



AGENDA REPORT

Meeting Date: August 31, 2010
Item Number: F-2
To: Honorable Parking Authority Members
From: Brenda Lavender, Real Estate & Property Manager
Subject: LEASE AND MEMORANDUM OF LEASE BY AND BETWEEN THE PARKING AUTHORITY OF THE CITY OF BEVERLY HILLS AND FREM INVESTMENTS, LLC.
Attachments:

1. Lease
2. Memorandum of Lease
3. Broker Commission Agreement

RECOMMENDATION

It is recommended that the Parking Authority approve the Lease, and Memorandum of Lease by and between The Parking Authority of the City of Beverly Hills and Frem Investments. A copy of the lease is on file with the City Clerk. Frem Investment is located in the City of Beverly Hills Gardens Building at 240 N. Beverly Drive, Third floor.

INTRODUCTION

Frem Investments is leasing the balance of the third floor office space which is approximately 5,029 square feet. The lease term is ten (10) years at a starting lease rate of \$4.00/SF.

Mr. Frem will use this office location as the headquarters for Frem Investments to house his personal office and staff as well as the newest company that he founded Outsourcing & Management Concepts, Inc (OMC). Frem Investments focuses on buying commercial income property and OMC purchases and/or manages companies with complex logistical operations nationwide.

DISCUSSION

The lease term is ten (10) years and the monthly rent is \$4/SF monthly. The office space is approximately 5,029 square feet. Frem Investments is responsible for all tenant improvements and associated permits. Landlord's approval of the space design is required and staff will work with Frem to ensure all City requirements are met.

Meeting Date: August 31, 2010

FISCAL IMPACT

The fiscal impact is total upfront cost of (\$375,222.27) (TI allowance \$301,740; broker commission \$73,482.27). Eight (8) months of free rent would also affect revenue at a cost of (\$160,928). The upfront cost and free rent are roughly equal to the first 27 months of base rent revenue.



Scott G. Miller, Director of
Administrative Services, CFO

Approved By

Attachment 1

Lease

OFFICE LEASE

by and between

**THE PARKING AUTHORITY
OF THE CITY OF BEVERLY HILLS,**
a parking authority established pursuant to
the Parking Law of 1949 of the State of California,

Landlord

and

FREM INVESTMENTS, LLC,
a California limited liability company
Tenant

**240 N. Beverly Drive
Beverly Hills, California**

DATE: _____, 2010

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- Exhibit A – Diagram of Premises
- Exhibit B-1 – Tenant Improvements and Tenant Allowance
- Exhibit B-2 – Gardens Building Design and Construction Guidelines for Tenant
Improvements
- Exhibit B-3 – Shell and Core Finishes for Gardens Building
- Exhibit C – Rules and Regulations
- Exhibit D – Form of Memorandum of Lease
- Exhibit E - Notice of Lease Term Dates
- Exhibit F - Janitorial Specifications

OFFICE LEASE

THIS OFFICE LEASE (this "Lease") is dated as of _____, 2010 (the "Effective Date"), and is entered into by and between the PARKING AUTHORITY OF THE CITY OF BEVERLY HILLS, a parking authority established pursuant to the Parking Law of 1949 of the State of California ("Landlord"), and FREM INVESTMENTS, LLC, a California limited liability company ("Tenant").

1. DEFINED TERMS; BASIC LEASE TERMS.

- (a) Address of Tenant prior to the Commencement Date:

1901 Avenue of the Stars
Suite 1900
Century City, CA 90067
Attention: Gabriel Frem

After the Commencement Date:

The Premises
Attention: Gabriel Frem

- (b) Address of Landlord:

Parking Authority of the City of Beverly Hills
455 North Rexford Drive
Beverly Hills, California 90210
Attn: Executive Director

With a copy to:

Parking Authority of the City of Beverly Hills
455 North Rexford Drive
Beverly Hills, California 90210
Attention: Authority Counsel

(c) Premises: Those certain premises ("Premises") described on Exhibit A, consisting of a portion of the third floor of the building located at 240 N. Beverly Drive, Beverly Hills, California (the "Building") known as Suites 300 and 370, and adjacent balcony. Tenant represents and warrants to Landlord that Tenant has inspected and measured the Premises and has reviewed the "as-built" plans for the Building and Premises and Landlord and Tenant stipulate and agree that there shall be no adjustment of any rent, the Security Deposit or the "Tenant's Share" (defined below) based on any measurement or remeasurement of the Premises or the Building or any portion thereof.

(d) Term: Ten (10) years and two months, commencing upon the Commencement Date (as defined in Section 3(a) below).

(e) Monthly Rent (commencing on the Commencement Date):

<u>Months</u>	<u>Monthly Rent</u>
1-8	\$0.00
9-24	\$20,116.00
25-36	\$20,719.48
37-48	\$21,341.06
49-60	\$21,981.30
61-72	\$22,640.73
73-84	\$23,319.95
85-96	\$24,019.55
97-108	\$24,740.14
109-120	\$25,482.34
121-122	\$26,246.81

The Monthly Rent for the Extension Terms is described in Sections 5(b) and (c).

(f) Tenant's share of Operating Expenses: 28.89% ("Tenant's Share"). (As noted in Section 1 (c) above, Tenant has received and reviewed the "as-built" plans for the Building and Premises and has verified the measurement/area of the Building and Premises.)

(g) Security Deposit: \$375,252.85 in the form of a letter of credit in that amount, subject to reduction pursuant to the terms of Section 6.

(h) Permitted Uses: The Premises shall be used for general office purposes only, and no other use or purpose.

(i) Parking: Commencing on the Commencement Date, Tenant shall have the right, but not the obligation, to rent from time to time up to thirteen (13) parking

passes for unreserved parking spaces that are not marked "visitor" and the three (3) "reserved" parking spaces 227, 229 and 230 on level P2 of the parking structure located directly under and serving the Building ("Parking Structure"), at the prevailing rate charged by Landlord for parking passes for such parking spaces, as applicable, which shall be subject to increase annually as described in Section 29 below; provided, however, if Landlord uses any portion of such parking spaces or areas located behind such parking spaces for storage areas or any other use, Landlord agrees that Landlord (or other users) may not access such locations through Tenant's reserved parking spaces and any entries and/or doors to such areas may not open into or be accessed through Tenant's parking spaces. Tenant understands and acknowledges that the Parking Structure shall, at Landlord's sole and absolute option be available and open to the general public for parking, but additional terms relating to parking are described in Section 29 below. Upon mutual agreement between Landlord and Tenant (with each party being reasonable), Tenant's three (3) reserved spaces may be relocated within the P2 level provided that such spaces shall not be relocated more than once each calendar year and provided that the three (3) reserved spaces shall continue to be contiguous to each other.

(j) Project: The land described on Exhibit A-1 and all improvements and landscaping thereon (including the colonnade area and service alley/area), excluding the Parking Structure.

This Section 1 represents a summary of the basic terms of this Lease and includes definitions of capitalized terms used in this Lease. In the event of any conflict between the terms contained in this Section 1 and any other provision of this Lease, the terms of the said other provision shall govern.

2. PREMISES LEASED; COMMON AREAS.

(a) Landlord hereby leases the Premises to Tenant, and Tenant hereby leases the Premises from Landlord, subject to and upon the terms and conditions set forth in the Lease. Subject to Landlord's reasonable regulations, restrictions and guidelines and applicable Laws, and provided in all cases that Tenant's use in no way affects the structural integrity of the Building or adversely affects Building utility systems, existing Tenants or Common Areas, Tenant may (i) use the area below the concrete ceiling and below the concrete floor of the floors of the Premises (down to the hard ceiling of the second floor space beneath the Premises) and the areas behind the walls of the Premises, including the right, subject to Landlord's reasonable approval with respect to location and specifications and Landlord's reasonable rules and regulations, to core drill, to install and service wire, conduit and cable that serve Tenant's equipment in the Premises in accordance with, and subject to, the other terms and provisions of this Lease and Landlord's rights hereunder with respect to such areas and (ii) have use of the Building's shafts and conduits and the Building risers on a non-exclusive basis as outlined in Shell & Core details attached hereto as Exhibit B. Landlord agrees to enforce elevator access to the third (3rd) floor of the Building by way of card-key access only at all times.

(b) The Premises shall be improved by Tenant with the "Tenant Improvements" described in Exhibits B-1 and B-2 attached hereto and incorporated

herein by this reference, in accordance with the terms set forth in Exhibit B-1, B-2, and the Design and Construction standards portion of Exhibit B-3 including compliance with all applicable Laws. (Landlord acknowledges and Tenant agrees that such Tenant Improvements will include the HVAC system and electrical meter for the Premises.) Tenant confirms that it has inspected the Premises and that the Premises and the as-built plans for the Premises and that the Premises contains the improvements and features described in Exhibit B-2 as being included in the Building.

(c) Tenant shall have the nonexclusive right, in common with other tenants of the Building (and other members of the general public if permitted by Landlord in its sole and absolute discretion) subject to the Rules and Regulations referred to in Section 35(a), to use the following areas to the extent they are intended for the common use and enjoyment of all tenants in the Building (collectively "Common Areas"): common lobbies, ground and multi-tenant floor restrooms, elevators, stairways, hallways, corridors, pedestrian access ways, loading docks, platforms, trash enclosures and the common pipes, conduits, wires and appurtenant equipment servicing the Building. Landlord shall maintain and operate the Common Areas in a good and operable condition and in a manner consistent with the "Comparable Buildings," as that term is defined below, with standard Building Hours of 8 a.m. to 7 p.m. Monday – Friday, and 9 a.m. to 1 p.m. for Saturday, excluding Holidays. "Comparable Buildings" shall mean, as of the date hereof, the following three buildings: 301 N. Canon, 413-445 N. Rodeo and 439 No. Canon (438 No. Beverly), and any other building reasonably selected by Landlord to replace a Comparable Building specified herein in the event the quality, operation or amenities of any of the Comparable Buildings specified herein materially increase or decrease such that such Comparable Building is no longer reasonably comparable to the Building. Except when and where Tenant's right of access is specifically excluded as the result of (i) an emergency, (ii) a requirement of applicable Laws, (iii) a specific provision set forth in this Lease, or (iv) any reason beyond the control of Landlord, Tenant shall have the right of access to and use of the Premises, the Building, and the Parking Structure through the use of Building and Parking Structure access cards twenty-four (24) hours per day, seven (7) days per week during the Term.

(d) Landlord hereby grants Tenant exclusive use of the balcony area located adjacent to the Premises, including the right to place furniture, umbrellas, small plants in self-contained an non-leaking containers, or other similar items on such balcony area, subject to prior written approval of each such item (which may be withheld or denied purely on aesthetic grounds), but no smoking shall be permitted on the balcony or elsewhere in the Premises or Building. Tenant agrees that Tenant shall not place any materials on the balcony which will cause the drains to clog. Tenant shall defend, indemnify and hold Landlord and its council members, officers, employees, contractors, and agents harmless from and against any and all claims, liabilities, losses, damages, costs and expenses resulting from water leakage and water over-flowing the drains to the extent caused by Tenant or its officers, agents, contractors or employees. The foregoing indemnity does not apply to water leakage and overflow caused by rain. Tenant does not believe that the balcony area is properly constructed with respect to drainage and in the event of the overflow of water into the Premises not caused by Tenant, notwithstanding anything to the contrary contained in the Lease, including without limitation, Section

20(b), Landlord shall be solely responsible for any damage to the Premises, Tenant's personal property, fixtures or equipment and the Building (including any property of others) resulting from the balcony or drain leaks not caused by Tenant or its officers, agents, contractors or employees.

(e) Landlord reserves the right from time to time to, so long as Landlord provides Tenant with prior written notice (provided that such notice shall not be required in the event of an emergency and in the case of activities under clause (iv) below, written notice will be required only if the activities will adversely affect Tenant's access to or use of the Premises or Parking Structure): (i) close temporarily any area adjacent to or near the Premises for maintenance purposes (including the catwalks); (ii) use portions of the Premises (subject to the notice requirements of Section 16) and Common Areas in order to make necessary repairs or replacements to the Common Areas, the Building, or any portion thereof; (iii) install, use, maintain, repair and replace pipes, ducts, conduits, wires and appurtenant meters and equipment 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 (subject to the notice requirements of Section 16) or located elsewhere outside the Premises; and (iv) do and perform such other acts and make such other changes in, to or with respect to the Building or any other adjacent or nearby area owned by Landlord as Landlord deems to be appropriate in the exercise of its good faith business judgment, so long as such changes do not change the nature of the Building to something other than a first class office building project or materially, adversely effect Tenant's use of the Premises for the Permitted Use, or Tenant's ingress to or egress from the Building, the Premises or the Parking Structure. Except during emergencies, Landlord shall use good faith efforts to minimize interference with Tenant's access to and use of the Premises, Building and Parking Structure in connection with the exercise by Landlord of its rights under this Section 2(e) and to reasonably schedule any such work with Tenant if the work would materially and adversely affect Tenant's use of or access to the Premises or Parking Structure.

