prior to January 5, 2009.

11. REPAIRS.

(a) From and after delivery of possession of the Premises to Tenant, Tenant shall keep, maintain and preserve the Premises in a good condition and repair, and shall, as and when needed, at Tenant's sole cost and expense, make all repairs to the Premises and every part thereof (other than elements of the Premises to be maintained and repaired by Landlord pursuant to this Lease) and all personal property, trade fixtures and equipment within the Premises. Subject to the provisions of Section 10(c) above, upon the expiration of the Term or sooner termination of this Lease, Tenant shall surrender the Premises to Landlord in the same condition as when received, as improved by the Tenant Improvements, excepting permitted Alterations which Tenant is not required to remove pursuant to Section 10(b) above, reasonable wear and tear, casualty damage governed by Section 18 below, and damage which Landlord is obligated to repair under this Lease.

(b) Landlord shall keep and maintain the Project in good condition and repair, including the roof, structure and foundation, integrated Building utility and mechanical systems, parking facilities and other Common Areas of the Project, the costs of which shall be included in Operating Expenses; provided, however, that to the extent such maintenance and/or repair work is (i) attributable to items installed in Tenant's Premises which are above standard interior improvements (such as, for example, custom lighting, special HVAC other than the HVAC system discussed in Section 14(a) below, and/or electrical panels or systems, kitchen or restroom facilities and appliances constructed or installed within Tenant's Premises), (iii) attributable to the installation, as a part of the Tenant Improvements, Tenant's Alterations or Tenant's trade fixtures, of items which are less than first-class in quality, workmanship or manner of installation, and/or (iii) necessitated by the negligence or willful misconduct of Tenant or any of the "Tenant Parties" (as hereinafter defined), then Tenant shall pay to Landlord the cost of such maintenance and/or repairs. Landlord shall not be liable for any failure to make any such repairs or to perform any maintenance unless such failure shall persist for an unreasonable time after written notice of the need for such repairs or maintenance is given to Landlord by Tenant, Subject to the provisions of Sections 18 and 19 below, there shall be no abatement of Rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements in or to any portion of the Project or the Premises or in or to fixtures, appurtenances and equipment therein. Tenant waives the right to make repairs at Landlord's expense under any law, statute or ordinance now or hereafter in effect (including, without limitation, Sections 1941 and 1942 of the California Civil Code)

12. LIENS. Tenant shall not permit any mechanics', materialmen's or other liens to he filed against the Project nor against Tenant's leasehold interest in the Premises on account of any work performed by or on behalf of Tenant or its employees, agents, invitees or contractors. Landlord shall have the right at all reasonable times to post and

keep posted on the Premises any notices which it deems necessary for protection from such liens. If any such liens are filed and are not discharged by Tenant (by bonding or otherwise) within thirty (30) days following receipt of notice thereof from Landlord), Landlord may, without waiving its rights and remedies based on such breach by Tenant and without releasing Tenant from any of its obligations, cause such liens to be released by any means it shall deem proper, including payment in satisfaction of the claim giving rise to such liens. Tenant shall pay to Landlord at once, as Additional Rent, upon notice by Landlord, any sums paid by Landlord to remove such liens.

13. ENTRY BY LANDLORD. Landlord and its employees, agents, representatives, consultants and/or contractors shall have the right from time to time without notice to Tenant (although Landlord shall (i) use reasonable efforts to provide Tenant with such prior oral or written notice as is reasonably practicable under the circumstances, except in the event of an emergency or for scheduled provision of services to the Premises, and (ii) in respect of the exercise of such rights, use commercially reasonable efforts to minimize interference with the operation of Tenant's business from the Premises for the use specifically permitted under Section 1(i) or reasonable means of access to and front the Premises and parking areas serving the Premises) to enter the Premises to inspect the same, to supply any service to be provided by Landlord to Tenant hereunder, to show the Premises to prospective purchasers, encumbrancers or tenants, to post "for lease" or other similar signs during any event of default of Tenant (subject to applicable notice and cure periods) and/or during the last nine (9) months of the Term, to post notices of non-responsibility, to alter, improve or repair the Premises or any other portion of the Building, all without being deemed guilty of any eviction of Tenant and without abatement of Rent, and may, in order to carry out such purposes, erect scaffolding and other necessary structures where required by the character of the work to be performed. Landlord shall use reasonable efforts to minimize any interference with the operation of Tenant's business from the Premises resulting from any such entry (except in the event of an emergency). Subject to the foregoing, Tenant hereby waives any claim for damages for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss in, upon and about the Premises or the Project relating to Landlord's exercise of its rights under this Section. Landlord shall at all times have and retain a key with which to unlock all doors to and in the Premises. In the event of an emergency, Landlord shall have the right to use any and all means which Landlord may deem proper to open said doors in order to obtain entry to the Premises. Any entry to the Premises obtained by Landlord by any of said means, or otherwise, shall not be construed or deemed to be a forcible or unlawful entry into the Premises, or an eviction of Tenant from the Premises or any portion thereof. It is understood and agreed that no provision of this Lease shall be construed as obligating Landlord to perform any repairs, alterations or decorations, except as otherwise expressly agreed herein by Landlord.

14. UTILITIES AND SERVICES.

(a) (i) Tenant (and Tenant's employees and invitees) shall be permitted access to the Premises during the Term on a twenty-four (24) hours per day, seven (7) days per week basis, subject to interruptions beyond the control of Landlord.

(ii) The cost of maintenance and service calls to adjust and regulate any systems shall he charged to Tenant if the need for maintenance work results from either Tenant's unreasonably tampering with room thermostats, or Tenant's failure to comply with its obligations under this Section 14, or Tenant's heat or cold generation in excess of that which is customary for general office use.

(iii) Tenant agrees not to connect any apparatus or device with wires, conduits or pipes, or other means by which such services are supplied, for the purpose of using amounts of such services in excess of the capacity within the Premises without the written consent of Landlord. Tenant agrees to pay directly to the appropriate utility company all charges for utility services supplied to Tenant for which there is a separate meter and/or submeter to the Premises, or if applicable, Tenant shall promptly reimburse any other tenant who pays for the electrical service to the Premises for Tenant's equitable share of such service. Tenant agrees to pay to Landlord its share of all charges for utility services supplied to the Premises for which there is no separate meter or submeter upon billing by Landlord of Tenant's share, as reasonably determined by Landlord based upon estimated actual usage. Regardless of the entity which supplies any of the utility services, Landlord shall not be liable in damages for any failure or interruption of any utility or service. No failure or interruption of any utility or service shall entitle Tenant to terminate this Lease or discontinue making payments of Rent payable by Tenant under this Lease.

(iv) Landlord will provide janitor service to the Premises before and after typical business hours on a five (5) days per week basis, excluding "Holidays". As used herein, "Holidays" shall include New' Year's Day, Washington's Birthday (observed), Memorial Day, Independence Day, Labor Day, Thanksgiving and Christmas and any other national or state holiday customarily recognized by operators of comparable buildings. Tenant shall pay to Landlord, as Additional Rent within fifteen (15) days following receipt of invoice therefor from Landlord, the cost of (1) any extra janitorial service required due to the nature of Tenant's improvements, Alterations, fixtures and/or personal property being other than that which is customary for general office use, and/or (2) the removal of any of Tenant's refuse and rubbish to the extent that the same exceeds the refuse and rubbish usually attendant upon the use of the Premises for general office use.

(b) Landlord's failure to furnish any of such utilities and services, whether caused by accident, breakage or repairs, strikes, lockouts or other labor disturbances or labor disputes of any such character, governmental regulation, moratorium or other governmental action, inability despite the exercise of reasonable diligence to obtain such utilities or services or otherwise shall not result in any liability to Landlord, and Tenant shall not be entitled to any abatement or reduction of Rent, nor shall Landlord he deemed to have evicted Tenant, nor shall Tenant he relieved from the performance of any covenant, obligation or agreement in this Lease because of any such failure. In the event of any stoppage or interruption of services or utilities, Landlord shall use reasonable diligence to attempt to resume such services or utilities.

15. INDEMNIFICATION. Tenant shall be liable for, and agrees, to the maximum extent permissible under applicable Laws, to promptly indemnify, defend and hold harmless Landlord, its affiliated entities and their respective members, partners, officers, directors, employees, agents, successors and assigns (collectively, the "Landlord Indemnified Parties"), from and against, any and all claims, damages, judgments, suits, causes of action, losses, liabilities, penalties, fines, expenses and costs, including, without limitation, reasonable attorneys' fees and expenses (collectively, "Indemnified Claims"), to the extent arising or resulting from (i) any act or omission of Tenant, its subtenants and/or assignees and their respective agents, employees, representatives, licensees, contractors and/or invitees (collectively, the "Tenant Parties"); (ii) Tenant's use of the Premises and Common Areas, conduct of Tenant's business by Tenant or any Tenant Parties, or any other activity, work or thing done, permitted or suffered by Tenant or any Tenant Parties, in or about the Premises, or done or permitted by Tenant or any Tenant Parties in or about the Building or elsewhere within the Project; and/or (iii) any default by Tenant of any obligations on Tenant's part to be performed under the terms of this Lease. In case any action or proceeding is brought against Landlord or any Landlord Indemnified Parties by reason of any such Indemnified Claims, Tenant, upon notice from Landlord, agrees to promptly defend the same at Tenant's sole cost and expense by counsel approved in writing by Landlord, which approval shall not be unreasonably withheld. The provisions of this Section 15 shall survive the expiration of the Term or sooner termination of this Lease.

16. DAMAGE TO TENANT'S PROPERTY AND WAIVER. Notwithstanding anything contained in this Lease to the contrary, Landlord or its agents and employees shall not be liable for (a) loss or damage to any property by theft or otherwise, or (b) any injury or damage to person or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water or rain which may leak from any part of the Building or from pipes, appliances or plumbing work therein or from the roof, street, sub-surface or from any other place or resulting from dampness or any other cause whatsoever, except to the extent (i) resulting from the negligence or willful misconduct of Landlord or its contractors, agents, servants or employees or breach of this Lease by Landlord and (ii) not covered by the insurance maintained by Tenant (or which would not have been so covered if Tenant had maintained the insurance required to be maintained by Tenant pursuant to this Lease). Landlord or its agents shall not be liable for interference with light or other similar intangible property interests. Tenant shall give prompt notice to Landlord in case of fire or accidents in the Premises or the Building. and of defects therein or in the fixtures or equipment located therein.

17. INSURANCE.

(a) Tenant shall, during the Term hereof, at its sole cost and expense, keep in full force and effect the following insurance:

(i) All-Risk insurance (including a vandalism and malicious mischief endorsement and sprinkler leakage coverage) upon all of Tenant's personal property, trade fixtures, furniture and equipment in the Premises, in an amount not less than one hundred percent (100%) of the fall replacement cost thereof.

(ii) Commercial general liability insurance coverage, including personal injury, bodily injury, broad form property damage, automobile, Premises operations hazard, contractual liability (covering the indemnity contained in Section 15), and products and completed operations liability, with a combined single limit of not less than Two Million Dollars ($2,000,000.00). Such insurance shall name Tenant as named insured thereunder and shall name Landlord and such of Landlord's "Lienholders" (as defined in Section 23 below) and ground lessors as are designated by Landlord, each as additional insureds thereunder, all as their respective interests may appear, shall contain a cross liability endorsement, and shall be primary and non-contributing with respect to any insurance maintained by Landlord. Such liability insurance shall insure Tenant and each additional insured for (1) the actions of Tenant and/or any of Tenant's employees, agents, representatives, contractors and/or invitees, (2) Alterations to, and occurrences in, the Premises, and (3) the use or operation of the Premises. Landlord shall have the right, from time to time, to require increases in such liability insurance limit if consistent with then standard industry practices for prudent risk management by a tenant of comparably-sized premises within comparable buildings.