3. TERM; EXTENSION TERMS.

(a) The term of this Lease ("Term") shall commence on the date which is two (2) months following the date Landlord delivers exclusive possession of the Premises to Tenant, subject to an extension on a day for day basis as a result of any actual delay in the completion of the Tenant Improvements caused by (a) Landlord's work under Section 3(b) below or a Landlord Caused Delay (defined below) or a Force Majeure delay, as defined in Section 35q below but excluding defaults by any contractor engaged by Tenant ("Commencement Date") and shall continue for the period referenced in Section 1(d) above (the "Term"), subject to earlier termination in accordance with the terms of this Lease. As used herein, "Landlord Caused Delay" shall mean actual delays in the completion of the Tenant Improvements to the extent resulting from (i) except to the extent Landlord's approval is deemed granted pursuant to the terms of Exhibit B-1, the failure of Landlord to timely approve or disapprove any plans and specifications or change orders or any other items within time periods set forth in Exhibit B-1 or in this Lease, as applicable, or if no time period is specified, then within a reasonable period of

time; (ii) material and unreasonable interference by Landlord, its agents or Landlord Parties with the substantial completion of the Tenant Improvements and which objectively preclude or delay the construction of general office use tenant improvements in the Building or any portion thereof, which interference relates to access by Tenant, or Tenant's contractor to the Building or any of the Building's facilities (including loading docks and freight elevators) or service and utilities (including temporary power as provided herein) during construction hours provided to Tenant under this Lease, or the use thereof during construction hours provided to Tenant under this Lease; and (iii) any default by Landlord in the funding of the Tenant Improvement Allowance by Landlord under Exhibit B-1 or other material breach by Landlord under Exhibit "B" (including without limitation, the failure to deliver the Premises in the condition required by Exhibit "B") if Landlord does not cure the default within two (2) business days written notice; provided, however, that no Landlord Delay shall be deemed to have occurred under the preceding clauses (i); or (ii) unless and until Tenant has provided written notice of such delay to Landlord and Landlord has failed to cure such delay within two (2) business days.

(b) Provided Tenant gives written notice to Landlord, while Tenant is constructing its Tenant Improvements, of a defect in the Premises or Building that adversely affects Tenant's ability to complete the Tenant Improvements (or which would materially delay the completion of the Tenant Improvements) or adversely affect Tenant's access to or use of the Premises for its intended purposes or (ii) a failure of the Premises or Building to comply with applicable law that adversely affects Tenant's ability to complete the Tenant Improvements or which would materially delay the completion of the Tenant Improvements or adversely affect Tenant's access to or use of the Premises for its intended purposes, then provided such defect or noncompliance could not have been disclosed by Tenant or its architect, space planner or contractor in the course of a reasonably diligent inspection of the Premises prior to the date of this Lease, then Landlord shall, at Landlord's cost and expense, correct the noncompliance or defect and Tenant shall cooperate in good faith with Landlord in connection therewith.

(c) Within six (6) months following the Commencement Date, Landlord shall deliver to Tenant a Notice of Lease Term Dates in the form as set forth in Exhibit E, attached hereto, as a confirmation only of the information set forth therein, which Tenant shall execute and return to Landlord within fifteen (15) business days of receipt thereof (provided that if said notice is not factually correct, then Tenant shall make such changes as are necessary to make the notice factually correct and shall thereafter execute and return such notice to Landlord within such fifteen (15) business day period). In the event Landlord shall fail to send Tenant the Notice of Lease Term Dates within six (6) months following the Commencement Date, Tenant may send to Landlord notice of the occurrence of the Commencement Date substantially in the form of the Notice of Lease Term Dates, which Notice of Lease Term Dates Landlord shall acknowledge by executing a copy of the Notice of Lease Term Dates and returning it to Tenant (provided that if said Notice of Lease Term Dates is not factually correct, Landlord shall make such reasonable changes to the Notice of Lease Term Dates as are necessary to make such Notice of Lease Term Dates factually correct). Once the Notice

of Lease Term Dates is executed and delivered by Landlord and Tenant, the same shall be binding upon Landlord and Tenant.

(d) In the event Tenant notifies Landlord in writing at least two hundred and forty (240) days prior to the expiration of the Term that Tenant desires to extend the Term of this Lease, then Landlord will cause its staff to exclusively negotiate with Tenant in good faith with respect to the terms of a Lease extension until the date ("Negotiation Outside Date") which is one hundred twenty (120) days prior to the expiration of the Term. Landlord will not negotiate with any third party for the lease of the Premises until the Negotiation Outside Date has passed. If Tenant has timely delivered notice that the Tenant desires to extend the term of the Lease and the terms of the Lease extension are not resolved between Landlord's staff and Tenant by the Negotiation Outside Date, then Tenant shall continue to lease the Premises under the then applicable rates, for successive periods of six (6) months, until (i) Tenant has provided Landlord with one hundred and eighty (180) days written notice to terminate, or (ii) Landlord has provided Tenant with a mutually executed letter of intent signed by both Landlord and any third party, which discloses the net economic terms offered to Landlord by such third party, on a lease term of five (5) years or longer, and Tenant has failed to notify Landlord in writing, within five (5) business days of receiving such third party letter of intent, of Tenant's intent to accept such letter of intent's net economic benefits plus five percent (5%). Should Tenant timely provide such written notice of its intent to match such letter of intent's net economic benefits plus five percent (5%), then Landlord shall renew Tenant's lease for a period of five (5) years at the same economic conditions of such third party's letter of intent plus five percent (5%) but otherwise upon the same terms and conditions of the existing lease. Landlord further agrees that Landlord shall not have the right to use the Premises for its own purposes (i.e., as City offices) until a subsequent lease for all or a portion of the Premises executed by Landlord and a third party has expired or been terminated.

4. DELIVERY OF POSSESSION. Landlord shall tender possession of the Premises to Tenant within one (1) business day after the date on which this Lease is executed and delivered. If the Premises have not been delivered within twenty (20) days after written notice from Tenant to Landlord that Landlord has violated this Section 4, then until the date on which Landlord tenders possession, Tenant may terminate this Lease by written notice to Landlord.

5. RENT.

(a) Tenant agrees to pay Landlord the Monthly Rent designated in Section 1(e), as adjusted under Sections 5(b) and 5(c) below for any Extension Terms, in equal monthly installments in advance, on or before the first day of each and every calendar month during the Term. 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 on a daily basis in the proportion that the number of days this Lease is in effect during such period 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 Monthly 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. All charges to be paid by Tenant under this Lease shall constitute rent and are collectively referred to herein as "Rent". Rent shall be paid to Landlord, without any prior notice or demand therefor, except as otherwise expressly provided herein, and without any abatement, deduction or offset (except as otherwise expressly provided herein) in lawful money of the United States of America, which shall be legal tender at the time of payment, at 455 N. Rexford Drive, Cashier's Office, Beverly Hills, California 90210, or to such other person or at such other place as Landlord may from time to time designate in writing.

(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 cash-flow/budgeting costs and adverse effects. Therefore, if Tenant fails to pay any Rent or other monies due hereunder within ten (10) days after it is due, then Tenant shall pay to Landlord, as Additional Rent, the sum of five percent (5%) of the overdue amount as a late charge. All past-due installments of Rent and other monies which may be owed from one party to the other hereunder shall also bear interest, the "Interest Rate" (as hereinafter defined), from the date due until paid. For purposes of this Lease, the "Interest Rate" shall mean the greater of (i) ten percent (10%) 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, however, that in no event shall the Interest Rate exceed the maximum rate permitted by applicable Law. Landlord's acceptance of any late charge or interest and Tenant's acceptance of any interest shall not constitute a waiver of such default with respect to the overdue amount or prevent Landlord or Tenant from exercising any of the other rights and remedies available to them under this Lease, at law or in equity.

6. SECURITY DEPOSIT.

(a) Upon Tenant's execution and delivery of this Lease, Tenant shall deposit with Landlord the Security Deposit designated in Section 1(g) in cash (or if Tenant elects to provide a letter of credit, then Tenant shall within ten (10) days after the execution and delivery of the Lease, deliver to Landlord a letter of credit that is in a form and issued by an issuer reasonably acceptable to Landlord). Wells Fargo Bank is hereby approved as the issuer of the letter of credit. The letter of credit shall be maintained in effect, whether through replacement, renewal or extension, for the entire period from the date of delivery to Landlord through the date which is thirty (30) days following the expiration of the Term ("Letter of Credit Expiration Date"), provide that the expiration date of the letter of credit shall be no earlier than the Letter of Credit Expiration Date or provide for automatic renewal thereof at least through the Letter of Credit Expiration Date, unless the issuing bank provides at least thirty (30) days prior written notice to Landlord of such non-renewal by certified mail, return receipt requested at the address set forth on the letter of credit (and the letter of credit must then provide that it may be drawn

in full after notice of non-renewal) and Tenant shall deliver a new letter of credit to Landlord at least thirty (30) days prior to the expiration of the letter of credit without any action whatsoever on the part of Landlord, and provided further that Tenant may at any time substitute cash for the letter of credit. Provided Tenant is not then in monetary default, upon every anniversary of the Commencement Date, Tenant may replace the letter of credit with a substitute letter of credit in form and from an issuer reasonably acceptable to Landlord or with an amendment to the existing letter of credit, but in either case, in an amount which is \$37,525.00 less than the previous letter of credit amount; provided, however, that in no event shall the letter of credit amount be less than \$37,525.00. If Tenant deposits cash for the Security Deposit instead of a letter of credit, Landlord shall return \$37,525.00 to Tenant as of each reduction date. If as of any reduction date Tenant is in monetary default beyond applicable notice and cure periods, such reduction shall be delayed until the date Tenant has cured all monetary defaults under this Lease. Landlord agrees to execute any documents reasonably requested by the issuer of the letter of credit (provided such documents are factually accurate) within ten (10) business days after receipt of written request from Tenant or such issuer in order to accomplish such reductions and Landlord's failure to timely execute and deliver such documents shall be a default under this Lease. The letter of credit shall be held by Landlord as security for the faithful performance by Tenant of all of the terms, covenants, and conditions of this Lease to be kept and performed by Tenant during the Term hereof. If an Event of Default by Tenant occurs, Landlord may (but shall not be required to) draw on the letter of credit and use, apply or retain all or any part of the proceeds thereof for the payment of any Rent or any other sum in default beyond applicable notice and cure periods, or for the payment of any other amount which Landlord may spend or become obligated to spend by reason of Tenant's default beyond applicable notice and cure periods or to compensate Landlord for any loss or damage which Landlord may suffer by reason of Tenant's default beyond applicable notice and cure periods. If Landlord draws on the letter of credit or any portion thereof and any portion of the letter of credit is so used or applied, Tenant shall, within ten (10) business days after written demand therefor, deposit cash with Landlord or additional letters of credit from issuers reasonably acceptable to Landlord in an amount sufficient to restore the letter of credit to the then required amount. Landlord shall not be required to keep the proceeds from any draw on the letter of credit (or any subsequently deposited cash) 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 sixty (60) days following the expiration of the Term or earlier termination of this Lease and Tenant's vacation of the Premises, the Security Deposit (i.e., the letter of credit, any cash proceeds therefrom held by Landlord and any such cash deposited by Tenant to replace any amounts drawn from the letter of credit) or any unapplied balance thereof shall be returned to Tenant. If Landlord sells its interest in the Building during the Term hereof and deposits with the purchaser thereof the then unapplied funds deposited by Tenant as aforesaid and transfers the beneficial interest in the letter of credit to such purchaser, Landlord shall be discharged from any further liability with respect to such Security Deposit accruing after the date Landlord deposits such Security Deposit and (if

the letter of credit is transferable) transfers the beneficial interest in the letter of credit with such purchaser.

7. POSSESSORY INTEREST TAXES. TENANT ACKNOWLEDGES AND AGREES THAT FOR SO LONG AS THE BUILDING IS OWNED BY THE CITY OR ANY OTHER PUBLIC ENTITY OR GOVERNMENT, INCLUDING WITHOUT LIMITATION A MUNICIPAL CORPORATION, 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 POSSESSORY INTEREST TAXES LEVIED ON THAT INTEREST. TENANT SHALL PAY SUCH TAXES WHEN DUE, TO THE LEVYING AUTHORITY.

8. COMMON AREA EXPENSE/OPERATING EXPENSE CHARGES.

(a) For the purposes of this Section 8, the following terms are defined as follows:

(i) "Base Operating Expenses" means the Operating Expenses for the calendar year 2011.

(ii) "Initial Operating Expense Payment Date" shall mean January 1, 2012.