(iii) Workers' Compensation and Employer's Liability Insurance in form and amounts as required by applicable law.

(iv) Any other form or forms of insurance as Landlord and Landlord's Lienholders may reasonably require from time to time, in form, in amounts, and for insurance risks against which a prudent tenant of a comparable size and in a comparable business would protect itself given the economic feasibility of such insurance and consistent with then industry standards for prudent risk management by tenants of comparably-sized premises in comparable buildings.

The minimum limits of insurance set forth in this Section 17(a) are not intended to limit the liability of Tenant under this Lease, Notwithstanding any provision of this Lease to the contrary, the obligations of Tenant to provide increased or new insurance under Sections 17(a)(ii) and (iv) above, shall he limited to the extent the same is then customarily provided by comparable tenants of comparably sized premises and having a comparable use in comparable buildings and is then reasonably available on a commercially reasonable basis at a reasonable cost. All policies of insurance maintained by Tenant under this Section 17(a), shall he taken out with insurance companies holding a General Policyholders Rating of "A" and a Financial Rating of "X" or better, as set forth in the most current issue of Best's Insurance Reports. As soon as practicable after the placing of the required insurance, but prior to the date Tenant takes possession of all or part of the Premises, Tenant shall deliver to Landlord certificates evidencing the existence of the amounts and forms of coverage required hereunder. No such policy shall he cancelable or reducible in coverage except after at least thirty (30) days' prior written notice to Landlord. Tenant shall, within thirty (30) days prior to the expiration of such policies, furnish Landlord with certificates of renewals or binders thereof; provided that if Tenant fails to furnish the same, Landlord may, following ten (10) days' notice to Tenant, order such insurance and charge the reasonable cost thereof to Tenant. If Landlord obtains any insurance that is the responsibility of Tenant under this Section 17(a), Landlord shall deliver to Tenant a written statement setting forth the cost of any such

insurance and showing in reasonable detail the manner in which it has been computed and Tenant shall promptly remit said amount to Landlord, as Additional Rent. Tenant may satisfy its insurance obligations under this Lease by blanket, umbrella and/or, as to liability coverage in excess of One Million Dollars ($1,000,000), excess liability coverage, so long as the coverage afforded under the applicable policy is not reduced or diminished as a result thereof.

(b) During the Term, Landlord shall carry the following insurance:

(i) All Risk insurance (including a vandalism and malicious mischief endorsement and sprinkler leakage coverage, and also covering such other risks as Landlord or Landlord's lender may require) upon the Project (but excluding any property which Tenant is obligated to insure under Sections 17(a)(i) and (iv) above) in an amount not less than ninety percent (90%) of the full replacement cost thereof (excluding footings, foundations and excavation), and including commercially reasonable rental loss coverage for losses covered by such insurance policy. Such insurance policy shall include coverage of the Tenant Improvements (as modified from time to time by Tenant's Alterations) and the parties shall reasonably cooperate to allow' for proper valuation thereof for insurance purposes. Such insurance policy or policies shall name Landlord as a named insured. The deductible under the All Risk policy shall not exceed such amount as Landlord determines to be appropriate given prudent risk management practices.

(ii) Commercial general liability insurance coverage, including personal injury, bodily injury, broad form property damage, automobile, Premises operations hazard, contractual liability, and products and completed operations liability, with a combined single limit of not less than Three Million Dollars ($3,000,000.00).

Landlord may satisfy its insurance obligations under this Lease by blanket, umbrella and/or, as to liability coverage in excess of One Million Dollars ($1,000,000), excess liability coverage, so long as the coverage afforded under the applicable policy is not reduced or diminished as a result thereof.

(c) Other than as customary for general office use, Tenant will not keep or use, sell or offer for sale, in or upon the Premises any article which may be prohibited by any insurance policy then in force covering the Building or the Project. If Tenant's occupancy or business in or upon the Premises, whether or not Landlord has consented to the same, includes such extraordinary activities for a first-class office building that the same results in any increase in premiums for the insurance periodically carried by Landlord with respect to the Building or the Project, Tenant shall from time to time pay as Additional Rent any such increase in premiums within thirty (30) days after being billed therefor by Landlord. In determining whether increased premiums are a result of a change in Tenant's use of the Premises, a schedule issued by the organization computing the insurance rate on the Project showing the various components of such rate, shall be conclusive evidence of the several items and charges which make up such rate, To Landlord's actual knowledge as of the Effective Date, Tenant-s use and occupancy of the Premises for the use specifically permitted under Section 1(i) above, and subject to

the terms and conditions of this Lease, will not result in any increase in premiums for the insurance carried by Landlord as of the Effective Date.

(d) All policies of property damage insurance required hereunder shall include a clause or endorsement denying the insurer any rights of subrogation against the other party to the extent rights have been waived by the insured before the occurrence of injury or loss, if same are obtainable without unreasonable cost. To the extent such a waiver of subrogation is obtainable, neither Landlord nor Tenant shall be liable to the other for any damage caused by fire or any of' the risks insured against or required to be insured against under any insurance policy required by this Lease. Landlord and Tenant waive any rights of recovery against the other for injury or loss due to risks covered by or required to he covered by such policies of property damage insurance containing such a waiver of subrogation clause or endorsement to the extent insurance proceeds cover the injury or loss.

18. DAMAGE OR DESTRUCTION.

(a) If the Premises shall be destroyed by fire or other casualty so as to render all or a portion of the Premises untenantable, then, for so long as Tenant is actually not occupying all or a portion of the Premises as a result of such prevention from use, Tenant shall be entitled to an abatement of Tenant's obligation for payment of Annual Rent, on a proportionate basis to the extent that Tenant's use of the Premises is so effectively prevented; which abatement shall commence as of the date of the casualty and continue during the period of such repair or reconstruction, until such time as Tenant is no longer so effectively prevented from using the Premises.

(b) Except where Landlord or Tenant elects to terminate this Lease as hereinafter provided, Landlord shall use reasonable diligence to repair any casualty to the Premises, Building or Common Areas to the extent of available insurance proceeds plus any funds delivered by Tenant to Landlord for purposes of performing such repairs (as hereinafter provided), subject to delays and adjustment of insurance proceeds (provided that Tenant shall be responsible for the repair of Tenant's furniture, fixtures, equipment anti personal property). In the event of the total destruction of the Premises or the Project or that portion of the Project located between the public alley adjacent to the Project and Canon Drive, or in the event of the partial destruction of the Premises or Project or that portion of the Project located between the public alley adjacent to the Project and Canon Drive which is the result of an event not required to be covered by the insurance to be maintained by Landlord pursuant to this Lease, or requiring repair for which Landlord is unable (despite the exercise of commercially reasonable efforts) to obtain necessary governmental permits or approvals without being subject to unreasonable expense or condition, then Landlord shall have the right to elect to terminate this Lease by written notice to Tenant delivered within ninety (90) days following the occurrence of the casualty. The proceeds from any insurance paid by reason of damage to or destruction of the Project or any part thereof insured by Landlord, shall belong to and be paid to Landlord. Tenant shall not be entitled to any compensation or damages from Landlord or Landlord's insurance provider for loss in the use of the whole or any part of the Premises

and/or any inconvenience or annoyance by such damage, repair, reconstruction or restoration.

(c) In the event of any damage or destruction of all or any part of the Premises, Tenant agrees to immediately notify Landlord thereof.

(d) Notwithstanding anything to the contrary contained herein, if the Premises is wholly or partially damaged or destroyed within the final six (6) months of the then remaining Term of this Lease (as the same may theretofore have been extended pursuant to this Lease), and if as a result of such damage or destruction Tenant is, or reasonably will be, denied access or use of a material portion of the Premises for the conduct of its business operations for a period of sixty (60) consecutive days (or such shorter period as is then remaining in the Term), Landlord or (provided such casualty damage was not caused by Tenant or any of the Tenant Parties) Tenant may, at its option, by giving the other notice no later than seventy (70) days after the occurrence of such damage or destruction, elect to terminate the Lease as to the affected portion of the Premises, provided that if Landlord elects to terminate this Lease pursuant to this Section 18(d), then Landlord shall also terminate, on a non-discriminatory basis, the leases of all other similarly situated tenants under whose leases Landlord has the right to so terminate such leases.

(e) Notwithstanding anything to the contrary contained in this Lease, in the event of material casualty damage to the Project not resulting in termination of this Lease, Landlord shall deliver written notice to Tenant within ninety (90) days following such casualty damage or occurrence setting forth Landlord's good faith estimate of the time required for completion of repair and/or restoration of the Project, and if such estimated time exceeds one hundred and twenty (120) days from the occurrence of the casualty, Tenant may elect to terminate this Lease by written notice to Landlord within twenty (20) days following Tenant's receipt of such notice.

(f) Landlord and Tenant hereby waive the provisions of any statutes (including, without limitation, Sections 1932(2) and 1933(4) of the California Civil Code) or court decisions which provide a party to a lease with a right to abatement of rent or termination of the lease when leased property is damaged or destroyed and agree that such event shall be exclusively governed by the terms of this Lease.

19. EMINENT DOMAIN.

(a) If any material portion of the Project shall be taken for any public or quasi-public purpose by any lawful power or authority by exercise of the right of appropriation, condemnation or eminent domain, or sold to prevent such taking to such an extent as to render untenantable the entirety of the Premises or such a material portion of the Premises that Tenant's operation from the remainder of the Premises is not reasonably practicable as reasonably determined by the parties, either party shall have the right to terminate this Lease effective as of the date possession is required to be surrendered to said authority by written notice to the other party by the effective date of such taking. Tenant shall not assert any claim against Landlord or the taking authority for

any compensation because of such taking, other than a claim for any separate award attributable to the value of any personal property or trade fixtures of Tenant which are taken or costs of Tenant's relocation, and Tenant hereby assigns to Landlord all of Tenant's interest in, and Landlord shall be entitled to receive, the entire amount of any other award without deduction for any estate or interest of Tenant (including, without limitation, any award attributable to the value of the remaining Term of this Lease). If neither Tenant nor Landlord so elects to terminate, Landlord shall, to the extent of proceeds received, commence to restore the Premises to substantially their same condition prior to such partial taking, and a proportionate allowance shall be made to Tenant for the Annual Rent corresponding to the time during which, and to the part of the Premises of which, Tenant shall be so deprived on account of such taking and restoration. Nothing contained in this Section 19(a) shall be deemed to give Landlord any interest in any award made to Tenant for the taking of Tenant's personal property and trade fixtures or for Tenant's costs of relocation.

(b) In the event of a taking of the Premises or any part thereof for temporary use, (i) this Lease shall be and remain unaffected thereby and Rent shall not abate, and (ii) Tenant shall be entitled to receive for itself such portion or portions of any award made for such use with respect to the period of the taking which is within the Term, provided that if such taking shall remain in force at the expiration of the Term or earlier termination of this Lease, Tenant shall then pay to Landlord a sum equal to the reasonable cost of performing Tenant's obligations under Section 10(c) with respect to surrender of the Premises and upon such payment shall be excused from such obligations. For purposes of this Section 19(b), a temporary taking shall be defined as a taking for a period of twelve (12) months or less.

(c) Landlord and Tenant hereby waive the provisions of any statutes (including, without limitation, Section 1265.130 of the California Code of Civil Procedure) or court decisions which provide a party to a lease with a right to abatement of rent or termination of the lease when leased property is condemned or taken and agree that such event shall he exclusively governed by the terms of this Lease.

20. ASSIGNMENT AND SUBLETTING.

(a) Tenant shall not assign its interest in this Lease (an "assignment") or sublease or permit occupancy by third parties of all or any part of the Premises (a "sublease"), without first obtaining Landlord's prior written consent, which consent may be withheld in Landlord's sole and absolute discretion. Tenant shall not under any circumstances mortgage, pledge or otherwise transfer or encumber this Lease or the Premises (except for an assignment or sublease pursuant to this Section 20). Any assignment, sublease or other transfer without Landlord's prior written consent shall be voidable at Landlord's election and shall constitute an Event of Default hereunder.

Notwithstanding anything to the contrary contained in this Lease, Tenant may, upon at least ten (10) business days' prior written notice to Landlord enclosing reasonable documents that enable Landlord to determine that Landlord's consent is not required under this Section, without obtaining the prior written consent of

Landlord, assign its interest in this Lease or sublet any portion of the Premises (a "Permitted Transfer") to: (i) any successor entity to Tenant resulting from a merger or consolidation with Tenant, (ii) any entity succeeding to all or substantially all of the business and assets of Tenant, or (iii) any "Affiliate of Tenant" (as defined below). For purposes of this Section 20, an "Affiliate of Tenant" shall mean any entity which directly or indirectly controls, is controlled by or is under common control with Tenant and remains an Affiliate of Tenant throughout the term of the Lease or sublease, as the case may be, as shown by reasonable evidence delivered to Landlord (as provided above). If at any time after the effective date of an assignment or sublease to an Affiliate of Tenant the assignee or subtenant ceases to be an Affiliate of Tenant, then Landlord's consent to such assignment or sublease shall be required as of the date such assignee or subtenant ceases to be an Affiliate of Tenant. Provided Landlord has received and approved the corporate formation documents for the subtenant (including its operating agreement) and a copy of the applicable sublease, and provided that the subleased premises are substantially less than the Premises and the Sublease rent is no greater than the rent under this Lease, and Landlord has approved the ultimate persons who own and control the subtenant, then Landlord will not unreasonably withhold its consent to a subletting by Tenant to "Flagrant Films, LLC".

(b) No consent to an assignment or sublease shall constitute a further waiver of the provisions of this Subsection 20(b). Tenant shall notify Landlord in writing of Tenant's intent to assign or sublease this Lease, the name of the proposed assignee or subtenant, information concerning the financial responsibility of the proposed assignee or subtenant and the economic and other material terms of the proposed assignment or subletting, and except for a Permitted Transfer, Landlord shall, within thirty (30) days after receipt of such written notice, and the financial responsibility information and such other information as may he requested by Landlord concerning the proposed assignee or subtenant (such request to be made, if at all, within ten (10) days after Tenant's initial request for Landlord's consent and submission of the information set forth above), elect one of the following: (i) consent to such proposed assignment or sublease; or (ii) refuse such consent, which refusal shall be in Landlord's sole and absolute discretion; or (iii) terminate this Lease, such termination to be effective thirty (30) days after receipt of such notice by Tenant. If Landlord shall exercise its termination right hereunder, Landlord shall have the right to enter into a lease or other occupancy agreement directly with the proposed assignee or subtenant, and Tenant shall have no right to any of the rents or other consideration payable by such proposed assignee or subtenant tinder such other lease or occupancy agreement, even if such rents and other consideration exceed the rent payable under this Lease by Tenant. Landlord shall have the right to lease the Premises to any other tenant, or not lease the Premises, in its sole discretion. Landlord and Tenant specifically agree that Landlord's right to terminate this Lease under clause (iii) above is a material consideration for Landlord's agreement to enter into this Lease and such right may he exercised in Landlord's sole and absolute discretion and no test of reasonableness shall be applicable thereto.

(c) Any assignee of Tenant's interest in this Lease (whether or not under an assignment requiring Landlord's consent) hereby agrees that (and at Landlord's option, if Landlord's consent is required for such assignment pursuant to this Lease, it

shall be a condition to such assignment that Landlord receive an instrument executed by such assignee and expressly enforceable by Landlord agreeing that) such assignee assumes and agrees to be bound by all of the terms and provisions of this Lease and to perform all of the obligations of Tenant hereunder. Any subtenant of all or any portion of the Premises (whether or not under a subletting requiring Landlord's consent) hereby agrees that (and, at Landlord's option, if Landlord's consent is required for such sublease pursuant to this Lease, it shall be a condition to such sublease that Landlord receive an instrument executed by such subtenant agreeing that) such sublease is subject and subordinate to this Lease and to all mortgages or deeds of trust; that Landlord may enforce the provisions of the sublease, including (following the occurrence of any default by Tenant under this Lease which is not cured within any applicable period for cure pursuant to Section 21 below) collection of rent; that in the event of termination of this Lease for any reason, including, without limitation, a voluntary surrender by Tenant, or in the event of any re-entry of repossession of the Premises by Landlord. Landlord may, at its option, either (i) terminate the sublease, or (ii) take over all of the right, title and interest of Tenant, as sublandlord, under such sublease, in which case such subtenant will attorn to Landlord, but that nevertheless Landlord will not (1) be liable for any previous act or omission of Tenant under such sublease, (2) be subject to any defense or offset previously accrued in favor of the subtenant against Tenant, or (3) be bound by any previous modification of any sublease made without Landlord's written consent, or by any previous prepayment by subtenant of more than one month's rent,

(d) In connection with Landlord's grant of consent to an assignment or sublease as required under the provisions of this Section 20, Tenant shall pay Landlord's reasonable attorneys' fees and processing costs incurred in giving such consent. In the event of any assignment or sublease (except for a Permitted Transfer), Landlord shall receive as additional rent hereunder one hundred percent (100%) of Tenant's "Excess Consideration" derived from such assignment or sublease other than a Permitted Transfer. In the event of a sublease, "Excess Consideration" shall mean all rent, additional rent or other consideration actually received by Tenant from such subtenant and/or actually paid by such subtenant on behalf of Tenant in connection with the subletting in excess of the rent, additional remit and other sums payable by Tenant under this Lease during the term of the sublease on a per square foot basis if less than all of the Premises is subleased, less the sum of Tenant's reasonable out-of-pocket costs incurred in connection with such sublease for brokerage commissions, reasonable attorneys' fees, the cost of any alterations or improvements made for the benefit of such subtenant, and/or any free rent period granted to such subtenant. In the event of an assignment, "Excess Consideration" shall mean key money, bonus money or other consideration paid by the assignee to Tenant in connection with such assignment, and any payment in excess of fair market value for services rendered by Tenant to assignee or for assets, fixtures, inventory, equipment, or furniture transferred by Tenant to assignee us connection with such assignment, less the sum of Tenant's reasonable out-of-pocket costs incurred in connection with such assignment for brokerage commissions, reasonable attorneys' fees, the cost of any alterations or improvements made for the benefit of such assignee and/or any free rent period granted to such assignee. If part of the Excess Consideration shall be payable by the assignee or subtenant other than in cash, then Landlord's share of such non-cash consideration shall be in such form as is reasonably satisfactory to Landlord.

(e) Notwithstanding any permitted assignment or subletting (whether or not the same requires Landlord's consent pursuant to this Section), Tenant shall at all times remain directly, primarily and fully responsible and liable for all payments owed by Tenant under this Lease and for compliance with mull obligations under the terms and conditions of this Lease. Landlord's waiver or consent to any assignment or subletting shall not relieve Tenant or any assignee or sublessee from any obligation under this Lease whether or not accrued and Tenant shall at all times remain directly, primarily and fully responsible and liable for all payments owed by Tenant under this Lease and for compliance with all obligations of Tenant under the terms and conditions of this Lease.

(f) Together with any request for Landlord's consent to an assignment, subletting or other transfer, Tenant shall pay to Landlord the sum of $1,000 as an administrative fee to cover Landlord's costs of review (and attorneys' fees).

21. DEFAULT BY TENANT.

(a) The occurrence of any one or more of the following events shall constitute a default hereunder by Tenant:

(i) The failure by Tenant to make any payment of Rent as and when due where such failure shall continue for a period of five (5) business days after written notice thereof from Landlord to Tenant; provided however, that any such notice shall be in lieu of, and not in addition to, any notice required under California Code of Civil Procedure §1161 or any similar successor statute.

(ii) The failure by Tenant to observe or perform any of the express or implied covenants or provisions of this Lease to be observed or performed by Tenant, other than as specified in Section 21(a)(i), where such failure shall continue for a period of thirty (30) days after written notice thereof from Landlord to Tenant; provided, however, that any such notice shall be in lieu of, and not in addition to, any notice required under California Code of Civil Procedure §1161 or any similar successor statute; provided, further, that if the nature of Tenant's default is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be deemed to be in default if Tenant shall promptly commence such cure within such thirty (30) day period and thereafter continuously and diligently prosecute such cure to completion.

(iii) The making by Tenant of any general assignment for the benefit of creditors; the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt or a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days); the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within sixty (60) days; the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease where such seizure is not discharged within sixty (60) days; or if this Lease shall, by operation of law or otherwise, pass to any person or persons other than Tenant.

(iv) The abandonment of the Premises by Tenant, which for purposes of this Lease means any absence by Tenant from the Premises for five (5) business days or longer while failing to perform any other obligations of Tenant under this Lease.

(b) In the event of any such default by Tenant, in addition to any other remedies available to Landlord at law or in equity, Landlord shall have the immediate option to terminate this Lease and all rights of Tenant hereunder. In the event that Landlord shall elect to so terminate this Lease, then Landlord may recover from Tenant: (i) the worth at the time of award of any unpaid Rent which had been earned at the time of such termination; plus (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 Tenant proves could have been reasonably avoided; plus (iii) the worth at the time of award of the amount by which the unpaid Rent -for the balance of the Term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; plus (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform Tenant's obligations under this Lease or which in the ordinary course of timings would be likely to result therefrom, specifically including but not limited to, brokerage commissions and advertising expenses incurred, expenses of remodeling the Premises or any portion thereof for a new tenant, whether for the same or a different use, and any special concessions made to obtain a new tenant, the unamortized value of any free rent, reduced rent, free parking, reduced rate parking and any Tenant Improvement Allowance or other costs or economic concessions provided, paid, granted or incurred by Landlord pursuant to this Lease (which unamortized value shall be determined by taking the total value of such concessions and multiplying such value by a fraction, the numerator of which is the number of months of the Term not yet elapsed as of the date on which the Lease is terminated, and the denominator of which is the total number of months of the Lease Term); plus (v) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

As used in Sections 21(b)(i), (ii) and (iii) above, the "worth at the time of award" is computed by allowing interest at the Interest Rate. As used in Section 21(b)(iii) above, the "worth of the time of award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

(c) in the event of any such default by Tenant, Landlord shall also have the remedy described in California Civil Code Section 1951.4 (lessor may continue lease in effect after lessee's breach and abandonment. and recover rent as it becomes due, if lessee has the right to sublet or assign, subject only to reasonable limitations). Accordingly, if Landlord does not elect to terminate this Lease on account of any default by Tenant, Landlord may, from time to time, without terminating this Lease, enforce all of its rights and remedies under this Lease, including the right to recover all rent as it becomes due. In connection with the exercise of such remedy, any property of Tenant may be removed and stored in a public warehouse or elsewhere at the cost of and for the

account of Tenant or disposed of in a reasonable manner by Landlord. No re-entry or taking possession of the Premises by Landlord pursuant to this Section 21(c) shall be construed as an election to terminate this Lease unless a written notice of such intention is given to Tenant or unless the termination thereof be decreed by a court of competent jurisdiction.