(iii) "Operating Expenses" shall consist of all costs of operation, management, ownership, maintenance and repair of the Project (including Common Area plants and landscaping costs), all as determined in accordance with accepted principles of sound real estate management accounting practice, consistently applied. Notwithstanding anything to the contrary set forth in this Lease, for purposes of this Lease, Operating Expenses shall not, however, include the following:

(1) costs incurred in connection with the original construction of the Project or in connection with any major change in the Project, such as adding or deleting floors, and costs of the design and construction of tenant improvements to the Premises or the premises of any tenants or other occupants and the amount of any allowances or credits paid to or granted to tenants or other occupants for any such design or construction;

(2) depreciation, interest and principal payments on mortgages, bonds and other debt costs, if any, and any bad debt loss, rent loss, or reserves for bad debts or rent loss or any reserves of any kind;

(3) marketing costs, legal fees, space planners' fees, advertising and promotional expenses, and brokerage fees incurred in connection with the original development, subsequent improvement, or original or future leasing of the Building;

(4) costs of any items to the extent Landlord receives reimbursement from insurance proceeds (such proceeds to be excluded from Operating Expenses in the year in which received) or from a third party;

(5) costs associated with the operation of the Landlord, as the same are distinguished from the costs of operation of the Project, including accounting, IT, supervision support, legal matters, costs of defending any lawsuits with any mortgagee (except as the actions of the Tenant may be in issue (subject to Tenant Liability Cap)), costs of selling, syndicating, financing, mortgaging or hypothecating any of the Landlord's interest in the Building, and costs incurred in connection with any disputes between Landlord and its employees, between Landlord and Building management, or between Landlord and other tenants or occupants;

(6) the wages and benefits of any employee who does not devote substantially all of his or her employed time to the Building unless such wages and benefits are prorated to reflect time spent on operating and managing the Building vis-à-vis time spent on matters unrelated to operating and managing the Building; provided, that in no event shall Operating Expenses for purposes of this Lease include wages and/or benefits attributable to personnel above the level of Building manager (but Operating Expenses shall include prorated wages and benefits of the property manager), above the level of chief engineer (*i.e.*, prorated wages and benefits of the "facilities manager" and amount below that level would be included in Operating Expenses) or above the level of maintenance supervisor (and prorated wages and benefits of the property manager, chief engineer and maintenance supervisor may be included in Operating Expenses);

(7) late charges, penalties, liquidated damages, and interest or amount paid as ground rental or as rental for the Project by the Landlord;

(8) costs, including permit, license and inspection costs, incurred with respect to the installation of tenant improvements made for new tenants or other occupants in the Building or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant space for tenants or other occupants of the Building;

(9) costs of capital repairs and alterations, capital improvements and equipment and other capital expenses or expenditures, except for those that reduce Operating Expenses and then only to the extent of the actual cost savings achieved (in which case they shall be amortized on a straight line bases over their useful life);

(10) any amount paid by Landlord or to the parent organization or a subsidiary or affiliate of the Landlord for supplies and/or services in the Building to the extent the same exceeds the costs of such supplies and/or services rendered by qualified, first-class unaffiliated third parties (using union labor) on a competitive basis;

(11) any compensation paid to clerks, attendants or other persons in commercial concessions operated by or on behalf of the Landlord;

(12) rentals and other related expenses incurred in leasing air conditioning systems, elevators or other equipment (i) which are not commercially reasonable either as to type or amount (based upon the practices of landlords of the Comparable Buildings), and (ii) which if purchased the cost of which would be excluded from Operating Expenses as a capital cost, except equipment not affixed to the Building which is used in providing janitorial or similar services and, further excepting from this exclusion such equipment rented or leased to remedy or ameliorate an emergency condition in the Building (such as equipment leased to alleviate an interruption in utilities, including HVAC);

(13) all items and services for which Tenant or any other tenant in the Building is obligated to reimburse Landlord, or which Landlord provides selectively to one or more tenants (other than Tenant) without reimbursement;

(14) electric power costs for which any tenant directly contracts with a public service company;

(15) costs, other than those incurred in ordinary maintenance and repair, for sculpture, paintings, fountains or other objects of art;

(16) rent for any office space occupied by Building management personnel;

(17) Landlord's general corporate overhead and general and administrative expenses (as opposed to costs increased by Landlord to operate, maintain, repair, and insure the Project, it being understood that the sums excluded under this item 17 are also excluded under item 5 above);

(18) costs incurred to comply with applicable Laws with respect to any Hazardous Material (including, without limitation, with respect to the monitoring, testing and reporting relating thereto) either (i) located on or below the surface of the Project, (ii) for asbestos or (iii) located in the Project;

(19) costs arising from Landlord's charitable or political contributions;

(20) any above Building standard cleaning, including, but not limited to construction cleanup or special cleanings associated with parties/events, the cost of any training or incentive programs, other than for tenant life safety information services, [in-house legal and/or accounting (as opposed to office building bookkeeping) fees, legal fees and costs], settlements, judgments or awards paid or incurred because of disputes between Landlord and Tenant, Landlord and other tenants or prospective occupants or prospective tenants/occupants or providers of goods and services to the Project, and legal fees and costs concerning the negotiation and preparation of this Lease or any litigation between Landlord and Tenant;

- (21) any reserves retained by Landlord;
- (22) costs for extra or after-hours HVAC, utilities or services which are provided to Tenant and or any occupant of the Building and as to which either (x) Tenant is separately charged, or (y) the same is not offered or made available to Tenant at no charge;
- (23) costs of any insurance deductibles or premiums with respect to insurance obtained or required to be obtained by Landlord with respect to events clearly caused by tenants or their officers, employees, contractors, or agents (because such costs are required to be paid by the applicable tenant pursuant to its lease);
- (24) any fee imposed in connection with the management of the Project that is in excess of the lesser of (i) a fair market management fee (based on Comparable Buildings) or (ii) four (4%) of the gross revenue of the Project;
- (25) costs arising from the negligence, illegal acts or willful misconduct of Landlord or the Landlord Parties;
- (26) in the event any facilities, services or utilities used in connection with the Project are provided from another building owned or operated by Landlord or vice versa, the costs incurred by Landlord in connection therewith shall be allocated to Operating Expenses by Landlord on a reasonably equitable basis;
- (27) costs associated with material portions of the Common Areas dedicated for the exclusive use of other tenants of the Building, except to the extent Tenant is given its pro-rata share (rentable square feet in the Premises in relation to rentable square feet in the Building) of comparable Common Areas;
- (28) advertising and promotional expenses and costs of signs in or on the Building identifying the owner of the Building (except for costs for maintaining Building directories and Building standard suite signage) or other tenants' signs, any entertainment, dining or travel expenses for any purpose, the costs of any flowers, gifts, balloons, etc. provided to any prospective tenants, Tenant, other tenants, and occupants of the Building, costs reimbursed to Landlord under any warranty carried by Landlord for the Building, which warranties Landlord shall use commercially reasonable efforts to enforce, costs of parties, costs of specialty clubs and services, and costs of magazine and newspaper subscriptions;
- (29) all assessments and premiums which are not specifically charged to Tenant because of what Tenant has done, which can be paid by Landlord in installments, shall be paid by Landlord in the maximum number of installments permitted by law and shall be included as Operating Expenses in the year in which the assessment or premium installment is actually paid;
- (30) costs arising from any voluntary special assessment on the Building or the Project by any transit district authority or any other governmental entity having the authority to impose such voluntary assessment;

- (31) any “validated” parking for any entity;
- (32) costs of any “tap fees” or any sewer or water connection fees for the benefit of any particular tenant in the Building;
- (33) costs of management software, computers and computer-related technology used to manage the Building;
- (34) the cost of earthquake insurance and the cost of any earthquake insurance deductible to the extent not amortized over twenty-five (25) years;
- (35) costs of operating, maintaining and/or repairing the Parking Structure, including without limitation, employee salaries or third party operator costs;
- (36) the cost of any janitorial, utilities or trash service supplied to any restaurant or retail tenant of the Building (provided that the foregoing shall not exclude from Operating Expenses the cost of janitorial service supplied by Landlord for the Common Areas);
- (37) the cost of any janitorial services provided to other tenants of the Building if Tenant elects by written notice to Landlord to provide its own janitorial services for the Premises (provided that the foregoing shall not exclude from Operating Expenses the cost of janitorial service supplied by Landlord for the Common Areas); and
- (38) the cost of any electrical or HVAC provided to other tenants or occupants of the Building to the extent Tenant is paying for its own use of such utilities directly.

In the event and to the extent Landlord incurs costs or expenses associated with or relating to separate items or categories or subcategories of Operating Expenses which were not part of Operating Expenses during the entire applicable Base Operating Expenses, Operating Expenses for the applicable Base Operating Expenses shall be deemed increased by the amounts Landlord would have incurred during the applicable Base Operating Expenses with respect to such costs and expenses had such separate items or categories or subcategories of Operating Expenses been included in Operating Expenses during the entire applicable Base Operating Expenses. If Landlord is not furnishing any particular work or service (the cost of which, if performed by Landlord, would be included in Operating Expenses) to a tenant who has undertaken to perform such work or service in lieu of the performance thereof by Landlord, Operating Expenses shall be deemed to be increased by an amount equal to the additional Operating Expenses which would reasonably have been incurred during such period by Landlord if it had at its own expense furnished such work or service to such tenant. If the Building is not at least ninety-five percent (95%) occupied during all or a portion of the applicable Base Operating Expenses or any comparison year), Landlord shall make an appropriate adjustment to the variable components of Operating Expenses for such year by employing sound real estate accounting and management principles, consistently applied,

to determine the amount of Operating Expenses that would have been incurred had the Building been ninety-five percent (95%) occupied; and the amount so determined shall be deemed to have been the amount of Operating Expenses for such year. Landlord shall (i) not make a profit by charging items to Operating Expenses that are otherwise also charged separately to others, and (ii) Landlord shall not collect Operating Expenses from Tenant and all other tenants/occupants in the Building in an amount in excess of what Landlord incurred for the items included in Operating Expenses plus a fair market management fee (not to exceed four percent of gross revenues from the Project). Any refunds or discounts actually received by Landlord for any category of Operating Expenses shall reduce Operating Expenses in the applicable year (pertaining to such category of Operating Expenses).

(iv) As used herein, the term “Tax Expenses” shall include any form of assessment, license fee, license tax, business license fee, transit tax or fee, commercial rental tax, levy, charge, penalty (other than tax penalties, interest or late charges incurred as a result of Landlord’s negligence, inability or unwillingness to make payments when due) tax or similar imposition, imposed by any authority having the direct power to tax, including any city, county, state or federal government, or any school, agricultural, lighting, drainage, transportation or other improvement or special assessment district thereof, as against any legal or equitable interest of Landlord in the Building and the Premises, or any portion thereof, including, but not limited to, the following:

(1) any tax on Landlord’s right to rent or right to other income from the Premises or as against Landlord’s business of leasing the Premises;

(2) any assessment, tax, fee, levy or charge in substitution, partially or totally, of any assessments, taxes, fees, levies and charges that may be imposed by governmental agencies for such services as fire protection, street, sidewalk and road maintenance, refuse removal and for other governmental services formerly provided without charge to property owners or occupants. It is the intention of Tenant and Landlord that all such new and increased assessments, taxes, fees, levies and charges be included within the definition of Tax Expenses for the purposes of this Lease;

(3) any assessment, tax, fee, levy or charge allocable to or measured by the area of the Premises or the rent payable hereunder, including, without limitation, any gross receipts tax or excise tax levied by the state, city or federal government, or any political subdivision thereof, with respect to the receipt of such Rent, or upon or with respect to the possession, leasing, operating, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises, or any portion thereof; and

(4) any assessment, tax, fee, levy or charge upon this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises.

Notwithstanding any provision of this Section 8 expressed or implied to the contrary: (A) Tax Expenses shall not include (I) Landlord’s federal or state net income, franchise,

inheritance or estate taxes gift taxes, capital stock taxes, excess profits taxes and other taxes to the extent applicable to Landlord's general or net income (as opposed to rents, receipts or income attributable to operations at the Building), (II) tax penalties incurred as a result of Landlord's gross negligence, inability or unwillingness to make payments when due; (III) special assessments or special taxes initiated by Landlord as a means of financing improvements to the Building; (IV) any items paid by Tenant under Section 7 of this Lease; and (V) any amounts charged directly to Tenant or other tenants, including pursuant to Sections 7 or 10; and (B) there shall be no duplication of items included in Tax Expenses and items included in Operating Expenses. If the Building is no longer owned by a Governmental Entity (defined in paragraph (c) below) at any time during the Term and Tenant is obligated to pay to Landlord Tenant's Share of Tax Expenses as provided in Section 8(d) below, then Tenant shall have such rights to reasonably contest the validity or amount of Tax Expenses as are permitted by applicable Laws, at Tenant's sole cost, and Landlord shall reasonably cooperate with Tenant in connection therewith (at no cost to Landlord), provided that no such contest shall in any manner limit Tenant's obligation to pay Tenant's Share of Tax Expenses as and when required under this Lease. Refunds of Tax Expenses shall be credited against Tax Expenses and refunded to Tenant regardless of when received, based on the year to which the refund is applicable. All special assessments which may be paid in installments shall be paid by Landlord in the maximum number of installments permitted by law and not included in Tax Expenses except in the year in which the assessment is actually paid. Notwithstanding anything to the contrary contained herein, Tenant shall not be required to pay any increase in Tax Expenses resulting from any sale, refinancing or change in ownership in the Building occurring at any time during the Term (except that the foregoing shall not be construed to eliminate or reduce Tenant's obligation under Section 8(e) below to pay Tenant's Share of the amount by which Tax Expenses in any property tax year after the property tax year in which the current Landlord sells the Building to a non-government entity exceeds Tax Expenses for the tax year in which the current Landlord sells the Building to a non-governmental entity, annualized to reflect taxes and assessments for a full tax year at the rate in effect after the reassessment following the sale or change of ownership to the non-governmental entity).

(b) Commencing on the Initial Operating Expense Payment 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 otherwise specifically set forth herein, an amount per month estimated by Landlord in good faith on a category by category basis (the "Monthly Operating Expense Payment") for Tenant's Share of Operating Expenses that exceed the Base Operating Expenses (and if applicable under Section 8(e) below, also Tenant's Share of estimated Tax Expenses). Landlord shall use good faith efforts to notify Tenant in writing by December 1, 2011 of Landlord's estimate of Tenant's Share of Operating Expenses for 2012 in excess of the Base Operating Expenses. On the first anniversary of the Initial Operating Expense Payment Date, and on each subsequent anniversary of the Initial Operating Expense Payment Date during the Term of the Lease, including during any Extension Term for which an option to extend is properly exercised subject to any new Base Operating Expenses for such Extension Term (each such anniversary shall be referred to herein as an "Adjustment Date"), the Monthly Operating

Expense Payment (and Tax Expense payment if applicable) payable during the twelve (12) months commencing upon and following such Adjustment Date shall be increased to reflect Landlord's estimate of Tenant's Share of Operating Costs for that twelve (12) month period that exceed the Base Operating Expenses (and if applicable under Section 8(e) below, also Tenant's Share of estimated Tax Expenses). Landlord will use good faith efforts to notify Tenant of the revised estimate on or before the date that is thirty (30) days prior to the applicable Adjustment Date, but if such notice is not given, Tenant shall continue to make payments in the amounts previously estimated until Landlord gives Tenant such notice.

(c) As soon as reasonably practicable after the anniversary of the Initial Operating Expense Payment Date, and each subsequent anniversary of the Initial Operating Expense Payment Date, which Landlord shall endeavor to perform by April 1 of each year, Landlord shall furnish Tenant a statement on a category-by-category basis with respect to the preceding year, showing actual Operating Expenses (and if applicable under Section 8(e) below, actual Tax Expenses) owed by Tenant for that year in excess of the Base Operating Expenses, and the total payments made by Tenant with respect thereto. Notwithstanding anything to the contrary contained herein, Tenant shall not be responsible for Tenant's Share of any Operating Expenses or Tax Expenses attributable to any year which are first billed to Tenant more than two (2) calendar years after the earlier of the expiration of the applicable year or the expiration or earlier termination of the Term, provided that in any event Tenant shall be responsible for Tenant's Share of Operating Expenses or Tax Expenses levied by any governmental authority or by any public utility companies at any time following the expiration or earlier termination of the Term which are attributable to any year (provided that Landlord delivers Tenant a bill for such amounts within two (2) years following Landlord's receipt of the bill therefor). Unless Tenant raises any objections to Landlord's statement within ninety (90) days after it is given to Tenant, such statement shall conclusively be deemed correct and Tenant shall have no right thereafter to dispute such statement or any item therein or the computation of Tenant's share thereof. Additionally, if following Tenant's delivery to Landlord of a written request for a Tenant review, Landlord fails to make its accounting records for the applicable year reasonably available for such purpose, then the review period shall be extended one (1) day for each day that Tenant and/or Tenant's auditor (which must be a duly licensed CPA), as the case may be, is so prevented from accessing such accounting records. In no event shall the payment by Tenant of any Operating Expenses or Tax Expenses, or any amount on account thereof, preclude Tenant from exercising its rights under this Section 8(c). If Tenant does object to such statement, Landlord shall provide Tenant and any accountant selected by Tenant who is a duly licensed CPA with back-up books and records for the figures shown on the statement for Tenant to audit. In connection with the foregoing review, Landlord shall furnish Tenant with such reasonable supporting documentation relating to the subject statement as Tenant may reasonably request and Landlord will provide Tenant with reasonable space for such Tenant review and reasonable use of such available office equipment, but may charge Tenant for telephone calls and photocopies at Landlord's actual cost. If after such audit, Tenant still objects to Landlord's statement, the parties shall negotiate in good faith to resolve any disputes. In the event that following Tenant's review, Tenant and Landlord continue to dispute the amounts shown on Landlord's statement and Landlord and Tenant

are unable to resolve such dispute, then either Landlord or Tenant may submit the matter to judicial resolution and the proper amount of the disputed items shown on such statement shall be determined by such judicial resolution. If the resolution of the parties' dispute with regard to the Additional Rent shown on the statement reveals an error in the calculation of Tenant's Share of Operating Expenses or Tax Expenses to be paid for such year, the parties' sole remedy shall be for the parties to make appropriate payments or reimbursements, as the case may be, to each other as are determined to be owing, plus interest at the Interest Rate from the date originally paid or owed. Any such payments shall be made within thirty (30) days following the resolution of such dispute. At Tenant's election, Tenant may treat any overpayments resulting from the foregoing resolution of such parties' dispute as a credit against Rent until such amounts are otherwise paid by Landlord. Tenant shall be responsible for all costs and expenses associated with Tenant's review, and Tenant shall be responsible for all reasonable audit fees of Tenant, as well as attorney's fees and related costs of Tenant (collectively, the "Costs"), provided that if the parties' final resolution of the dispute involves the overstatement by Landlord of Operating Expenses or Tax Expenses for such year in excess of five percent (5%), then Landlord shall be responsible for all Costs. This provision shall survive the termination of this Lease to allow the parties to enforce their respective rights hereunder. Any amounts due Landlord or Tenant shall be paid at the time and in the manner set forth below. Any objection of Tenant to Landlord's statement and resolution of any dispute shall not postpone the time for the payment of any amounts due Tenant or Landlord based on Landlord's statement, nor shall any failure of Landlord to deliver Landlord's statement in a timely manner relieve Tenant of Tenant's obligation to pay any amounts due Landlord based on Landlord's statement except as specifically provided above (provided that in the event that such failure continues for a period of six (6) months following receipt of notice from Tenant, Tenant may elect to seek specific performance).

If Tenant's Share, as finally determined for a calendar year, exceeds the total payments made by Tenant on account thereof, Tenant shall pay Landlord the deficiency within twenty (20) days after Landlord's delivery to Tenant of Landlord's statement. If Tenant shall have overpaid, then Tenant's excess payments shall be credited toward the Rent next due from Tenant under this Lease. For any partial calendar year at the end of the Term, Additional Rent shall be prorated on the basis of a 365-day year by computing Tenant's Share for the entire year and then prorating such amount for the number of days during such year included in the Term. Notwithstanding the termination of this Lease, Landlord shall pay to Tenant or Tenant shall pay to Landlord, as the case may be, within twenty (20) days after Landlord delivers to Tenant a final statement for the calendar year in which this Lease terminates, the difference between Tenant's Share for that year, as finally determined by Landlord, and the total amount previously paid by Tenant on account thereof.

(d) 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 City or by any other public entity or government, including without limitation a municipal corporation (collectively, a "Governmental Entity"), this Lease and Tenant's interest hereunder constitutes 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 prior to the date due, or, if such taxes are not separately assessed, then in accordance with the further provisions of this Article). Tenant shall pay such taxes to the levying authority.

(e) In the event the current Landlord sells the Building (or there is otherwise a change in ownership) to a non-governmental entity, then for so long as the Building is owned by a non-governmental entity, Tenant shall pay to the non-governmental Landlord Tenant's Share of the Tax Expenses that exceed an amount reasonably estimated by the new owner as the amount of property taxes that would have been payable for the 2010/2011 property tax year if Landlord were not tax exempt. Tenant's payment of such Tax Expenses shall include increases that result from any further "change in ownership" (as defined by applicable property tax law) by the non-governmental Landlord.

9. USE; RESTRICTIONS ON DELIVERIES; HAZARDOUS MATERIALS.

(a) Tenant shall use the Premises for the use set forth in Section 1(h) above subject to the limitations hereinafter set forth. 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, applicable fire-life safety codes of the City of Beverly Hills, and governmental requirements imposed in connection with the development or occupancy of the Building, including, without limitation, participation in any mandatory 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 Laws (including new Laws and changes in Laws), except that Tenant shall not be required to make structural or capital alterations or improvements to the Premises required to comply with applicable Laws unless such compliance is necessitated by Tenant's particular non-general office use of, or non-general office Alterations to, the Premises and all such alterations and improvements shall be made by Landlord at its sole cost subject to the terms of Section 8 above. Tenant shall comply with all rules, orders, regulations and requirements of any insurance authority having jurisdiction over the Building or any present or future insurer relating to the Premises or the Building. Tenant shall promptly, within thirty (30) days after demand, reimburse Landlord for any additional premium charged for any existing insurance policy or endorsement required by reason of Tenant's failure to use the Premises for the Permitted Use and to comply with the provisions of this Section. Tenant shall not knowingly do or permit anything to be done in or about the Premises which will in any manner obstruct or interfere with the rights of other tenants of Landlord, or injure 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. Tenant shall not place a load upon the

Premises exceeding the average pounds of live load per square foot of floor area without Landlord's prior written consent (in Landlord's sole and absolute discretion), and Landlord reserves the right to reasonably 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.

(b) All deliveries (exclusive of United Parcel Service, U.S. Postal Service, Federal Express or other similar overnight or express courier services and food deliveries), loading, unloading and services to the Premises shall be conducted using the designated loading area, and shall not be permitted by any other route or means. Tenant shall use diligent and commercially reasonable efforts (which may require changing delivery service providers) to ensure that its delivery service(s) do not block, interfere with or restrict the use of any public street, right of way or alley providing access to the Building or Parking Structure.

(c) Except for supplies typically used in business offices in the ordinary course of business, such as ink and office cleaning products, 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 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 in, on, under or about the Premises or Building. In the event of a breach of the covenant contained in the immediately preceding sentence, or in the event Hazardous Materials are released or otherwise caused to be located in, on, under or about the Premises or Building 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 or Building, and sums paid in settlement of claims and for reasonable attorneys' fees, consultant fees and expert fees) which arise during or after the Term to the extent 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 and/or Building to the condition existing prior to the introduction of any such Hazardous Materials, provided Landlord's approval of such actions shall first be 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 shall survive the expiration of the Term or earlier termination of this Lease. Tenant shall have no obligation to investigate

or remediate any Hazardous Materials located in or as part of the Building or in any areas located outside the Premises that were not placed thereon or therein, by Tenant or any of Tenant's agents, contractors, employees, licensees or invitees. Landlord hereby represents and warrants to Tenant that, to Landlord's actual knowledge, Landlord has not received any notices from any governmental authorities identifying the presence of any Hazardous Material in, under or about the Building. Landlord further covenants that during the Term, Landlord shall not cause any Hazardous Materials to be introduced in, on or under the Building by Landlord, its agents, employees or contractors in violation of applicable Laws in effect at the time of such introduction. In addition, Operating Expenses shall not include the cost of remediation of any Hazardous Materials. For purposes hereof, "costs of remediation" shall mean the costs associated with the investigation, testing, monitoring, containment, removal, remediation, cleanup and/or abatement of any release of any such Hazardous Materials described in the immediately preceding sentence as necessary to comply with any applicable Laws.

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 and/or under the Comprehensive Environmental Response, Compensation and Liability Act, 42. U.S.C. §9601, et seq.

10. TAXES ON TENANT'S PERSONAL 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 or trade fixtures are levied against Landlord or Landlord's property or if the assessed value of the Premises or the Building is increased by Tenant's construction of any Alterations, the inclusion therein of a value placed upon such personal property or trade fixtures, Tenant shall pay the amount thereof as invoiced to Tenant by Landlord within thirty (30) days following Landlord's delivery of such invoice together with reasonable evidence of such allocation.

11. CONDITION OF PREMISES. Tenant acknowledges that (i) except for any express representations, or warranties included elsewhere in this Lease or the Exhibits to this Lease, 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 Building or the Parking Structure, and (ii) except for Landlord's express maintenance and repair obligations set forth elsewhere in this Lease, the obligation to correct latent defects to the extent they materially and adversely affect the ability of Tenant to use the Premises for their intended purposes, Landlord shall have no obligation to improve or alter the Premises or the Building or the Parking Structure for the benefit of Tenant.

12. INITIAL TENANT IMPROVEMENTS. Tenant shall perform the Tenant Improvements, as provided in Exhibits B-1 and B-2 attached hereto. The Tenant Improvements shall conform to the plans and specifications that, pursuant to the provisions of this Lease and Exhibits B-1 and B-2, shall have been approved by Landlord prior to commencement thereof. The construction of the initial Tenant Improvements shall be governed by Exhibits B-1 and B-2 to this Lease. Notwithstanding anything to the contrary, Landlord agrees that the fan which is located above (and shafted through) Suite 300 is currently calibrated to adequately serve the following areas of the Building: (i) the Premises; (ii) the common areas of the first and third floors; and (iii) Suite C on the 1st floor and Suite 350 of the Building. Should such fan's output be augmented in a manner which increases the vibration and noise within the Premises beyond the levels which are present as of the signature of this Lease, then Landlord shall take the necessary measures to remedy the situation in a manner which reduces noise and vibration back to (or below) their levels as of the signature of this Lease.