(d) If Landlord does not elect to terminate this Lease as provided above, Landlord may either recover all Rent as it becomes due or relet the Premises or any part thereof for the Term of this Lease on terms and conditions as Landlord in its sole discretion may deem advisable with the right to re-enter the Premises to make alterations and repairs to the Premises, and to enable Landlord to take whatever other actions may be necessary to relet, protect or preserve the Premises. In the event that Landlord shall elect to so relet, then Rent received by Landlord from such reletting shall be applied: first, to the payment of any costs incurred in connection with any reletting (including, without limitation, costs of brokerage commissions, attorneys' fees, improvement and/or moving allowances, and alterations and/or repairs to the Premises); second, to the payment of any indebtedness other than Rent due hereunder from Tenant to Landlord; third, to the payment of Rent due and unpaid hereunder; and the residue, if any, shall be held by Landlord and applied to payment of future Rent as the same may become due and payable hereunder. Should that portion of such Rent received from such reletting during any month, which is applied to the payment of Rent hereunder, be less than the Rent payable during that month by Tenant hereunder, then Tenant shall pay such deficiency to Landlord immediately upon demand therefor by Landlord. Such deficiency shall he calculated and paid monthly. Tenant shall also pay to Landlord, as soon as ascertained, any costs anti expenses incurred by Landlord in such reletting, including but not limited to brokerage commissions, or in making such alterations and repairs not covered by the Rent received from such reletting.

(e) TENANT HEREBY WAIVES, FOR ITSELF AND ALL PERSONS CLAIMING BY AND UNDER TENANT, ALL RIGHTS AND PRIVILEGES WHICH IT MIGHT HAVE UNDER ANY PRESENT OR FUTURE LAW TO REDEEM THE PREMISES OR TO CONTINUE THIS LEASE AFTER BEING DISPOSSESSED OR EJECTED FROM THE PREMISES.

(f) If Tenant fails to perform any covenant or condition to be performed by Tenant, Landlord shall have the right (but not the obligation) to perform such covenant or condition (1) immediately, in the event of an emergency situation of imminent risk of personal injury or material property damage, or (ii) following Tenant's failure to cure such failure to perform within the period provided for cure after Tenant's receipt of written notice from Landlord pursuant to Section 21(a)(ii) above. All reasonable costs incurred by Landlord in so performing shall immediately he reimbursed to Landlord by Tenant, together with interest at the Interest Rate computed from the due date. Any performance by Landlord of Tenant's obligations shall not waive or cure such default. All costs and expenses incurred by Landlord, including reasonable attorneys' fees (whether or not legal proceedings are instituted), in collecting Rent or enforcing the obligations of Tenant under the Lease pursuant to this Section 21(f) shall be paid by Tenant to Landlord upon demand,

(g) All rights, options and remedies of Landlord contained in this Lease shall he construed and held to be cumulative, and no one of them shall be exclusive of the other, and Landlord shall have the right to pursue any one or all of such remedies or any other remedy or relief which may he provided by law, whether or not stated in this Lease.

22. DEFAULT BY LANDLORD.

(a) Landlord shall not be in default hereunder unless Landlord fails to perform the obligations required of Landlord within a reasonable time, but in no event later than thirty (30) days after written notice by Tenant to Landlord specifying wherein Landlord has failed to perform such obligation; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for performance, then Landlord shall not be in default if Landlord commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion.

(b) In the event of any default on the part of Landlord, Tenant will give notice by registered or certified mail to any Lienholder of Landlord whose name and address have previously been furnished to Tenant in writing, and shall offer such Lienholder a reasonable opportunity to cure the default, including time to obtain possession of the Premises by power of sale or a judicial foreclosure, or in the event of a ground lessor, by appropriate judicial action, if such should prove necessary to effect a cure.

23. SUBORDINATION. This Lease shall be subject and subordinate at all times to all ground leases which may now exist or hereafter be executed affecting the Building, the Project, or the land upon which the Building and Project are situated, or both, and any and all amendments, renewals, modifications, supplements and extensions thereof; and (b) the lien of any mortgage or deed of trust which may now exist or hereafter be executed, and any and all advances made thereunder, and interest thereon and all modifications, renewals, supplements, consolidations and replacements thereof. Notwithstanding the foregoing, Tenant acknowledges that Landlord shall have the right to subordinate or cause to be subordinated any such ground leases or any such liens to this Lease. In the event that any ground lease terminates for any reason or any mortgage or deed of trust is foreclosed or a conveyance in lieu of foreclosure is made for any reason, Tenant shall, notwithstanding any subordination, attorn to and become the tenant of the successor in interest to Landlord, at the option of such successor in interest, Tenant shall execute and deliver, upon reasonable prior notice from Landlord, any additional documents in such form as is designated by Landlord evidencing the priority or subordination of this Lease with respect to any such ground leases or the lieu of any such mortgage or deed of trust. Landlord shall use commercially reasonable efforts to obtain from any Lienholder to whose mortgage, deed of trust or ground lease this Lease is hereafter subordinated, an agreements of non-disturbance on such Lienholder's standard form for the benefit of Tenant. In addition, Landlord shall use reasonable efforts and diligence to obtain a subordination, non-disturbance and attornment agreement for the benefit of Tenant from the existing Lienholder for the Project within thirty (30) days

following the execution of this Lease, in such Lienholder's standard form. For purposes of this Lease, a "Lienholder" shall mean any mortgagee under a mortgage, beneficiary under a deed of trust, or lessor under a master lease or ground lease, encumbering all or a portion of the Project.

24. ESTOPPEL CERTIFICATE.

(a) Within thirty (30) days following any written request which either Landlord or Tenant may make from time to time, the other party shall execute and deliver to the requesting party a statement, in a form reasonably satisfactory to the parties, certifying: (i) the date of commencement of this Lease; (ii) the fact that this Lease is unmodified and in full force and effect (or, if there have been modifications hereto, that this Lease is in full force and effect, as modified, and stating the date and nature of such modifications); (iii) the date to which the Rent and other sums payable tinder this Lease have been paid; (iv) that, to such party's knowledge, there are no current defaults under this Lease by either Landlord or Tenant except as specified in such statement; and (v) such other matters seasonably requested by the requesting party. Any statement delivered pursuant to Section 24 may be relied upon by any existing or prospective mortgagee, beneficiary, encumbrancer, transferee or purchaser of the interest of Landlord in the Project, Premises or this Lease (without knowledge to the contrary).

25. DEFINITION OF LANDLORD. The term "Landlord" as used in this Lease, so far as covenants or obligations on the part of Landlord are concerned, shall be limited to mean and include only the owner or owners, at the time in question, of the fee title to, or a lessee's interest in a ground lease of, the Project. In the event of any transfer or assignment of such title or leasehold interest and the assumption in writing of Landlord's remaining obligations under this Lease by the transferee or assignee, Landlord herein named (and in case of any subsequent transfers or conveyances, the then grantor) shall be automatically freed and relieved from and after the date of such transfer, assignment or conveyance of all liability respecting the performance of any covenants or obligations on the part of Landlord contained in this Lease thereafter accruing under the Lease. Landlord may transfer its interest in the Premises without the consent of Tenant and such transfer or subsequent transfer shall not be deemed a violation on Landlord's part of any of the terms and conditions of this Lease.

26. PARKING

(a) Notwithstanding anything to the contrary contained herein, Tenant understands and acknowledges that the Parking Structure and the other parking facilities serving the Project (the "Parking Facilities") are currently intended to be utilized, and shall at all times (in Landlord's sole and absolute discretion) be available and used as a public parking facility. Landlord shall maintain the Parking Facilities in good condition and repair. Tenant's visitors, invitees and customers shall have the right to park in the Parking Facilities at the prevailing rates charged by Landlord for use of the Parking Facilities from time to time (it being acknowledged that Landlord shall have the right, in Landlord's sole and absolute discretion, to modify or increase the charges for use of the Parking Facilities from time to time), however Tenant's employees, agents, brokers,

contractors and representatives shall only have the right to park in the Parking Facilities on the terms and conditions set forth in this Paragraph 26 attached hereto.

(b) Provided Tenant at all times satisfies and complies with the conditions set forth in this Section 26, Tenant shall be entitled to purchase parking passes from the Landlord for five (5) non-reserved parking spaces (collectively, the "Parking Passes"). Tenant shall be charged for the Parking Passes at prevailing market rates established by Landlord from time to time during the Term, and Landlord shall have the right, its Landlord's sole and absolute discretion, to modify or increase the charges for the Parking Passes from time to time. Notwithstanding anything in this Lease which may he construed to the contrary, in no event shall Landlord have any responsibilities, obligations or liabilities with respect to the monitoring of any of the reserved or non-reserved parking spaces.

(c) It is understood that rules and regulations with respect to parking may be established and amended by Landlord, in Landlord's reasonable discretion, from time to time. The use by Tenant and its employees, visitors and invitees of the parking facilities of the Project shall be on the terms and conditions set forth herein as well as in the established parking rules and regulations. Landlord shall not be responsible to Tenant for the violation or non-performance by any other tenant or occupant of the Project of any of the established parking rules and regulations. Tenant shall not permit or allow any vehicles that belong to or are controlled by Tenant or Tenant's employees to be loaded, unloaded or parked in areas other than those designated by Landlord for such activities. If Tenant permits or allows any of the prohibited activities described herein and in the established parking rules and regulations, then Landlord 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 Tenant, which cost shall be immediately payable upon demand by Landlord and/or to rescind the parking rights of the offender.

(d) Parking areas may be leased by, added to, substituted for, enlarged or established by Landlord for parking and any such addition to, or substitution for, a then parking area or any new parking area so established by Landlord for the purpose of use under this Section 26(d) shall during the time of their respective use under the provisions of this Section 26 be considered as part of the parking area and shall be subject to all of the provisions of this Section 26.

27. SIGNAGE. Subject in all events to applicable Laws and governmental approvals and requirements and any other restrictions of record or to which the Project is subject, Tenant shall be entitled to (i) Building standard identification of Tenant upon the common Building directory board sign, which identification shall be installed by Landlord at Tenant's sole cost and expense, (ii) Building standard identification of Tenant by name adjacent to the main entrance to the Premises, to be installed by Tenant at Tenant's sole cost and expense, (iii) an identification sign in the elevator, which sign shall be installed by Landlord at Tenant's sole cost and expense, and (iv) "Business Identification" signage as described in the Beverly Hills Municipal Code, subject to the governmental discretion and requirements set forth in the Beverly Hills Municipal Code and the terms and conditions of this Section 27 and the other provisions of this Lease.

The exact location, size, materials, coloring and lettering of all Tenant signage shall be subject to Landlord's prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed. Landlord may elect, at Landlord's sole option: (a) to maintain any or all of the Tenant's signage in good condition and repair (in which event Tenant shall be obligated to reimburse Landlord from time to time for all costs and expenses incurred by Landlord in connection with the same upon billing there-for, or (b) to require Tenant, at Tenant's sole cost and expense, to maintain any or all of Tenant's signage in first class condition and repair.

28. NOTICES. All notices, demands, consents and approvals which may or are required to be given by either party to the other hereunder shall be in writing and shall be either served personally, or sent by overnight courier, or sent by registered or certified mail, return receipt requested with postage prepaid, as follows: if to Tenant, addressed at the address designated in Section 1(a), or if to Landlord, at the address designated in Section 1(b) or to such other place as the party to be notified may from time to time designate by at least fifteen (15) days' notice to the other party. Such notices, demands, consents and approvals shall be deemed sufficiently served or given for all purposes hereunder, unless otherwise specified in this Lease, either (a) if personally served, upon such service, (b) if sent by overnight courier providing receipt of delivery, the following business day, or (c) if mailed, four (4) business days after the time of mailing or on the date of receipt shown on the return receipt, whichever is earlier.