13. ALTERATIONS.

(a) Tenant shall not make or allow to be made any alterations, additions or other improvements (collectively, any "Alterations") of, in or to the Premises during the Term without obtaining Landlord's prior written consent (which consent shall not be unreasonably withheld or conditioned and shall be granted or denied within thirty (30) days); except, however, that Tenant may make interior, non-structural Alterations to the Premises costing less than Thirty -Five Thousand Dollars (\$35,000.00) per calendar year on a cumulative basis over the Term to date for all works of improvement which do not: (i) require the demolition of any portion of the Building (excluding Tenant Improvements), (ii) affect the roof of the Building, any structural portion of the Building or the mechanical or utility systems of the Premises or (iii) affect the exterior appearance of the Building, without Landlord's prior consent provided that Tenant gives Landlord at least thirty (30) days' prior written notice describing the Alterations in detail and including comprehensive plans and specifications, as applicable. Tenant shall also have the right without prior notice at any time to install phone, computer and telecommunications lines and cabling that are located entirely within the Premises (but not on or in the balcony). Any request for consent to Alterations requiring consent shall be accompanied by two (2) complete sets of plans and specifications for the proposed Alterations suitable for submission to Landlord's architect for evaluation and a statement of the identity of the contractor who will perform such Alterations. If Landlord's consent is required for any Alterations, Tenant shall pay all reasonable out-of-pocket costs incurred by Landlord in the evaluation, as applicable, of the plans and specifications, including, but not limited to, Landlord's general contractor's, architects' and engineers' fees. In addition, as a condition to Landlord's granting of its consent to any Alterations, Landlord shall have the right to approve the architect, contractors, subcontractors designing or performing such Alterations, such approval not to be unreasonably withheld or conditioned and shall be granted or denied within ten (10) business days (provided that in any event Building standard subcontractors shall be used for work affecting structural portions, or base building mechanical and utility systems so long as such subcontractors are competitively priced and reasonably available), and Landlord shall have the right to require that Tenant furnish assurances satisfactory to Landlord that all contractors and

subcontractors who will perform such work have in force workers' compensation insurance as required by Law and such other employer's and comprehensive general liability insurance in accordance with the standards set forth in Section 20(a) (but with a liability limit of not less than Two Million Dollars (\$2,000,000.00) for contractors and One Million Dollars (\$1,000,000.00) for subcontractors), and such other insurance as Landlord reasonably deems necessary to supplement the insurance coverage provided for in Section 20(a). All Alterations to be performed by Tenant in the Premises, including the delivery, storage and removal of materials, shall be reasonably scheduled through Landlord, and shall be performed in accordance with any reasonable and non-discriminatory conditions or regulations imposed by Landlord. All Alterations to be performed by Tenant requiring the consent of Landlord, or affecting in any way the common areas of the Building, the premises of other tenants or other tenants of the Building shall be subject to Landlord's reasonable supervision and inspection. All Alterations (whether or not Landlord's consent is required therefor) shall be completed in a good and workmanlike manner and in accordance with all applicable Laws. All Alterations requiring Landlord's consent shall be completed in accordance with the approved plans and specifications therefor. Promptly following the completion of any Alterations where the preparation of "as-built" plans would be customary for the particular Alterations performed, Tenant shall deliver to Landlord both a "hard" copy and a copy on CAD diskette of the "as-built" plans and specifications (including all working drawings) for such Alterations. Promptly following the completion of any Alterations for which any governmental permit, approval or sign-off is required under applicable Laws, Tenant shall deliver to Landlord a copy of signed-off permits, inspection cards or other documentation evidencing governmental approval of completion of the work. Promptly following the completion of any Alterations requiring Landlord's consent, Tenant shall cause to be recorded in the Office of the County Recorder of the County of Los Angeles a Notice of Completion in accordance with Section 3093 of the California Civil Code or any successor statute with respect to the work, and deliver a copy thereof to Landlord. In the event Tenant fails to so record the Notice of Completion as required pursuant to this Section 13(a), then such failure shall not, in and of itself, constitute a default hereunder but Tenant shall indemnify, defend, protect and hold harmless Landlord and the Landlord Parties from any and all loss, cost, damage, expense and liability (including, without limitation, court costs and reasonable attorneys' fees) in connection with such failure by Tenant to so record the Notice of Completion as required hereunder. Any supervision by Landlord of such Alterations shall in no event constitute Landlord's approval of the work so performed, nor shall Landlord be responsible for or have any liability with respect to such supervision or work.

(b) The initial Tenant Improvements made by Tenant pursuant to this Lease shall not be removed by Tenant from the Premises; provided, however, that Landlord may elect to require that Tenant remove Alterations at the expiration or earlier termination of the Term by written notice to Tenant at the time Landlord consents to the plans for the Alterations (or in the event no such consent is required, then within fifteen (15) days after Landlord's receipt of notice from Tenant of such Alterations); provided, however, Tenant shall have no obligation to remove any of the initial Tenant Improvements except that if Tenant elects to install a bathroom in the Premises, unless otherwise agreed to by Landlord in writing, Tenant shall remove all bathroom fixtures,

sub out all plumbing and cause such room to have a consistent flooring at the end of the Term. If Landlord requires Tenant to remove any Alterations as provided above, then, Tenant, at its sole cost and expense, shall remove them on or before the expiration of the Term or promptly after any earlier termination of this Lease and repair any damage to the Premises caused by such removal and Landlord shall have the right to reasonably approve the manner, plans, specifications and workmanship of all such removal and repair, however, such approval shall not be unreasonably withheld or conditioned.

(c) Notwithstanding the foregoing Section 13(b) or any other provision of this Lease, 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 that were not paid for with the Tenant Improvement Allowance and that were 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, storage or disposal, including court costs, reasonable attorneys' fees and storage charges, 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 good faith 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) Tenant may, at its sole cost and expense (and not with proceeds of the Tenant Improvement Allowance), install on the roof of the Premises an antenna or satellite dish for use by Tenant at the Premises subject to Landlord's approval of the size, method of installation and location thereof and compliance with all of the terms of this Section 13, which approval shall not be unreasonably withheld, conditioned or delayed, but may be conditioned upon the confirmation, at Tenant's cost, by warranty issuers that no roof warranty will be affected, and payment by Tenant of the cost of consultants to verify properly sealing and water proofing. Tenant (acting through licensed contractors designated in writing to Landlord) shall maintain the same as provided in Section 14

subject to compliance with any applicable roof warranty. In the event Tenant's installation, result in or contribute to any roof leaks, Tenant shall reimburse Landlord within twenty (20) days after written demand, as additional rent, for documented costs incurred by Landlord in repairing such leaks including costs of third party warranty consultants or inspections of the leaks and repair. Notwithstanding the foregoing, any such installations shall be installed/affixed/shielded in a manner that the same will be reasonably shielded from view from outside the Building and shall be removed by Tenant at Tenant's expense prior to the expiration (or promptly after any earlier termination) of this Lease, and Tenant shall restore the affected areas to their condition prior to the installations. The foregoing obligations shall survive the expiration and any earlier termination of this Lease.

14. MAINTENANCE AND REPAIRS.

(a) By Tenant. Except as provided in Section 14(b), Tenant shall keep, maintain and preserve the interior non-structural portions of the Premises and the Tenant Improvements and Alterations thereon in a good condition and repair, and shall, as and when needed, at Tenant's sole cost and expense, make all repairs to the interior non-structural portions of the Premises and all personal property, trade fixtures and equipment within the Premises. Subject to the provisions of Section 13(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 subsequently improved by the Tenant Improvements, except permitted Alterations and Tenant Improvements which Tenant is not required to remove under Section 13(b), and except ordinary and reasonable wear and tear and casualty. Except as otherwise provided in this Lease, 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 any maintenance, repairs, alterations or improvements made or required to be made by Tenant. 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) Tenant shall have the right to insure the Tenant Improvements; Landlord shall have no obligation to insure the Tenant Improvements.

(b) By Landlord. Landlord shall keep, maintain and preserve in good condition and repair, in a manner substantially consistent with the maintenance and operations standards employed by landlords of Comparable Buildings, the structural portions of the Building, including the foundation, decks/balconies, floor/ceiling slabs, roof, curtain wall, exterior glass and mullions, columns, beams, shafts (including elevator shafts), stairs, parking areas, stairwells (excluding internal stairwells), elevator cabs, pavement, sidewalks, curbs, entrances, landscaping, art work, sculptures, men's and women's public washrooms, Building mechanical, electrical and telephone closets, and all common and public areas (collectively, "Building Structure") and the base building mechanical, electrical, life safety, plumbing, sprinkler systems and HVAC systems and other building systems and equipment which were not constructed by, and are not for the exclusive use of, Tenant or Tenant Parties (collectively, the "Building Systems"). Notwithstanding anything in this Lease to the contrary, except to the extent covered by Landlord's insurance and the waiver of subrogation from Landlord's insurer, Tenant shall

be required to repair the Building Structure and/or the Building Systems to the extent required because of (i) Tenant's use of the Premises for other than normal and customary business office operations, or (ii) the negligence or willful misconduct of Tenant or the Tenant Parties.

15. LIENS. Tenant shall not permit any mechanics', materialmen's or other liens to be filed against the building 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.

16. ENTRY BY LANDLORD. Landlord and its employees, agents, representatives, consultants and/or contractors, upon prior written notice to Tenant, but in no event less than one (1) business day (except in an emergency, in which event no notice is required), delivered to Tenant at the Premises or communicated to Tenant by e-mail to manager@omcinc.net, shall have the right from time to time to enter the Premises to inspect the same, to supply any service to be provided by Landlord to Tenant hereunder, and/or to alter, improve or repair the Building or in order to show the Premises to prospective purchasers or encumbrancers or to prospective tenants, or to post "for lease" or other similar signs after any event of default by Tenant or during the last six (6) months of the Term. Landlord may make all such entries without being deemed guilty of any eviction of Tenant and, except as otherwise provided herein, 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 good faith efforts to minimize any interference with the operation of Tenant's business from the Premises resulting from any such entry and to perform such entry in as expeditious a manner as possible (except in the event of an emergency). Landlord shall use commercially reasonable efforts to schedule entries into the Premises under this Section 16 with Tenant so that Tenant, at Tenant's option, may provide a representative to accompany Landlord. Except as otherwise expressly provided herein, 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 Building as a result of any permitted entry. Landlord shall at all times have and retain a key with which to unlock all doors to and in the Premises, excluding Tenant's vaults, safes and reasonable special Security Areas designated in advance by Tenant (which may not consist of all or substantially all of 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; provided, however, that Landlord shall, subject to Section 18 of this Lease and to the extent that such damage is not covered by insurance required to be

carried by Tenant under this Lease or caused by any governmental agencies, repair any damage to the Premises caused by any such emergency entry into the Premises by Landlord. Notwithstanding anything to the contrary set forth in this Section 16, Tenant may designate certain limited areas of the premises as "Secured Areas" should Tenant require such areas for the purpose of securing certain valuable property or confidential information (but in no event may anything in such area obstruct windows or be visible from outside the Building). In connection with the foregoing, Landlord shall not enter such Secured Areas except in the event of an emergency. Landlord need not clean any area designated by Tenant as a Secured Area and shall only maintain or repair such Secured Areas to the extent (i) such repair or maintenance is required in order to maintain and repair the Building Structure and/or the Building Systems; (ii) as required by applicable laws, or (iii) in response to specific requests by Tenant and in accordance with a schedule reasonably designated by Tenant, subject to Landlord's reasonable approval. 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 alterations, improvements or decorations, except as otherwise expressly agreed in writing by Landlord.

17. HVAC; UTILITIES AND SERVICES.

(a) Subject to any limitations imposed by Law and events beyond the Landlord's control, Landlord shall provide heating, ventilation and air conditioning for the Premises, lobbies and restrooms when necessary for normal comfort in accordance with Exhibit "B" from 8:00 A.M. to 7:00 P.M. Monday through Friday and 9:00 A.M. to 1:00 P.M. on Saturdays, except for New Year's Day, Independence Day, Labor Day, Memorial Day, Thanksgiving Day, Christmas Day and, at Landlord's discretion, Martin Luther King Day ("Holidays"). The electricity consumed by the HVAC system shall be separately metered. Tenant shall have the right to use after-hours HVAC as and when desired by Tenant through a mechanism contained in the Premises, and Tenant shall reimburse Landlord from time to time within twenty (20) days after written demand for the actual costs incurred by Landlord to provide such after-hours HVAC, as additional rent, based on the following understanding: During any given period, at Landlord's discretion, Tenant shall reimburse Landlord, on a pass-through basis, (i) for all costs of electricity outside the Business Hours, and (ii) for its pro-rata share of any non-routine maintenance expenses (expenses that would not normally be included in Operating Expenses), by paying Landlord a percentage of such non-routine maintenance expenses that is equal to: the number of hours the system is operated by Tenant after-hours during such period divided by the total number of hours the system is operated during such period and then multiplied by 100.