29. HOLDING OVER. If Tenant holds over in the Premises after the expiration of the Term or earlier termination of this Lease, Tenant shall become a tenant at sufferance only, subject to the provisions of this Lease, except that Annual Rent during such holding over shall equal one hundred and fifty percent (150%) of the Annual Rent in effect immediately prior to such expiration or termination. Acceptance by Landlord of Rent after such expiration or earlier termination shall not result in a renewal or extension of this Lease. If Tenant fails to surrender the Premises upon the expiration of the Term or earlier termination of this Lease despite demand to do so by Landlord, Tenant shall indemnify, defend and hold harmless Landlord from and against any and all claims, demands, losses, liabilities, costs and/or expenses (including, without limitation, reasonable attorneys' fees and expenses) arising as a result thereof, including, without limitation, any claim made by any succeeding tenant founded on or resulting from such failure to surrender.

30. QUIET ENJOYMENT. Landlord covenants and agrees with Tenant that upon Tenant paying the Rent required under this Lease and paying all other charges and performing all of the covenants and provisions on Tenant's part to be observed and performed under this Lease, Tenant shall and may peaceably and quietly have, hold and enjoy the Premises in accordance with and subject to the terms of this Lease and existing matters of record.

31. BROKERS. Landlord shall be responsible for the payment of any commission owing to Landlord's Broker and Tenant's Broker specified in Section 1(j) (collectively, the "Brokers") in connection with this Lease, to the extent set forth in separate written agreement with the Brokers. Landlord and Tenant each represent and

warrant that it has had no dealings with any real estate broker or agent in connection with the negotiation of this Lease, except for the Brokers and that it knows of no other real estate broker, agent or finder who is or might be entitled to a commission or fee in connection with this Lease. In the event of any claim for broker's or finder's fees or commissions in connection with this Lease in excess of that described in the first sentence of this Section, Landlord shall indemnify, hold harmless and defend Tenant from and against any and all liability, claims, demands, damages and costs (including, without limitation, reasonable attorneys' fees and other litigation expenses) on account of such claim if it shall be based upon any statement, representation or agreement claimed to have been made by Landlord and Tenant shall indemnify, hold harmless and defend Landlord from and against any and all liability, claims, demands, damages and costs (including, without limitation, reasonable attorneys' fees and other litigation expenses) on account of such claim if it shall be based upon any statement, representation or agreement claimed to have been made by Tenant.

32. MISCELLANEOUS.

(a) Tenant shall faithfully observe and comply with the Rules and Regulations, a copy of which is attached hereto as Exhibit A, and all reasonable and non-discriminatory modifications thereof and additions thereto from time to time put into effect by Landlord and delivered in writing to Tenant, provided such modifications do not increase the monetary obligations of Tenant under this Lease or otherwise materially increase the obligations or diminish the rights of Tenant under this Lease. Landlord shall not be responsible to Tenant for the violation or non-performance by any other tenant or occupant of the Project of any of said Rules and Regulations, but Landlord shall use commercially reasonable efforts to nondiscriminatorily enforce the Rules and Regulations. In the event of any conflict between any Rule or Regulation and the other provisions of this Lease, the other provisions of this Lease shall prevail.

(b) This Lease shall be governed by, and construed in accordance with, the laws of the State of California.

(c) Except as otherwise provided in this Lease, all of the covenants, conditions and provisions of this Lease shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns.

(d) The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof or any other termination of this Lease, shall not work a merger, and shall, at the option of Landlord, operate as an assignment to it of any or all subleases or subtenancies. Upon the expiration or sooner termination of this Lease, Tenant shall peaceably surrender the Premises and all alterations and additions thereto, in the same condition as initially improved with the Tenant Improvements, excepting permitted Alterations which Tenant is not required to remove pursuant to Section 10(b) above, reasonable wear and tear, casualty damage governed by Section 18 and damage which Landlord is obligated to repair pursuant to this Lease, subject to compliance with the provisions of Section 10(c) and any other applicable provisions of this Lease. Tenant

agrees that the delivery of keys to any employee of Landlord or to Landlord's agent or any employee thereof shall not be sufficient to constitute a termination of this Lease or a surrender of the Premises.

(e) In the event either party shall institute any action or proceeding against the other party relating to this Lease, the unsuccessful party in such action or proceeding shall reimburse the successful party for its disbursements incurred in connection therewith and for its reasonable attorneys' fees and costs, in addition to the foregoing award of attorneys' fees and costs to the successful party, the successful party in any lawsuit on this Lease shall be entitled to its attorneys' fees and costs incurred in any post-judgment proceedings to collect or enforce the judgment. This provision is separate and several and shall survive the merger of this Lease into any judgment on this Lease.

(f) The waiver by either party of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of any subsequent breach of the same or any term, covenant or condition herein contained, nor shall any custom or practice which may become established between the parties in the administration of the terms hereof be deemed a waiver of or in any way affect the right of either party to insist upon the performance by the other party in strict accordance with the terms of this Lease. The subsequent acceptance of Rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of Tenant to pay the particular Rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such Rent. No acceptance by Landlord of a lesser sum than that owed and due pursuant to this Lease shall be deemed to be other than on account of the earliest installment of such Rent or other amount due, nor shall any endorsement or statement on any check or any letter accompanying any check be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such installment or other amount or pursue any other remedy provided in this Lease.

(g) Neither party shall have any liability whatsoever to the other on account of the inability or delay of such party to fulfill any of its obligations under this Lease (other than obligations with respect to the payment of rent or any other monetary amounts owing under this Lease) by reason of any of the following (collectively, any "Force Majeure Event"): fire, earthquake, explosion, flood, the elements, acts of nature or the public enemy, acts of war, terrorist acts, strike, other labor trouble, interference of government authorities or agents, or shortages of fuel, supplies or labor resulting therefrom or any other cause beyond the reasonable control of the party obligated for such performance. If this Lease specifies a time period for performance of an obligation by either party (other than payment of Rent or any other monetary amounts owing by either party under this Lease), that time period shall be extended by the period of any delay in such party's performance caused by any of the events described above. Landlord shall have no liability whatsoever to Tenant on account of any failure or defect in the supply, quantity or character of electricity or water furnished to the Premises or the Project, by reason of any requirement, act or omission of the public utility or others furnishing the Project with electricity or water, or for any other reason beyond Landlord's

reasonable control, provided that Landlord shall use reasonable efforts to fulfill its obligations or remedy such failure or defect as soon as reasonably possible.

(h) The words "Landlord" and "Tenant" as used herein shall include the plural as well as the singular. Words used in any gender include other genders and the neutral. The paragraph headings of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part hereof.

(i) Submission of this instrument for examination or signature by Tenant does not constitute a reservation of or option for lease, and it is not effective as a lease or otherwise until execution by and delivery to both Landlord and Tenant.

(j) Time is of the essence with respect to the performance of every provision of this Lease in which time of performance is a factor. For purposes of this Lease, a "business day" shall mean any day other than a Saturday, Sunday or a Holiday.

(k) If any term or provision of this Lease, or the application thereof to any persons or circumstances, shall to any extent be invalid or unenforceable, the remainder of this Lease, or the application of such provisions to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each provision of this Lease shall be valid and shall be enforceable to the extent permitted by law.

(l) Tenant and Landlord shall execute and acknowledge a short form memorandum of this Lease for recording purposes in the form attached hereto as Exhibit B. Tenant shall be responsible for all costs and expenses associated with any such recording. Upon the expiration or earlier termination of this Lease for any reason, Tenant, within three (3) days following the date of request by Landlord, shall deliver to Landlord a quitclaim deed conveying to Landlord any and all interest Tenant may have under the Lease.

(m) In consideration of the benefits accruing hereunder, and notwithstanding anything contained in this Lease to the contrary, Tenant and all successors mind assigns covenant and agree that, in the event of any actual or alleged failure, breach or default hereunder by Landlord or in the event of any other action against Landlord with respect to this Lease, their sole and exclusive remedy shall be against Landlord's net interest in, and net proceeds from, the Project. Tenant and all such successors and assigns agree that the obligations of Landlord under this Lease do not constitute personal obligations of the individual partners, whether general or limited, members, directors, officers or shareholders of Landlord, and Tenant shall not seek recourse against the individual partners, members, directors, officers or shareholders of Landlord or any of their personal assets for satisfaction of any liability with respect to this Lease. Notwithstanding any contrary provision contained in this Lease, neither Landlord, any of the individual partners, members, directors, officers or shareholders of Landlord or any of their respective employees, agents or contractors shall be liable under any circumstances for my indirect or consequential damages or any injury or damage to, or interference with, Tenant'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.

(n) If in connection with obtaining financing for the Project any lender shall request modifications of this Lease as a condition to Landlord obtaining such financing, Tenant will not unreasonably withhold, delay or defer its consent thereto, provided that suds modifications do not increase the financial obligations of Tenant hereunder or materially and adversely affect the leasehold interest hereby created or Tenant's rights hereunder.

(o) Whenever the consent or approval of the Landlord or Tenant is required under this Lease, such consent or approval shall not be unreasonably withheld, conditioned or delayed, unless a different standard for the granting or withholding of such approval or consent is specifically set forth in this Lease.

(p) At any time during the Term, Tenant shall upon ten (10) days prior written notice from Landlord, provide Landlord with a current financial statement and financial statements of the two (2) years prior to the current financial statement year. Such statements shall be prepared in accordance with generally accepted accounting principles and, if such is the normal practice of Tenant, shall be audited by an independent certified public accountant. Notwithstanding anything to the contrary contained herein, if Tenant is a publicly traded corporation making annual 10-K filings with the Securities and Exchange Commission, Tenant may satisfy the requirements of this subsection with respect to delivery of financial information by delivery of Tenant's most recent annual report filed with the Securities and Exchange Commission. Notwithstanding anything herein which may be construed to the contrary, Tenant shall have no obligation to deliver such financial statements to Landlord more than two (2) times in any calendar year unless Landlord has requested such information in connection with a sale, financing, refinancing or other similar transaction involving the Project (in which case, there shall not be a limit on the number of times in each calendar year that Landlord may request, and Tenant shall deliver, such financial statements). At any time during the Term, Tenant shall have the right to audit the books and records of Landlord in connection with all charges paid by Tenant as Additional Rent. Tenant shall be entitled to a refund between the amount paid by Tenant and Tenant's proportionate share of actual operating expenses and real estate taxes.

(q) Landlord and Tenant each hereby represent and warrant that such party is duly qualified to do business in California and that the individuals executing this Lease on such party's behalf is/are duly authorized to execute and deliver this Lease on such party's behalf.

(r) TO THE EXTENT PERMITTED BY LAW, EACH PARTY HERETO (WHICH INCLUDES ANY ASSIGNEE, SUCCESSOR, HEIR OR PERSONAL REPRESENTATIVE OF A PARTY) SHALL NOT SEEK A JURY TRIAL, HEREBY WAIVES TRIAL BY JURY, AND HEREBY FURTHER WAIVES ANY OBJECTION TO VENUE IN THE COUNTY IN WHICH THE BUILDING IS LOCATED, AND AGREES AND CONSENTS TO VENUE AND PERSONAL

JURISDICTION OF THE COURTS OF THE COUNTY AND STATE IN WHICH THE BUILDING IS LOCATED, IN ANY ACTION OR PROCEEDING OR COUNTERCLAIM BROUGHT BY ANY PARTY HERETO AGAINST THE OTHER ON ANY MATTER WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, TENANT'S USE OR OCCUPANCY OF THE PREMISES, OR ANY CLAIM OF INJURY OR DAMAGE, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY STATUTE, EMERGENCY OR OTHERWISE, WHETHER ANY OF THE FOREGOING IS BASED ON THIS LEASE OR ON TORT LAW. IN THE EVENT LANDLORD COMMENCES ANY SUMMARY PROCEEDINGS OR ACTION FOR NONPAYMENT OF MINIMUM ANNUAL RENT OR ADDITIONAL RENT TENANT SHALL NOT INTERPOSE ANY COUNTERCLAIM OF ANY NATURE OR DESCRIPTION (UNLESS SUCH COUNTERCLAIM SHALL BE MANDATORY) TN ANY SUCH PROCEEDING OR ACTION, BUT SHALL BE RELEGATED TO AN INDEPENDENT ACTION AT LAW. EACH PARTY REPRESENTS THAT IT HAS HAD THE OPPORTUNITY TO CONSULT WITH LEGAL COUNSEL CONCERNING THE EFFECT OF THIS SUBSECTION. THE PROVISIONS OF THIS SUBSECTION SHALL SURVIVE THE EXPIRATION OF THE TERM OR EARLIER TERMINATION OF THIS LEASE.

(s) Any dispute between Landlord and Tenant pursuant to this Lease (other than Landlord's exercise of unlawful detainer remedies) shall, at the option of either party, be heard by a reference pursuant to the provisions of California Code of Civil Procedure Section 638 et seq., for a determination to be made which shall be binding upon the parties as if tried before a court or jury. The parties agree specifically as to the following: (i) within five (5) business days after service of a demand by a party hereto, the parties shall agree upon a single referee who shall then try all issues, whether of fact or law, and then report a finding or judgment thereon, provided that if the parties are unable to agree upon a referee either party may seek to have one appointed, pursuant to California Code of Civil Procedure Section 640, by the presiding judge of the County Superior Court for the county where the Project is located; (ii) the compensation of the referee shall be such charge as is customarily charged by the referee for hike services, and the cost of such proceedings shall initially be borne equally by the parties; provided, however, the prevailing party in such proceedings shall be entitled, in addition to all other costs, to recover its contribution for the cost of the reference as an item-n of damages and/or recoverable costs; (iii) if a reporter is requested by either party, then a reporter shall be present at all proceedings, and the fees of such reporter shall be borne by the party requesting such reporter and such fees shall be an item of recoverable costs, provided that only a party shall he authorized to request a reporter; (iv) the referee shall apply all California Rules of Procedure and Evidence and shall apply the substantive law of California in deciding the issues to he heard, and notice of any motions before the referee shall be given, and all matters shall be set at the convenience of the referee; (v) the referee's decision under California Code of Civil Procedure Section 644, shall stand as the judgment of the court, subject to appellate review as provided by the laws of the State of California; (vi) the parties agree that they shall him good faith endeavor to cause any such dispute to be decided within four (4) months; and the date of hearing for any proceeding shall be determined by agreement of the parties and the referee, or if the

parties cannot agree, then by the referee; and (vii) the referee shall have the power to award damages and all other relief.

(t) Tenant may install, maintain, replace, remove or use any communications or computer wires and cables (collectively, the "Lines") at the Project, to the extent such Lines are in or exclusively serve the Premises, provided that (i) Tenant shall obtain Landlord's prior written consent, use an experienced and qualified contractor approved iii writing by Landlord, and comply with all of the other provisions of this Lease respecting the use of the Premises and the making of Alterations, (ii) an acceptable number of spare Lines and space for additional Lines shall be maintained for existing and future occupants of the Project, as determined in Landlord's reasonable opinion, (iii) the Lines therefor (including riser cables) shall he appropriately insulated to prevent excessive electromagnetic fields or radiation, mind shall be surrounded by a protective conduit reasonably acceptable to Landlord, (iv) any new or existing Lines servicing the Premises shall comply with all applicable governmental laws and regulations, (v) as a condition to permitting the installation of new Lines, Landlord may require that Tenant remove existing Lines located in or serving the Premises and repair any damage in connection with such removal, and (vi) Tenant shall pay all costs in connection therewith. Landlord reserves the right to require that Tenant remove any Lines located in or serving the Premises which are installed in violation of these provisions, or which are at any time in violation of any Laws or represent a dangerous or potentially dangerous condition.

(u) This Lease may be executed in any number of counterparts, each of which shall be deemed to be an original, but any number of which, taken together, shall constitute one and the same instrument.

(v) This Lease contains all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Lease, and no prior agreement or understanding pertaining to any such matter shall be effective for any purpose. No provisions of this Lease may be amended or added to except by an agreement in writing signed by the parties hereto or their respective successors-in-interest.

(w) Nothing contained herein shall be deemed to limit, restrict, amend or modify, or to constitute a waiver or release of, any ordinances, notices, orders, rules, regulations or requirements (now or hereafter enacted or adopted and/or as amended from time to time) of the City of Beverly Hills or its departments, commissions, agencies and boards and the officers thereof, including any general plan or any zoning ordinances, or any of the duties, obligations, rights or remedies of the City of Beverly Hills thereunder or pursuant thereto or the general police powers, rights, privileges and discretion of the City of Beverly Hills in the furtherance of the public health, welfare and safety of the inhabitants thereof; provided, however, that the City of Beverly Hills agrees not to take any action to frustrate or hinder the intent or effect of this Lease.

(x) For purposes of this Lease, and notwithstanding anything in this Lease which may be construed to the contrary, Landlord is acting in its capacity as an owner of property and not as a governmental agency.

[Signatures on next page]

IN WITNESS WHEREOF, the parties have executed this Lease as of the date first above written.

LANDLORD:

CITY OF BEVERLY HILLS,
a municipal corporation

By:_____
NANCY KRASNE
Mayor of the City of Beverly Hills

ATTEST:

(SEAL)

_____
City Clerk

APPROVED AS TO FORM:

By: Deborah Hedman (BG)fn
Laurence S. Wiener
City Attorney

APPROVED AS TO CONTENT:

_____
Scott G. Miller
Director of Administrative Services/CFO

TENANT:

WEG Entertainment, Inc.,
a California corporation

By:_____
Kevin Washington
Its: Shareholder

EXHIBIT A

RULES AND REGULATIONS

1. Except as may be specifically provided in the Lease to which these Rules and Regulations are attached, no sign, placard, picture, advertisement, name or notice shall he installed or displayed on any part of the outside or inside of the Building or Project (except within the Premises) without the prior written consent of Landlord. Tenant shall not place anything against or near exterior windows or doors which may appear unsightly from outside the Premises or which are visible from the exterior of the Premises (other than approved window coverings). Landlord shall have the right to remove, at Tenant's expense and without notice, any sign installed or displayed in violation of this rule.

2. Tenant shall not obstruct any sidewalks, halls, passages, exits, entrances, elevators, escalators or stairways of the Project. The halls, passages, exits, entrances, elevators, escalators and stairways are not open to the general public, but are open, subject to reasonable regulations, to Tenant's business invitees. Landlord shall in all cases retain the right to control and prevent access thereto of all persons whose presence in the judgment of Landlord would be prejudicial to the safety and interest of the Project and its tenants. Neither Tenant nor any employee or invitee of Tenant shall go upon the roof of the Project.

3. Tenant shall cooperate with Landlord in maintaining the Common Areas. All cleaning and janitorial services for the Common Areas shall be provided exclusively through Landlord.

4. At Landlord's request, as a part of the Tenant Improvements, Tenant shall install new locks in, and re-key, the Premises, and in such event, Tenant shall deliver a copy of a key to all such locks to Landlord upon installation thereof. In addition, upon the termination of its tenancy, Tenant shall deliver to Landlord the keys to all doors and locks in the Premises.

5. All contractors and technicians rendering any service to Tenant shall be referred to Landlord for approval (which approval shall not be unreasonably withheld, conditioned or delayed) and supervision prior to performing any such service. This applies to all work performed in the Building, including but not limited to, installation of telephone and telegraph equipment and electrical devices and installations affecting floors, walls, woodwork, windows, ceilings and any other physical portion of the Building. None of Tenant's contractors or subcontractors shall be entitled to (1) display identification or other signage at the Project, (2) use the passenger elevators at the Project, or (3) park anywhere in the Parking Structure except in the area designated by Landlord.

6. No deliveries shall be made which materially interfere with the operation of the Project. No outside food vendors shall be permitted within the Project except for

making of specific deliveries of previously ordered items to the Premises or the premises of another tenant.

7. Landlord shall have the right to prescribe the weight, size and position of all equipment, materials, furniture or other property brought into the Building. Heavy objects shall, if considered necessary by Landlord, stand on such platforms as determined by Landlord to be necessary to properly distribute the weight, which platforms shall be provided at Tenant's expense. The persons employed to move such equipment in or out of the Building must he acceptable to Landlord. Landlord will not be responsible for loss of, or damage to, any such equipment or other property from any cause, and all damage done to the Building by maintaining or moving such equipment or other property shall be repaired at the expense of Tenant.

8. Tenant shall not use or keep in the Premises any kerosene, gasoline or inflammable or combustible fluid or material other than those limited quantities necessary for the operation or maintenance of office equipment. Tenant shall not use or permit to be used in the Premises any foul or noxious gas or substance, or permit or allow the Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Building by reason of noise, odors or vibrations, nor shall Tenant bring into or keep in or about the Premises any birds or animals.

9. Tenant shall not use any method of heating or air conditioning other than that installed by Landlord, except for supplemental air conditioning systems installed in accordance with the provisions of the Lease.

10. Tenant agrees to cooperate fully with Landlord to assure the most effective operation of the Building's heating and air conditioning and to comply with any governmental energy-saving rules, laws or regulations. Tenant shall keep corridor doors closed.

11. Landlord reserves the right, exercisable upon thirty (30) days prior written notice to Tenant, to change the name and/or street address of the Building.

12. Landlord reserves the right to exclude from the Building during hours other than Building hours of operation, any person unless that person is known to the person or employee in charge of the Building or has a pass or is properly identified. Tenant shall be responsible for all persons for whom it requests passes and shall be liable to Landlord for all acts of such persons. Landlord shall not be liable for damages for any error with regard to the admission to or exclusion from the Building of any person. Landlord reserves the right to prevent access to the Building in case of invasion, mob, riot, public excitement or other commotion by closing the doors or by other appropriate action.

13. Tenant shall close and lock the doors of its Premises before Tenant and its employees leave the Premises. Tenant shall be responsible for any damage or injuries sustained by other tenants or occupants of the Building or by Landlord for noncompliance with this rule.

14. The toilet rooms, toilets, urinals, wash howls and other apparatus shall not be used for my purpose other than that for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein. The expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by the tenant who, or whose employees or invitees, shall have caused it.

15. Tenant shall not use the Premises for any business or activity other than that specifically provided for in this Lease.

16. Tenant shall not install any radio or television antenna, loudspeaker or other devices on the roof(s) or exterior walls of the Building or Project. Tenant shall not interfere with radio or television broadcasting or reception from or in the Project or elsewhere.

17. Tenant shall not mark, drive nails, screw or drill into the partitions, woodwork or plaster or in any way deface the Premises or any part thereof, except in accordance with the provisions of the Lease pertaining to Alterations. Landlord reserves the right to direct electricians as to where and how telephone and telegraph wires are to be introduced to the Premises. Tenant shall not cut or bore holes for wires, except in accordance with the provisions of the Lease pertaining to Alterations. Tenant shall not affix any floor covering to the floor of the Premises in any manner except as approved by Landlord to the extent required by the provisions of the Lease pertaining to Alterations. Tenant shall repair any damage resulting from noncompliance with this rule.

18. Canvassing, soliciting and distribution of handbills or any other written material, and peddling in the Project are prohibited, and Tenant shall cooperate to prevent such activities.

19. Landlord reserves the right to exclude or expel from the Project any person who, in Landlord's judgment, is intoxicated or under the influence of liquor or drugs or who is in violation of any of the Rules and Regulations of the Project.