(b) Subject to any limitations imposed by Law and events beyond Landlord's control, Landlord shall provide city water twenty-four (24) hours per day, seven (7) days per week, for drinking, office pantry, lavatory and toilet purposes in the Common Areas, from the Building outlets designed for that purpose. Landlord shall

provide adequate plumbing fixtures in the public restrooms in compliance with applicable law.

(c) Subject to events beyond Landlord's control, unless Tenant elects by thirty (30) days written notice to Landlord to provide janitorial services to the Premises, Landlord shall provide janitorial services to the Premises five (5) days per week (including restroom supplies) and window washing services in a manner consistent with Exhibit F attached hereto, excluding for Tenant's balcony area. If Tenant elects to provide janitorial services to the Premises at any time during the Term, one time during the remaining Term, Tenant may elect to again have Landlord provide the janitorial services to the Premises upon written notice to Landlord delivered by April 1 for the period commencing on July 1 thereafter.

(d) Subject to events beyond Landlord's control, Landlord shall provide nonexclusive, non-attended automatic passenger elevator service during the Building Hours and shall have one freight elevator available at all other times, including on the Holidays. Landlord will from time to time upon reasonable prior written notice schedule the use of one elevator by Tenant for move-in/move-out purposes and shall install temporary moving pads and protective temporary flooring in that elevator for such purpose.

(e) Subject to events beyond Landlord's control, Landlord shall provide reasonable access control services for the Building seven (7) days per week, twenty-four (24) hours per day, in a manner consistent with Comparable Buildings. Notwithstanding the foregoing, Landlord shall in no case be liable for personal injury or property damage for any error with regard to the admission to or exclusion from the Building of any person. Tenant may, at its own expense, install its own security system and/or its own security personnel ("Tenant's Security System") that is entirely within the Premises (but, subject to Section B 2 of Exhibit "B", cameras in the hallways will be allowed); provided, however, that Tenant shall coordinate the installation and operation of Tenant's Security System with Landlord to assure that Tenant's Security System is compatible with Landlord's security system and the Building Systems. Tenant shall be solely responsible, at Tenant's sole cost and expense, for the installation, monitoring, operation and removal of Tenant's Security System. Tenant's Security System shall be installed by Tenant in accordance with terms of Section 13 (and the requirement that Landlord approve the plans and specifications therefor) or Exhibit B-1, as applicable.

(f) Access to the elevators and after-hours Building access shall both be accomplished by the use of access cards provided by Landlord to Tenant and Tenant shall pay to Landlord, as additional rent, the actual cost to Landlord for all access cards in excess of the first five (5) access cards provided. (The first five access cards, excluding replacements thereof, will be provided by Landlord to Tenant free of charge.) Subject to events beyond Landlord's control, elevators shall be in operation twenty-four (24) hours per day, seven (7) days per week.

(g) Subject to events beyond Landlord's control, Landlord shall provide electrical current twenty-four (24) hours per day, seven (7) days per week,

through the electrical wiring and facilities for connection to Tenant's lighting fixtures and incidental use equipment in accordance with the requirements set forth in Exhibit "B". Tenant acknowledges that Landlord contracts for electricity and does not create or supply electricity directly. Tenant shall bear the cost of replacement of lamps, starters and ballasts for non-Building standard lighting fixtures within the Premises; replacements of lamps, starters and ballasts for standard lighting fixtures shall be included in Operating Expenses. Tenant agrees not to connect any apparatus or device with wires, conduits or pipes, or other means by which utilities are supplied, for the purpose of using amounts of such services in excess of the capacity within the Premises in accordance with the requirements of Exhibit "B".

(h) Except as otherwise provided herein, regardless of the entity which supplies any of the utility services, Landlord shall not be liable for any failure or interruption of any utility or service. Except as otherwise provided herein, 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; provided, however, that Landlord shall use commercially reasonable efforts to restore such service to the extent the restoration of the same is not the obligation of Tenant, the utility company or other third party.

(i) Landlord shall provide Tenant with appropriate contact information that Tenant may contact in the event of an emergency at the Premises or Building twenty-four (24) hours per day, seven (7) days per week (whether or not during Building Hours).

(j) Subject to Tenant's compliance with all applicable Laws, Tenant shall be permitted, at its sole cost and expense, to contract with any telecommunications and/or internet provider(s) of its choice to provide telecommunications and/or internet service to the Premises.

(k) Landlord acknowledges that, subject to the terms and conditions of this Lease regarding Tenant Improvements, Tenant may install its own supplementary HVAC system in the Premises.

18. INDEMNIFICATION. Subject to Section 20(b), Tenant shall indemnify, defend and hold Landlord harmless 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 expense, (collectively, "Claims"), to the extent arising or resulting from: (i) any acts or omissions of Tenant, its subtenants and/or assignees and their respective agents, employees, representatives, licensees, contractors and/or invitees (collectively, the "Tenant Parties") in, the Premises; and (ii) any default by Tenant of any obligations on Tenant's part to be performed under the terms of this Lease, provided that the terms of the foregoing indemnity shall not apply to the negligence or willful misconduct of Landlord or the Landlord Parties in connection with the Landlord Parties' activities in the Building (except for damage to the Tenant Improvements, Alterations, and/or Tenant's personal property, fixtures, furniture and equipment in the Premises, to the extent Tenant is required to obtain the requisite

insurance coverage pursuant to this Lease for any such Tenant Improvements, Alterations or personal property, fixtures, furniture or equipment). Pursuant to this Section 18, Tenant's agreement to indemnify, defend, protect and hold Landlord harmless, is not intended to and shall not relieve any insurance carrier of its obligations under policies required to be carried by Tenant pursuant to this Lease to the extent such policies cover the results of such acts, omissions or willful misconduct. The provisions of this section shall survive the expiration of the term or earlier termination of this Lease. Landlord agrees that Landlord shall not attach any items to the balconies adjacent to the Premises, including without limitation, signage.

19. DAMAGE TO TENANT'S PROPERTY; WAIVER. Notwithstanding finding anything to the contrary in this Lease, Landlord and 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); provided, that Landlord acknowledges that Landlord may be liable to Tenant's insurance carrier to the extent the waiver of subrogation by such carrier does not extend to personal injury claims or is not enforceable as to personal injury claims. Landlord or its agents shall not be liable for interference with light, air or other similar intangibles provided Landlord agrees not to place any signs (other than "for rent" signs permitted under this Lease) or super-graphics over Tenant's windows. Tenant shall give prompt notice to Landlord in case of fire or accidents in the Premises or the Building.

20. INSURANCE.

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

(i) With the exception of flood or earthquake coverage, Special Form property insurance (including a vandalism and malicious mischief endorsement and sprinkler leakage coverage) upon all of the Tenant Improvements and Alterations, if any, and 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 full replacement cost thereof.

(ii) Tenants' property insurance shall include business interruption coverage for interruptions to Tenant's operations of at least twelve (12) months.

(iii) 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 18 to the extent such contractual liability coverage is available), and products and completed operations liability, with a combined single limit of not less than Three Million Dollars (\$3,000,000.00). Such insurance shall name Tenant as named insured thereunder and shall name Landlord as additional insured thereunder, 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 an increase in such liability insurance limit if consistent with, practices for comparable premises within Comparable Buildings.

(iv) Workers' Compensation Insurance coverage in form and amounts as required by applicable Law. Employer's Liability Insurance shall be maintained on the Effective Date, in an amount not less than \$1,000,000 per occurrence and in the aggregate.

(v) Any other form or forms of insurance as Landlord may reasonably require in good faith from time to time.

The minimum limits of insurance set forth in this Section are not intended to limit the liability of Tenant under this Lease. All policies of insurance maintained by Tenant under this Section, shall be taken out with insurance companies holding a General Policyholders Rating of "A-" and a Financial Rating of "VIII" 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 any 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 be cancelable or reducible in coverage below the amounts required hereunder 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 obtain such insurance and Tenant shall reimburse Landlord for the cost thereof within thirty (30) days after written demand. 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 below the amount(s) required by this Lease as a result thereof.

(b) All policies of property damage insurance required to be maintained by Landlord or Tenant hereunder shall include a clause or endorsement denying the insurer any rights of subrogation, and Landlord and Tenant hereby waives any rights of recovery against the other for injury or loss due to risks covered by policies of property damage insurance to the extent insurance proceeds cover the injury or loss.

(c) Landlord shall, at all times from and after the delivery of the Premises to Tenant, maintain in effect a policy or policies of insurance covering the Premises and the Building to provide protection against any and all perils generally included within the "Special Form" classification, together with insurance against sprinkler damage, vandalism and malicious mischief, and, if available or if deemed necessary by Landlord, with a boiler and machinery endorsement. Unless Landlord elects to self-insure (in which event Landlord shall be deemed to have self-insured with reasonable deductibles and with a full waiver of subrogation), Landlord shall also maintain commercial general liability insurance for personal injury, bodily injury, property damage, automobile, Building operations hazard and contractual liability in the amount of at least \$5,000,000.00. Landlord's insurance may be brought within the coverage of any blanket policy or policies of insurance carried and maintained by Landlord or may increase from time to time if Landlord shall deem same necessary for adequate protection, so long as the coverage afforded under the applicable policy is not reduced or diminished as a result thereof. No insurable interest is conferred upon Tenant under any policies of insurance carried by Landlord, and Tenant shall not be entitled to share or receive proceeds of any insurance policy carried by Landlord.

21. DAMAGE OR DESTRUCTION.

(a) If the Premises or the Building shall be damaged or destroyed by fire or other casualty so as to render all or a portion of the Premises untenable, and the damage or destruction was not caused by the gross negligence or willful misconduct of Tenant or its contractors, employees, officers, members or agents or such Rent is covered (or that would be covered) by one (1) year of rental loss insurance, then, for so long as Tenant is not occupying the untenable portion of the Premises and the portion remains untenable, Tenant shall be entitled to an abatement of Tenant's obligation for payment of Rent on a proportionate basis including, in the event that Tenant performs any necessary repairs (including during a commercially reasonable period of build-out time for tenant improvements and a weekend to move in).

(b) In the event of the total destruction or Material Damage to the Premises and/or Building (*i.e.*, "Material Damage" meaning that the extent of the damage is such that it will take more than one (1) year to restore the Premises and Building) and the destruction or damage was not caused by the gross negligence or willful misconduct of Landlord or Landlord's agents or employees, cost 20% or more of the replacement cost of the Building repair the damage and to restore the Premises), then Landlord shall have the right to elect to terminate this Lease by written notice to Tenant delivered within sixty (60) days following the occurrence of the casualty; provided, however, in the event Landlord rebuilds the Building within three (3) years of the damage or destruction for a substantially similar use, Tenant shall have the first right to lease space in the Building substantially similar to the Premises at the rates that would have been applicable had this Lease not terminated. The proceeds from any insurance paid by reason of damage to or destruction insured by Landlord, shall belong to and be paid to Landlord. Except for abatement of Rent, 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. Unless Landlord or Tenant elects to terminate this Lease as herein provided, Landlord shall use reasonable diligence to repair any casualty to the Premises, Common Areas and Building (to restore such areas substantially to their condition prior to the casualty) to the extent of insurance proceeds available for such purpose plus any funds delivered by Landlord to Tenant for such purpose, subject to delays and adjustment of insurance proceeds, and excluding any damage to the Tenant Improvements, Alterations, furniture, furnishings, equipment, trade fixtures or other personal property that does not belong to Landlord, all of which shall be repaired or replaced forthwith by Tenant at its own expense.

(c) In the event of Material Damage to the Premises and/or Building, Landlord shall deliver written notice to Tenant within sixty (60) 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 Building and, subject to Section 21(b) above, whether Landlord plans to repair and restore the Building (regardless of the availability of insurance process) with an explanation of how the repair and restoration will differ from repair and restoration necessary to repair and restore the Building to its condition prior to the damages, if applicable), and if such estimated time exceeds one (1) year from the occurrence of the casualty (as extended by up to 120 days delays beyond Landlord's control) or, subject to Section 21(b) above, if Landlord does not intend to fully repair and restore the Building, then Tenant may terminate this Lease by written notice to Landlord within thirty (30) days following Tenant's receipt of such notice. Furthermore, if neither Landlord nor Tenant has terminated this Lease, and the repairs are not actually completed within one (1) year following the occurrence of the casualty (as extended by up to one hundred and twenty (120) days of delays beyond Landlord's control), Tenant shall have the right to terminate this Lease prior to the completion of such repairs by notice to Landlord. At any time, from time to time, after the date occurring sixty (60) days after the date of the damage, Tenant may request that Landlord provide Tenant with a certificate from the architect or contractor described above setting forth such architect's or contractor's reasonable opinion of the date of completion of the repairs and Landlord shall respond to such request within fifteen (15) business days.

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

(e) Notwithstanding anything to the contrary contained herein, if the Building is wholly destroyed, or is partially damaged within the final twenty-four (24) 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 partial damage 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 ninety (90) consecutive days (or such shorter period as is then remaining in the Term), then provided the damage was not caused by Tenant or Tenant's agents, employees or contractors, Tenant or any of the Tenant Parties, Tenant may, by giving written notice no later than sixty (60) days after the occurrence of such damage or destruction, elect to terminate this Lease.

(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.