20. Tenant shall store all its trash and garbage within its Premises or in other facilities provided by Landlord. Tenant shall not place in any trash box or receptacle any material which cannot be disposed of in the ordinary and customary manner of trash and garbage disposal. All garbage and refuse disposal shall be made in accordance with reasonable directions issued from time to time by Landlord.

21. No cooking shall be done or permitted on the Premises except the use by Tenant of Underwriters' Laboratory approved equipment for brewing coffee, tea, and other similar hot beverages shall be permitted, and the use of an Underwriter's Laboratory approved microwave oven for employee use shall be permitted, provided that such equipment and use is in accordance with all applicable Laws. Tenant may install soft drink vending machines for use by Tenant's employees and invitees.

22. Tenant shall comply with all reasonable safety, fire protection and evacuation procedures and regulations established by Landlord or army governmental agency.

23. Tenant's requirements will be attended to only upon appropriate application to the Project management office by an authorized individual. Employees of Landlord shall not perform any work or do anything outside of their regular duties unless under special instructions from Landlord, and no employee of Landlord will admit any person (Tenant or otherwise) to any office without specific instructions from Landlord.

24. There shall be no smoking within the Building or immediately adjacent to Building entrances (except in areas, if any, designated therefor by Landlord).

25. Landlord may waive any one or more of these Rules and Regulations for the benefit of Tenant or any other tenant, but no such waiver by Landlord shall be construed as a waiver of such Rules and Regulations in favor of any other tenant.

26. These Rules and Regulations are in addition to, and shall not be construed to in any way modify or amend, in whole or in part, the terms, covenants, agreements and conditions of the Lease.

27. Upon written notice to Tenant, Landlord reserves the right to rescind any of these Rules and Regulations and to make future Rules and Regulations as, in its judgment, may from time to time be needed for safety, comfort and security, for care and cleanliness of the Project and for the preservation of good order therein. Tenant agrees to abide by all such Rules and Regulations herein above stated and any additional rules and regulations which are adopted and of which Tenant has received written notice.

28. Tenant shall be responsible for the observance of all of the foregoing rules by Tenant's employees, agents, customers, invitees and guests.

29. Landlord reserves the right to charge as Additional Rent to Tenant, any extra costs incurred by Landlord as a result of Tenant's violation of these Rules and Regulations.

EXHIBIT B

MEMORANDUM OF LEASE

RECORDING REQUESTED BY:

WHEN RECORDED RETURN TO:

City of Beverly Hills
455 North Rexford Drive
Beverly Hills, California 90210
Attention: City Clerk

[Space Above For Recorder's Use Only]

The undersigned declare that this Memorandum of Lease is exempt from Recording Fees pursuant to California Government Code Section 27383 and exempt from Documentary Transfer Tax pursuant to California Revenue and Taxation Code Section 11922.

MEMORANDUM OF LEASE

THIS MEMORANDUM OF LEASE (this "**Memorandum**") is made as of _____ 200___, by and between the CITY OF BEVERLY HILLS, a California municipal corporation ("City"), and WEG ENTERTAINMENT, INC., a California corporation.

RECITALS

A. Tenant and City have entered into that certain Office Lease dated _____, 2009 (the "Lease"), pursuant to which City has agreed to lease and demise to Tenant, and Tenant has agreed to lease and accept from City, a portion of that certain real property located in the City of Beverly Hills, County of Los Angeles, State of California, commonly known as Suite 220 in the building located at 439 N. Canon Drive and more particularly described in the Lease.

B. Pursuant to Section 32(l) of the Lease, Tenant and City now desire to enter into this Memorandum to provide record notice of the Lease.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Tenant and City agree as follows:

1. Lease. City hereby leases and demises to Tenant, and Tenant hereby leases and accepts from City, the portion of the Property defined as the "Premises" in the Lease for a term of two (2) years, commencing on February 1, 2009, at the rental and upon the other

terms and conditions set forth in the Lease (including any options to extend the Term of the Lease), which terms and conditions are incorporated herein by this reference.

2. Purpose. This Memorandum is prepared for the purposes of recordation only and in no way modifies the terms and conditions of the Lease. In the event any provision of this Memorandum is inconsistent with any term or condition of the Lease, the term or condition of the Lease shall prevail.

3. Counterparts. This Memorandum may be executed in any number of counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, taken together, shall be deemed to be one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Memorandum of Lease as of the date first written above.

LANDLORD:

CITY OF BEVERLY HILLS,
a municipal corporation

By:_____
Barry Brucker,
Mayor of the City of
Beverly Hills, California

ATTEST:

_____ (SEAL)
City Clerk

TENANT:

WEG ENTERTAINMENT, INC.

By:_____
Kevin Washington, President

ACKNOWLEDGMENT

State of California)
)
County of _____)

On _____ before me, _____
(insert name and title of the officer)

personally appeared _____,

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature_____ (Seal)
Signature of Notary Public

ACKNOWLEDGMENT

State of California)
)
County of _____)

On _____ before me, _____
(insert name and title of the officer)

personally appeared _____,

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature_____ (Seal)
Signature of Notary Public

EXHIBIT C

FORM OF LEASE GUARANTY

GUARANTY OF LEASE

This GUARANTY OF LEASE (the "Guaranty") is executed concurrently with that certain Office Lease dated _____, 2009 between the CITY OF BEVERLY HILLS, a municipal corporation, as landlord, and WEG ENTERTAINMENT, INC., a California corporation, as tenant (the "Lease"). Capitalized terms used in this Guaranty but not defined shall have the same definitions as set forth in the Lease, and Guarantors hereby acknowledge that the term "Landlord" shall include all successors to the interest of Landlord in the Premises.

In order to induce Landlord to enter into the Lease with Tenant, KEVIN WASHINGTON ("Guarantor") has agreed to execute and deliver this Guaranty to Landlord. Guarantor acknowledges that Landlord would not enter into the Lease if Guarantor did not execute and deliver this Guaranty to Landlord.

1. **Guaranty**. In consideration of the execution of the Lease by Landlord and as a material inducement to Landlord to execute the Lease, Guarantor hereby irrevocably, unconditionally, guarantees the full, timely and complete: (a) payment of all rent and other sums payable by Tenant to Landlord under the Lease, and any amendments or modifications thereto by agreement or course of conduct, and (b) performance of all covenants, representations and warranties made by Tenant and all obligations to be performed by Tenant pursuant to the Lease, and any amendments or modifications thereto by agreement or course of conduct. The payment of those amounts and performance of those obligations shall be conducted in accordance with all terms, covenants and conditions set forth in the Lease, without deduction, offset or excuse of any nature and without regard to the enforceability or validity of the Lease, or any part thereof, or any disability of Tenant. This Guaranty is a guaranty of payment and performance, and not of collection.

2. **Landlord's Rights**. Landlord may perform any of the following acts at any time during the Lease Term, without notice to or assent of Guarantor and without in any way releasing, affecting or impairing Guarantor's obligations or liabilities under this Guaranty: (a) alter, modify or amend the Lease by agreement or course of conduct, (b) grant extensions or renewals of the Lease, (c) assign or otherwise transfer its interest in the Lease, the Property, or this Guaranty, (d) consent to any transfer or assignment of Tenant's or any future tenant's interest under the Lease, (e) if applicable, release Guarantor, or amend or modify this Guaranty with respect to Guarantor, without releasing or discharging any other Guarantor from any of such Guarantor's obligations or liabilities under this Guaranty, (f) take and hold security for the payment of this Guaranty and exchange, enforce, waive and release any such security, (g) apply such security and direct the order or manner of sale thereof as Landlord in its sole discretion, deems appropriate, and (h) foreclose upon any such security by judicial or nonjudicial sale, without affecting or impairing in any way the liability of Guarantor under this Guaranty, except to the extent the indebtedness has been paid.

3. **Tenant's Default**. Upon any breach or default by Tenant under the Lease, Landlord may proceed immediately against Tenant and/or Guarantor to enforce any of Landlord's rights or remedies against Tenant or Guarantor pursuant to this Guaranty, the Lease, or at law or in equity without notice to or demand upon either Tenant or Guarantor. This Guaranty shall not be

released, modified or affected by any failure or delay by Landlord to enforce any of its rights or remedies under the Lease or this Guaranty, or at law or in equity.

4. **Guarantor Waivers**. Guarantor hereby waives (a) presentment, demand for payment and protest of non-performance under the Lease, (b) notice of any kind including, without limitation, notice of acceptance of this Guaranty, protest, presentment, demand for payment, default, nonpayment, or the creation or incurring of new or additional obligations of Tenant to Landlord, (c) any right to require Landlord to enforce its rights or remedies against Tenant under the Lease, or otherwise, or against Guarantor, prior to proceeding against Guarantor, or otherwise, (d) any right to require Landlord to proceed against any security held from Tenant or any other party, (e) any right of subrogation and or other right or remedy of Guarantor against Landlord or any such security, whether resulting from an election by Landlord, or otherwise, (f) the benefit of any statute of limitations affecting the liability of Guarantor under this Guaranty or applicable to this Guaranty; and (g) without limiting the foregoing waivers, all of rights and defenses provided by California Civil Code Sections 2809, 2810, 2815, 2819, 2845, 2849, 2850, and any similar or analogous statutes of California or any other jurisdiction. Any part payment by Tenant or other circumstance which operates to toll any statute of limitations as to Tenant shall operate to toll the statute of limitations as to any Guarantor.

5. **Separate and Distinct Obligations**. Guarantor acknowledges and agrees that such Guarantor's obligations to Landlord under this Guaranty are separate and distinct from Tenant's obligations to Landlord under the Lease. The occurrence of any of the following events shall not have any effect whatsoever on Guarantor's obligations to Landlord hereunder, each of which obligations shall continue in full force or effect as though such event had not occurred: (a) the commencement by Tenant of a voluntary case under the federal bankruptcy laws, as now constituted or hereafter amended or replaced, or any other applicable federal or state bankruptcy laws, as now constituted or hereafter amended or replaced, or any other applicable federal or state bankruptcy, insolvency or other similar law (collectively, the "Bankruptcy Laws"), (b) the consent by tenant to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator or similar official of Tenant or for any substantial part of its property, (c) any assignment by Tenant for the benefit of creditors, (d) the failure of Tenant generally to pay its debts as such debts become due, (e) the taking of corporate action by Tenant in the furtherance of any of the foregoing; or (f) the entry of a creed or order for relief by a court having jurisdiction in respect of Tenant in any involuntary case under the Bankruptcy Laws, or appointing a receiver, liquidator, assignee, custodian, trustee sequestrator (or similar official) of Tenant or for any substantial part of its property, or ordering the winding-up or liquidation of any of its affairs and the continuance of any such decree or order unstayed and in effect for a period of sixty (60) consecutive days. The liability of Guarantor under this Guaranty is not and shall not be affected or impaired by any payment made to Landlord under or related to the Lease for which Landlord is required to reimburse Tenant pursuant to any court order or in settlement of any dispute, controversy or litigation in any bankruptcy, reorganization, arrangement, moratorium or other federal or state debtor relief proceeding. If, during any such proceeding, the Lease is assumed by Tenant or any trustee, or thereafter assigned by Tenant or any trustee to a third party, this Guaranty shall remain in full force and effect with respect to the full performance of Tenant, any such trustee or any such third party's obligations under the Lease. If the Lease is terminated or rejected during any such proceeding, or if any of the events described

in Subparagraphs (a) through (f) of this Paragraph 6 occur, as between Landlord and Guarantor, Landlord shall have the right to accelerate all of Tenant's obligations under the Lease and Guarantor's obligations under this Guaranty. In such event, all such obligations shall be come immediately due and payable by Guarantor to Landlord. Guarantor waives any defense arising by reason of any disability or other defense of Tenant or by reason of the cessation from any cause whatsoever of the liability of Tenant.

6. **Subordinations**. All existing and future liability and indebtedness of Tenant to Guarantor shall be subordinated to all obligations owed to Landlord under this Guaranty. Until all of Tenant's obligations under the Lease are fully and indefeasibly performed, Guarantor: (a) will not have (and hereby waive) any right of offset or subrogation against Tenant by reason of any payments or acts performed by Guarantor under this Guaranty; and (b) subordinate any and all liability and indebtedness of Tenant to Guarantor now existing or hereafter arising to Tenant's obligations to Landlord under the Lease.

7. **Successors and Assigns**. This Guaranty binds Guarantor's personal representatives, heirs, executors, administrators, and successors, and shall inure to the benefit of Landlord and its successors and assigns. Guarantor shall not assign its obligations under this Guaranty, and any purported assignment shall be void and shall not relieve Guarantor of any liability under this Guaranty.

8. **Encumbrances**. If Landlord's interest in the Property or the Lease, or the rents, issues or profits therefrom, are subject to any deed of trust, mortgage or assignment for security, Guarantor's acquisition of Landlord's interest in the Property or Lease shall not affect any of Guarantor's obligations under this Guaranty. In such event, this Guaranty shall nevertheless continue in full force and effect for the benefit of any mortgages, beneficiary, trustee or assignee or any purchaser at any sale by judicial foreclosure or under any private power of sale, and their successors and assigns. If married, Guarantor expressly agrees that Landlord has recourse against such Guarantor's separate property for all of such Guarantor's obligations hereunder.

9. **Bankruptcy of Tenant; Guarantor's Obligations.** Guarantor shall not commence, or join with any other person or entity in commencing, any bankruptcy, reorganization or insolvency proceeding against Tenant. Guarantor shall file in any bankruptcy of Tenant or other proceeding relating to Tenant in which the filing of claims is required or permitted by law all claims that Guarantor may have against Tenant relating to any indebtedness of Tenant to Guarantor, and Guarantor hereby assigns to Landlord all such claims (and shall also assign in writing such claims to Landlord as they are filed), and Guarantor hereby also assigns to Landlord all right to payment and distributions to which Guaranty might be entitled. Landlord shall have the sole right to accept or reject any plan proposed in any such proceeding and to take any other action that a person or entity filing a claim may take.

10. **Financial Condition of Tenant**. Guarantor assumes the responsibility to remain informed of the financial condition of Tenant and of all other circumstances bearing upon the risk of Tenant's default, which reasonable inquiry would reveal, and agree that Landlord shall have no duty to advise Guarantor of information known to it regarding such condition or any such circumstances.

11. **Landlord's Reliance**. Landlord shall not be required to inquire into the powers of Tenant or the officers, employees, partners or agents acting or purporting to act on its behalf, and any indebtedness made or created in reliance upon the professed exercise of such powers shall be guaranteed under this Guaranty.

12. **Review of Lease**. Guarantor represents and warrants to Landlord that such Guarantor has received a copy of the Lease, has read the Lease, and understands the terms of the Lease.

13. **Financial Statements.** Each Guarantor will, upon ten (10) business days' prior written notice from Landlord, provide Landlord with current fiscal year financial statements, financial statements for up to two years prior to such current financial statement year and such other financial information as may be requested by Landlord (which may include a certification of the Guarantor's Net Worth and Liquidity). Such statements will be prepared in accordance with generally accepted accounting principles.

14. **Governing Law Jurisdiction and Venue**. Guarantor agrees that the laws of the State of California will govern all questions with respect to this Guaranty (without regard to conflict of laws rules) and that any suit, action, or proceeding arising directly or indirectly from this Guaranty, the Lease, or the subject matter of either will be litigated only in courts located within Los Angeles County; Guarantor irrevocably consents to the jurisdiction of any local, state, or federal court located within Los Angeles County. Without limiting the generality of the foregoing, Guarantor waives and agrees not to assert by way of motion, defense, or otherwise in any suit, action, or proceeding any claim that Guarantor is not personally subject to the jurisdiction of such courts, that such suit, action, or proceeding is brought in an inconvenient forum, or that the venue of such action, suit, or proceeding is improper.

15. **Returned Payments Do Not Satisfy Obligations**. If a claim is made on Landlord at any time (whether before or after payment or performance in full of any obligation of Guarantor, and whether such claim is asserted in a bankruptcy proceeding or otherwise) for repayment or recovery of any amount or other value received by Landlord (from any source) in payment of, or on account of, any obligation of Guarantor under this Guaranty, and if Landlord repays such amount, returns value, or otherwise becomes liable for all or part of such claim by reason of (a) any judgment, decree, or order of any court or administrative body or (b) any settlement or compromise of such claim, then the Guarantor will remain jointly and severally liable to Landlord for the amount so repaid or returned or for which Landlord is liable to the same extent as if such payments or value had never been received by Landlord, despite any termination of this Guaranty or the termination of the Lease or cancellation of any document evidencing any obligation of the Guarantor under this Guaranty.

16. **Entire Agreement**. This Guaranty will constitute the entire agreement between Guarantor and Landlord with respect to the subject matter of this Guaranty and supersedes all prior agreements, understandings, negotiations, representations, and discussions, whether verbal or written, of the parties pertaining to that subject matter. Guarantor is not relying on any representations, warranties, or inducements from Landlord that are not expressly stated in this Guaranty.

17. **Waiver of Guaranty Provisions**. No provision of this Guaranty or right of Landlord under it may be waived, nor may Guarantor be released from any obligation under this Guaranty, except by a writing duly executed by an authorized officer of Landlord. The waiver or failure to enforce any provision of this Guaranty will not operate as a waiver of any other breach of such provision or any other provisions of this Guaranty, nor will any single or partial exercise of any right, power, or privilege preclude any other or further such exercise or the exercise of any other right, power, or privilege.

18. **Severability**. If any provision of this Guaranty is determined to be illegal or unenforceable, all other provisions will nevertheless be effective.

19. **Time of Essence**. Time is strictly of the essence under this Guaranty and any amendment, modification, or revision of this Guaranty.

20. **Authority**. If a Guarantor is a corporation, limited liability company, partnership, or other entity, each individual executing this Guaranty on behalf of that entity represents and warrants that he or she is duly authorized to execute and deliver this Guaranty on behalf of the entity in accordance with its governing documents, and that this Guaranty is binding on the entity in accordance with its terms. If Guarantor is a corporation, limited liability company, partnership, or other entity, then within five (5) business days after written request from Landlord, such Guarantor shall deliver to Landlord a certified copy of a resolution of the board of directors of such corporation, or other authorizing documentation for such entity authorizing or ratifying the execution of this Guaranty.

21. **Attorneys' Fees**. If Landlord participates in an action against a Guarantor arising out of or in connection with this Guaranty or a Guarantor participates in any such action against the Landlord, the prevailing party will be entitled to have and recover from the other party reasonable attorneys' fees, collection costs, and other costs incurred in, and in preparation for, the action, arbitration, mediation or bankruptcy. Sums owed to Landlord under this Section shall be part of the obligations of Guarantor under this Guaranty.

22. **Notices**. Any notice, request, demand, instruction, or other communication to be given under this Guaranty must be in writing and must be delivered by certified mail, return receipt requested, or by personal delivery, or by reputable overnight messenger (such as Federal Express) for overnight delivery, addressed as follows:

To Landlord: As set forth in the Lease.

To Guarantors: Kevin Washington
Eisner, Frank & Kahan
9601 Wilshire Blvd., Ste. 700
Beverly Hills, CA 90210

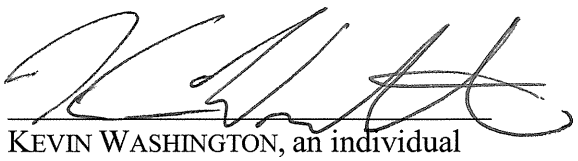
Notices shall be deemed given: (a) if delivered by certified mail, then on the date shown on the receipt as the date of delivery or date acceptance of delivery was refused; (b) if personally served, then upon receipt or refusal to accept delivery, as indicated by written confirmation of the person delivering the notice; or (c) twenty-four (24) hours after delivery to a reputable

overnight delivery service unless otherwise indicated on the records of the delivery service as being delivered on a later date (in which case delivery shall be deemed to have occurred on such later date). Any party may change its address(es) for notices upon fifteen (15) days' prior written notice to the other.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Guarantor has caused this Guaranty to be executed and delivered as of the date first above written.

GUARANTOR:



KEVIN WASHINGTON, an individual

Attachment 2

Memorandum of Office Lease

RECORDING REQUESTED BY:

WHEN RECORDED RETURN TO:

City of Beverly Hills
455 North Rexford Drive
Beverly Hills, California 90210
Attention: City Clerk

[Space Above For Recorder's Use Only]

The undersigned declare that this Memorandum of Lease is exempt from Recording Fees pursuant to California Government Code Section 27383 and exempt from Documentary Transfer Tax pursuant to California Revenue and Taxation Code Section 11922.

MEMORANDUM OF LEASE

THIS MEMORANDUM OF LEASE (this "**Memorandum**") is made as of _____ 200___, by and between the CITY OF BEVERLY HILLS, a California municipal corporation ("City"), and WEG ENTERTAINMENT, INC., a California corporation.

RECITALS

A. Tenant and City have entered into that certain Office Lease dated _____, 2009 (the "Lease"), pursuant to which City has agreed to lease and demise to Tenant, and Tenant has agreed to lease and accept from City, a portion of that certain real property located in the City of Beverly Hills, County of Los Angeles, State of California, commonly known as Suite 220 in the building located at 439 N. Canon Drive and more particularly described in the Lease.

B. Pursuant to Section 32(l) of the Lease, Tenant and City now desire to enter into this Memorandum to provide record notice of the Lease.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Tenant and City agree as follows:

1. Lease. City hereby leases and demises to Tenant, and Tenant hereby leases and accepts from City, the portion of the Property defined as the "Premises" in the Lease for a term of two (2) years, commencing on February 1, 2009, at the rental and upon the other terms and conditions set forth in the Lease (including any options to extend the Term of the Lease), which terms and conditions are incorporated herein by this reference.

2. Purpose. This Memorandum is prepared for the purposes of recordation only and in no way modifies the terms and conditions of the Lease. In the event any provision of this

Memorandum is inconsistent with any term or condition of the Lease, the term or condition of the Lease shall prevail.

3. Counterparts. This Memorandum may be executed in any number of counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, taken together, shall be deemed to be one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Memorandum of Lease as of the date first written above.

LANDLORD:

CITY OF BEVERLY HILLS,
a municipal corporation

By:_____
Nancy Krasne,
Mayor of the City of
Beverly Hills, California

ATTEST:

_____ (SEAL)
Byron Pope, City Clerk

TENANT:

WEG ENTERTAINMENT, INC.

By:_____
Kevin Washington, President

ACKNOWLEDGMENT

State of California)
)
County of Los Angeles)

On 3/26/09 before me, Cindy S. Strong, Notary Public
(insert name and title of the officer)

personally appeared Kevin Washington,

who proved to me on the basis of satisfactory evidence to be the person~~(s)~~ whose name~~(s)~~ is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/her/their authorized capacity(~~ies~~), and that by his/~~her/their~~ signature~~(s)~~ on the instrument the person~~(s)~~, or the entity upon behalf of which the person~~(s)~~ acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

CINDY S. STRONG
Commission # 1786737
Notary Public - California
Los Angeles County
My Comm. Expires Jan 21, 2012

WITNESS my hand and official seal.

Signature Cindy S Strong (Seal)
Signature of Notary Public

ACKNOWLEDGMENT

State of California)
)
County of _____)

On _____ before me, _____
(insert name and title of the officer)

personally appeared _____,

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature_____ (Seal)
Signature of Notary Public