22. EMINENT DOMAIN.

(a) If any material portion of the Premises 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 untenable 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, 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. Except in the event of a condemnation by Landlord, 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 that were not paid for with the Tenant Improvement Allowance, which are taken or costs of Tenant's relocation and moving expenses, 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 under this Lease. If Landlord or a related entity claiming by or through Landlord is the condemning party, Tenant shall be entitled to make any and all claims available to Tenant for losses suffered as a result of such condemnation, including, without limitation, a claim for one hundred percent (100%) of the value of the leasehold estate. 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 abatement of Rent shall be made for the time during which Tenant is deprived of use on account of such taking and restoration (including, in the event that Tenant performs any repairs, abatement during a commercially reasonable period of build-out time and a weekend to move-in).

(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 13(c) with respect to surrender of the Premises and upon such payment shall be excused from such obligations.

(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 be exclusively governed by the terms of this Lease.

23. ASSIGNMENT AND SUBLETTING.

(a) Except in connection with an assignment or sublease permitted under Section 23(c) below, Tenant shall not voluntarily 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 shall not be unreasonably withheld and shall be granted or denied within thirty (30) days, but if not granted within such thirty (30) day period, consent shall be deemed given. Tenant shall not under any circumstances mortgage, pledge or otherwise encumber this Lease or the Premises. Except as otherwise expressly provided herein, any assignment, sublease or encumbrance without Landlord's prior written consent shall be voidable at Landlord's election. Except as otherwise set forth herein, any transfer of fifty percent (50%) or more of Tenant's ownership interests in one or more transfers shall constitute a voluntary assignment and shall be subject to the provisions of this Section 23.

(b) Tenant hereby stipulates and agrees that all of the following conditions are reasonable conditions to Landlord's consent to any subletting or assignment:

(i) the proposed subtenant or assignee does not intend to occupy the entire Premises (in the case of an assignment) or the portion sublet (in the case of a sublease);

(ii) Landlord disapproves of the subtenant's or assignee's creditworthiness in light of the responsibilities to be undertaken pursuant to the transfer, or the character of the business to be conducted at the Premises is not consistent with the quality of the Building as reflected by the then-existing tenants of the Building;

(iii) The proposed subtenant or assignee is a governmental agency or unit; or

(iv) Landlord has sufficient space available for lease on the third floor of the Building (or on any other floor if the existing restaurant that no longer leases such space and such space is available for office use) at market rates to accommodate the proposed subtenant or assignee in the Building.

(c) Notwithstanding anything contained to the contrary in this Section 23, Tenant may, without Landlord's prior written consent and without payment of Excess Consideration, assign this Lease or sublease all or any portion of the Premises to an Affiliate (hereinafter defined) of Tenant or to any entity which is buying the business, stock, membership interests or assets of Tenant, and may sublease to any entity which is supplying services to Tenant or to which Tenant is supplying services and which is occupying a portion of the Premises in connection with a particular project for a limited period of time provided the following conditions are met:

(i) At the time of the proposed transfer, Tenant is not in default of any of Tenant's obligations under this Lease beyond applicable notice and cure periods;

(ii) Tenant shall have given Landlord written notice of the transfer (with an explanation of the transfer) prior to the date of such transfer; and

(iii) With respect to an assignment, the Permitted Transferee furnishes Landlord promptly following the effective date of such transfer a written instrument satisfactory to Landlord agreeing to assume and be bound by all the conditions, obligations and agreements contained in this Lease upon the transfer.

(d) For purposes of this Section, the term "Affiliate" shall mean (i) an assignment to a transferee of all or substantially all of the interests in or assets or stock of Tenant whose net worth after the assignment (as shown by reasonable evidence delivered to Landlord) is equal to or greater than the net worth of Tenant immediately prior to the assignment, (ii) an assignment of the Premises to a transferee which is the resulting entity of a merger, consolidation or other reorganization of Tenant with another entity and whose net worth after the assignment (as shown by reasonable evidence delivered to Landlord) is equal to or greater than the net worth of Tenant immediately prior to the assignment, (iii) an assignment or subletting of all or a portion of the Premises to an affiliate of Tenant (an entity which is controlled by, controls, or is under common control with, Tenant) or (iv) an assignment or subletting of all or a portion of the Premises to any entity in which Gabriel Frem possesses management control (each, an "Affiliate"). "Control," as used in this Section 23(d), shall mean the ownership, directly or indirectly, of at least fifty percent (50%) of the voting securities of, or possession of the right to vote, in the ordinary direction of its affairs, of at least fifty percent (50%) of the voting interest in, any person or entity.

(e) No consent to an assignment or sublease shall constitute a waiver of any of the provisions of this Section 23 as to any other or further assignment or sublease. In the event Landlord's consent is required, Tenant shall notify Landlord in writing of Tenant's intent to assign this Lease or sublease the Premises, 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 Landlord shall, in its reasonable discretion, within thirty (30) days after receipt of such written notice and the financial responsibility information and such other information as may be reasonably requested by Landlord concerning the proposed assignee or subtenant, elect one of the following: (i) consent to such proposed assignment or sublease; or (ii) refuse such consent.

(f) 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 hereby agrees that (and, at Landlord's option, 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 24 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.

(g) In connection with any request for Landlord's consent to an assignment or sublease as required under the provisions of this Section, Tenant shall pay a processing fee to Landlord equal to \$1,000 as increased on each anniversary of the Commencement Date by a percentage equal to the percentage increase in the United States Department of Labor, Bureau of Labor Statistics' consumer Price Index for All Urban Consumers for the Los Angeles-Anaheim-Riverside statistical area (CPI U) (1982 84=100) the ("CPI") for the immediately preceding year, which shall be calculated by multiplying the then-current processing fee amount by a fraction, the numerator of which shall be the CPI most recently published prior to the beginning of such immediately preceding year and the denominator of which shall be the CPI most recently published prior to the end of such immediately preceding year. Should the Bureau of Labor Statistics discontinue the publication of the Index, or publish the same less frequently or alter the same in some other manner, then the most nearly comparable index or procedure as reasonably determined by Landlord shall be substituted therefor.

(h) Additionally, in the event any assignment or sublease requiring Landlord's consent is approved, Landlord shall receive as additional rent hereunder fifty percent (50%) of Tenant's "Excess Consideration" derived from such assignment or sublease. In the event of a sublease or assignment, "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 rent 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 (and reasonably documented) out-of-pocket costs incurred in connection with such sublease or assignment for: (i) changes, alterations and improvements to the Premises necessary for the transfer, (ii) brokerage commissions in connection with the transfer, (iii) reasonable improvement allowances or other bona fide cash allowances of a type and amount that are reasonable and are paid by Tenant to the transferee in connection with such transfer; (iv) attorneys'

fees incurred by Tenant, including attorneys' fees and/or processing fees paid to Landlord (collectively, "Subleasing Costs"). "Excess Consideration" shall also include, but not be limited to, key money, bonus money or other consideration paid by transferee to Tenant in connection with such transfer, 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 transferee in connection with such transfer. The determination of the amount of Landlord's applicable share of the Excess Consideration shall be made on a monthly basis as rent or other consideration is received by Tenant under the transfer. Notwithstanding anything contained herein to the contrary, under no circumstance shall Landlord be paid any Excess Consideration until Tenant has recovered all Subleasing Costs for such transferred space. 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.

(i) 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 all 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.

24. DEFAULT BY TENANT.

(a) The occurrence of any one or more of the following events shall constitute an "Event of 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) 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 any other subsection of this Section 24(a), 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 provide written notice to Landlord immediately, of the estimated cure period and 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) Any subletting or assignment in violation of Section 23 that is not cured within ten (10) business days after written notice from Landlord;

(b) In the event of any such Event of 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, whether for the same or a different tenant or use, and any reasonable concessions made to obtain a new tenant); 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.

(c) As used in Sections 24(b)(i) and (ii) above, the "worth at the time of award" is computed by allowing interest at the Interest Rate. As used in Section 24(b)(iii) above, the "worth at 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%).

(d) In the event of any such default by Tenant, Landlord may also elect 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), in which case Landlord shall not unreasonably withhold its consent to assignment or subletting.

(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 (i) 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. All reasonable costs incurred by Landlord in so performing shall immediately be 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 (including reasonable attorneys' fees) incurred by Landlord in collecting Rent or enforcing the obligations of Tenant under the Lease pursuant to this Section shall be paid by Tenant to Landlord within thirty (30) days following written demand.

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

25. DEFAULT BY LANDLORD; LIMITATION OF LIABILITY.

(a) Landlord shall not be in default hereunder unless Landlord fails to perform the obligations required of Landlord within 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. Unless such default materially interferes with Tenant's use of the Premises and/or its parking for more than sixty (60) days during any twelve (12) month period (in which case Tenant may, at anytime during which such material interference is continuing, terminate this Lease, immediately surrender possession of the Premises and the parking to Landlord and have no further obligation to Landlord hereunder except for obligations and liabilities arising prior to termination), Tenant shall not have the right to terminate this Lease as a result of Landlord's default and Tenant's remedies shall be limited to damages, an injunction and/or other equitable relief. Landlord's liability under this Lease shall, in any event, be limited to its interest in the Building. Upon any such default by Landlord under this

Lease, Tenant may, except as otherwise specifically provided in this Lease to the contrary, exercise any of its rights provided at law or in equity.

(b) In the event that Tenant is prevented from using, and does not use, the Premises or any portion thereof, as a result of (i) any repair, maintenance or alteration performed by Landlord (including repairs, maintenance and alterations required or permitted by Landlord hereunder), or which Landlord failed to perform, after the Commencement Date and required by this Lease, which substantially interferes with Tenant's use of or ingress to or egress from the Building or Premises; or (ii) any failure to provide services or utilities or ingress to and egress from the Building or Premises as required by this Lease (each an "Abatement Event"), then Tenant shall give Landlord notice of such Abatement Event, and if such Abatement Event continues for five (5) business days after Landlord's receipt of any such notice (the "Eligibility Period"), then to the extent covered by the one (1) year of rental loss insurance maintained by Landlord (or that would be covered by such rental loss insurance had Landlord maintained it), then the Monthly Rent and Tenant's Share of Operating Expenses and Tax Expenses, if applicable, shall be abated or reduced, as the case may be, after expiration of the Eligibility Period for such time that Tenant continues to be so prevented from using, and does not use, the Premises, or a material portion thereof, in the proportion that the rentable area of the material portion of the Premises that Tenant is prevented from using, and does not use ("Unusable Area"), bears to the total rentable area of the Premises. In the event that, as a result of such a cause, Tenant is prevented from using, and does not use, the Unusable Area for a period of time in excess of the Eligibility Period and the remaining portion of the Premises is not sufficient to allow Tenant to effectively conduct its business therein, and if Tenant does not conduct its business from such remaining portion, then for such time after expiration of the Eligibility Period during which Tenant is so prevented from effectively conducting its business therein, the Monthly Rent and Tenant's Share of Operating Expenses and Tax Expenses, if applicable, for the entire Premises shall be abated for such time as Tenant continues to be so prevented from using, and does not use, the Premises. If Tenant's right to abatement occurs because of an eminent domain taking, condemnation and/or because of damage or destruction to the Premises and/or the Building, Tenant's abatement period shall continue until Tenant has been given sufficient time, and sufficient ingress to, and egress from the Premises, to rebuild such portion it is required to rebuild, to install its property, furniture, fixtures, and equipment to the extent the same shall have been removed as a result of such damage or destruction or temporary taking and to move in over a weekend and the Eligibility Period shall not be applicable. If Tenant's right to abatement occurs during Tenant's initial free-rent period after the Commencement Date, then such free-rent period shall be extended for the number of days that the abatement period "overlapped" said free-rent period.

26. NONDISTURBANCE, ATTORNMENT AND SUBORDINATION.

Landlord shall also obtain a commercially reasonable subordination, non-disturbance and attornment agreement ("SNDA") from any other future Lienholder as a condition precedent to Tenant's agreement to subordinate this Lease to the lien of any such Lienholder. Upon request of Landlord, Tenant shall, within ten (10) business days execute, acknowledge and return the SNDA to Landlord for the benefit of any Lienholder. For purposes of this Lease, a "Lienholder" shall mean any mortgagee under

a mortgage, beneficiary under a deed of trust, and any lessor under a master lease or ground lease, encumbering all or a portion of the Building.

27. ESTOPPEL CERTIFICATES. Within thirty (30) days following any written request by either party to the other, the party receiving the request shall execute and deliver to the other a statement, in a form reasonably satisfactory to the parties, certifying: (i) the Commencement Date; (ii) 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 sums payable under this Lease have been paid; (iv) that, to such party's actual knowledge (which may, in the case of the Landlord, be the knowledge of the City Manager), there are no current defaults under this Lease by either Landlord or Tenant except as specified in such statement; and (v) such other matters reasonably requested. any statement delivered pursuant to this Section may be relied upon by any existing or prospective mortgagee, beneficiary, encumbrancer, transferee or purchaser of the interest of Landlord in the Building or this Lease or by any purchaser, lender or assignee of the interest of Tenant under this Lease or by any subtenant of Tenant.

28. 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 the Building. In the event of any transfer or assignment of such title, 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 arising under this Lease.

29. PARKING.

(a) As used in Section 1(i), the term "reserved" shall mean that the applicable parking spaces are marked "Reserved" (but not marked "Frem Investments"), and that upon notice by Tenant to Landlord that an unauthorized vehicle is located in a "reserved" space, Landlord shall use good faith efforts, which may include towing of the vehicle at owner's expense, in order to cause the vehicle to be moved. Tenant shall not have the right to tow any such vehicle.

(b) Landlord shall have the right, in Landlord's sole and absolute discretion, to modify or increase the charges for use of the Parking Structure (i.e., for monthly parking passes) annually in a manner consistent with other parking structures owned by Landlord. Except for employees, officers, council members and contractors of Landlord, other tenants in the Building shall not be charged parking rates less than those charged to Tenant.

(c) Notwithstanding anything to the contrary contained in this Lease, Tenant understands and acknowledges that the Parking Structure is 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 subject to Landlord's obligations under this Section 29. In the event that there is insufficient parking available to provide Tenant with its unreserved parking spaces, Tenant shall notify Landlord in writing describing the dates and times when sufficient space were not available and the number of spaces not available. Landlord will then cause its director of parking operations to meet with Tenant within ten (10) business days thereafter (as extended due to vacation or illness of such director of parking operations) to discuss the parking operations and Landlord shall promptly employ means acceptable to Landlord, in good faith, that attempts to provide the unreserved spaces to Tenant thereafter. If insufficient spaces are available to provide the unreserved parking spaces, the parking attendant may be given the keys to the applicable vehicle so that the attendant may find parking.

(d) It is understood that rules and regulations with respect to parking may be reasonably established and amended by Landlord from time to time. Landlord shall not enforce the rules and regulations against Tenant in a discriminatory manner without rational basis or adopt rules and regulations that discriminate against Tenant without rational basis. The use by Tenant's visitors, invitees and customers of the Parking Structure 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 person or entity of any of the established parking rules and regulations.

(e) Notwithstanding their status as members of the public, Tenant hereby agrees that Tenant and Tenant's partners, owners, supervisors, managers, contractors, employees and agents shall have no right to park in the Parking Structure except as expressly provided in this Lease. Tenant shall not permit or allow any vehicles that belong to or are controlled by Tenant or Tenant's owners, supervisors, managers, employees or agents to be loaded or unloaded in the Parking Structure. Tenant shall reasonably cooperate with Landlord in implementing policies and procedures to prevent unauthorized parking by Tenant's owners, supervisors, managers, employees, contractors and agents and to identify any of Tenant's owners, supervisors, managers, employees and agents that may be parking vehicles in the Parking Structure contrary to the terms herein. If Tenant permits or allows any of the activities prohibited herein or prohibited by the applicable parking rules and regulations then, in addition to such other rights and remedies that it may have, Landlord shall have the right, without notice, 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.

30. SIGNAGE. At Landlord's sole cost and expense, Tenant shall be entitled to Building standard signage on the Building directory and Building standard suite signage for each suite of the Premises upon Tenant's occupancy of the Premises after completion of the Tenant Improvements; provided, however, Landlord acknowledges and agrees that all such identifying entries shall not be personal to the Tenant and shall be provided by Landlord, subject to the terms hereof, to any transferee of Tenant permitted under Section 23 of this Lease. Tenant, if the Premises comprise an entire floor of the Building, at its sole cost and expense, may install signage anywhere in the Premises (including in the

elevator lobby of the Premises), provided that such signs are not be visible from the exterior of the Building. If other tenants occupy space on the floor on which any portion of the Premises is located, Tenant's identifying signage on such multi-tenant floor shall be Building standard signage as used by Landlord for other multi-tenant floors in the Building and shall comply with Landlord's then-current Building standard signage program. Landlord agrees to remove all signage, décor and pictures from the Common Areas on the third (3rd) floor of the Building except Building standard suite identification signage of other tenants on such floor and Landlord further agrees that Landlord shall consult with all tenants on the third (3rd) floor of the Building to come up with non-tenant specific décor and pictures for such third (3rd) floor Common Areas but Landlord shall have ultimate approval rights of décor and pictures chosen. Landlord shall, at Tenant's sole cost and expense, maintain all of Tenant's signage. Tenant shall be obligated to reimburse Landlord for all costs and expenses incurred by Landlord in connection with the same within thirty (30) days of billing therefor.

31. NOTICES. Except as expressly provided otherwise in Section 16, 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(es) designated in Section 1(a), or if to Landlord, at the address(es) 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 reputable overnight courier providing proof of delivery, the following business day, or (c) if mailed, on the date of receipt (or refusal to accept) shown on the return receipt.

32. HOLDING OVER. If Tenant holds over in the Premises after the expiration of the Term or earlier termination of this Lease, or if Tenant holds over after any holdover period permitted by the preceding sentence, then Tenant shall become a tenant at sufferance only, subject to the provisions of this Lease, except that Rent during such holding over shall equal one hundred fifty percent (150%) of the Monthly Rent in effect immediately prior to such expiration or termination. Acceptance by Landlord of Monthly 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 (except for any holdover allowed pursuant to the first sentence of this Section 32), 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.

33. 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 within all applicable notice and cure periods, 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.

34. BROKERS; LEASING COMMISSIONS. 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 Willa McNamarra Fields of Beitler Commercial Realtor Services (the "Broker") , and that it knows of no real estate broker or agent who is or might be entitled to a commission or fee in connection with this Lease except for the Broker. Landlord shall pay Broker a leasing commission under a separate written agreement between Landlord and Broker. In the event of any other claim for broker's or finder's fees or commissions in connection with this Lease, 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.

35. MISCELLANEOUS.

(a) Tenant shall faithfully observe and comply with the Rules and Regulations attached hereto as Exhibit C, and all non-discriminatory modifications thereof and additions thereto from time to time delivered in writing to Tenant, which Rules and Regulations shall not be unreasonably or discriminatorily modified or enforced in a manner which shall materially interfere with the conduct of Tenant's Permitted Use from the Premises or Tenant's use of or access to the Premises or the Parking Structure. Landlord shall not be responsible to Tenant for the violation or non-performance by any other person or entity or of any of said Rules and Regulations, however, Landlord shall use commercially reasonable efforts (without having to spend money, including no obligation to proceed to legal remedies for such failure) to enforce such non-performance against the other occupants and tenants of the Building, to the extent such non-performance against the other occupancy and tenants of the Building has a material adverse effect on Tenant's use of or access to the Premises or Parking Structure.

(b) This Lease shall be governed by 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) In the event either party shall institute any action or proceeding against the other party relating to this Lease, the party not prevailing in such action or

proceeding shall reimburse the prevailing 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 prevailing party, the prevailing party 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.

(e) 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 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.

(f) Submission of this document 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.

(g) Time is of the essence with respect to the performance of every provision of this Lease in which time of performance is a factor.

(h) 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.

(i) Tenant and Landlord shall execute and acknowledge a short form memorandum of this Lease for recording purposes in the form attached hereto as Exhibit D. Upon the expiration or earlier termination of this Lease for any reason, Tenant shall within five (5) business days following written request by Landlord, deliver to Landlord an executed, acknowledged and recordable quitclaim deed conveying to Landlord any and all interest Tenant may have under this Lease.

(j) In consideration of the benefits accruing hereunder, and notwithstanding anything contained in this Lease to the contrary, Tenant and all

successors and 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 interest in the Building, including prospective rent (not rent received in the past), insurance, condemnation and sale proceeds. Tenant and all such successors and assigns agree that the obligations of Landlord under this Lease do not constitute personal obligations of the directors or officers of Landlord, and Tenant shall not seek recourse against them or any of their personal assets for satisfaction of any liability with respect to this Lease. NOTWITHSTANDING ANY CONTRARY PROVISION CONTAINED IN THIS LEASE, LANDLORD SHALL NOT BE LIABLE UNDER ANY CIRCUMSTANCES FOR ANY 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.

(k) If in connection with obtaining financing for the Building or modifying any such financing, any lender shall request modifications of this Lease as a condition to Landlord obtaining such financing, Tenant will not unreasonably withhold or delay its consent thereto, provided that such modifications do not increase the obligations of Tenant hereunder (including monetarily) or otherwise materially and adversely affect Tenant's rights hereunder.

(l) 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.

(m) 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.

(n) 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 any of 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 or the general police powers, regulatory powers, rights, privileges and discretion of the City of Beverly Hills. 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.

(o) The City Manager of Landlord shall have the authority to give, in writing, all consents and approvals on behalf of the Landlord under this Lease.

(p) Time is of the essence with respect to the performance of every provision of this Lease in which time of performance is a factor. Whenever in this Lease a payment is required to be made by one party to the other, but a specific date for payment is not set forth or a specific number of days within which payment is to be made is not set forth, or the words "immediately," "promptly," and/or "on demand," or their equivalent, are used to specify when such payment is due, then such payment shall be due thirty (30) days after the date that the party which is entitled to such payment sends notice to the other party demanding such payment

(q) Any prevention, delay or stoppage due to strikes, lockouts, labor disputes, acts of God, acts of war, terrorist acts, inability to obtain services, labor, or materials or reasonable substitutes therefor, governmental actions, civil commotions, fire or other casualty, and other causes beyond the reasonable control of the party obligated to perform, except with respect to the obligations imposed upon Tenant with regard to Rent and other charges to be paid by Tenant or Landlord pursuant to this Lease (collectively, a "Force Majeure"), notwithstanding anything to the contrary contained in this Lease, shall excuse the performance of such party for a period equal to any such prevention, delay or stoppage and, therefore, if this Lease specifies a time period for performance of an obligation of either party, that time period shall be extended by the period of any delay in such party's performance caused by a Force Majeure.

36. FIRST RIGHT TO LEASE AVAILABLE SPACE. Landlord hereby grants to Tenant a continuing first right to lease all of the rentable square feet on the third (3rd) floor of the Building not leased by tenant under this lease (the "First Right Space"). Tenant's first right shall be on the terms and conditions set forth in this Section 36.

(a) Landlord shall notify Tenant (the "First Right Notice") from time to time when the First Right Space becomes available for lease to third parties (or when the First Right Space previously offered to and declined by Tenant remains available for lease to third-parties six (6) consecutive months following Tenant's decline thereof, provided Landlord is not then in negotiations to lease such First Right Space). Pursuant to such First Right Notice, Landlord shall offer to lease to Tenant the First Right Space.

(b) If Tenant wishes to exercise Tenant's first right with respect to the First Right Space, then within ten (10) business days of delivery of the First Right Notice to Tenant, Tenant shall deliver notice to Landlord (the "First Right Exercise Notice") irrevocably exercising its first right with respect to the First Right Space. The terms of Tenant's lease of the First Right Space shall be identical to the terms of Tenant's lease of the initial Premises, except that Landlord shall not provide any free rent or tenant improvement allowance for the First Right Space. If Tenant does not deliver the First Right Exercise Notice to Landlord within the ten (10) business day period, then Landlord shall be free to lease the First Right Space to anyone to whom Landlord desires on any terms Landlord desires; provided, that if Landlord shall fail to lease the First Right Space for a period of six (6) months and is not then in negotiation to lease the First Right Space, then Landlord shall again be obligated to deliver to Tenant a First Right Notice in accordance with the terms of this Section 36.

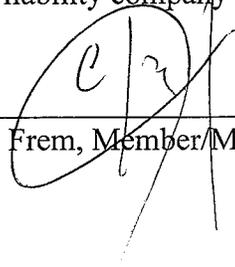
(c) Tenant shall construct improvements in the First Right Space in accordance with the terms of Exhibit B-1, provided that Tenant shall not be allowed for any tenant improvement allowance and/or tenant improvement construction period as and to the extent set forth in this Lease.

(e) If Tenant timely exercises Tenant's first right as set forth herein, Landlord and Tenant shall execute an amendment to this Lease adding such First Right Space to the Premises upon the terms and conditions of this Section. Tenant's lease of First Right Space shall be coterminous with Tenant's lease of the Premises. Notwithstanding anything to the contrary contained in this Lease, in connection with Tenant's lease of the First Right Space, in addition to its allocation of parking passes set forth in Section 1(i), Tenant shall have the right, but not the obligation to rent three (3) unreserved parking passes per each 1,000 rentable square feet of the First Right Space for unreserved parking spaces in the Parking Structure.

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

TENANT:

FREM INVESTMENTS, LLC, a California limited liability company



Gabriel Frem, Member/Manager

LANDLORD:

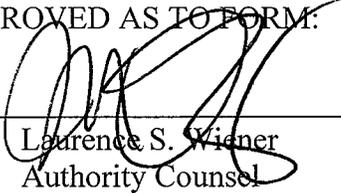
ATTEST:

_____(Seal)
Byron Pope
Secretary to Board of Directors

THE PARKING AUTHORITY
OF CITY OF BEVERLY HILLS,
a parking authority established pursuant to the
Parking Law of 1949 of the State of California

By: _____
Jimmy Delshad,
Chairman of the Board of Directors

APPROVED AS TO FORM:

By:  _____
Laurence S. Wiener
Authority Counsel

APPROVED AS TO CONTENT:

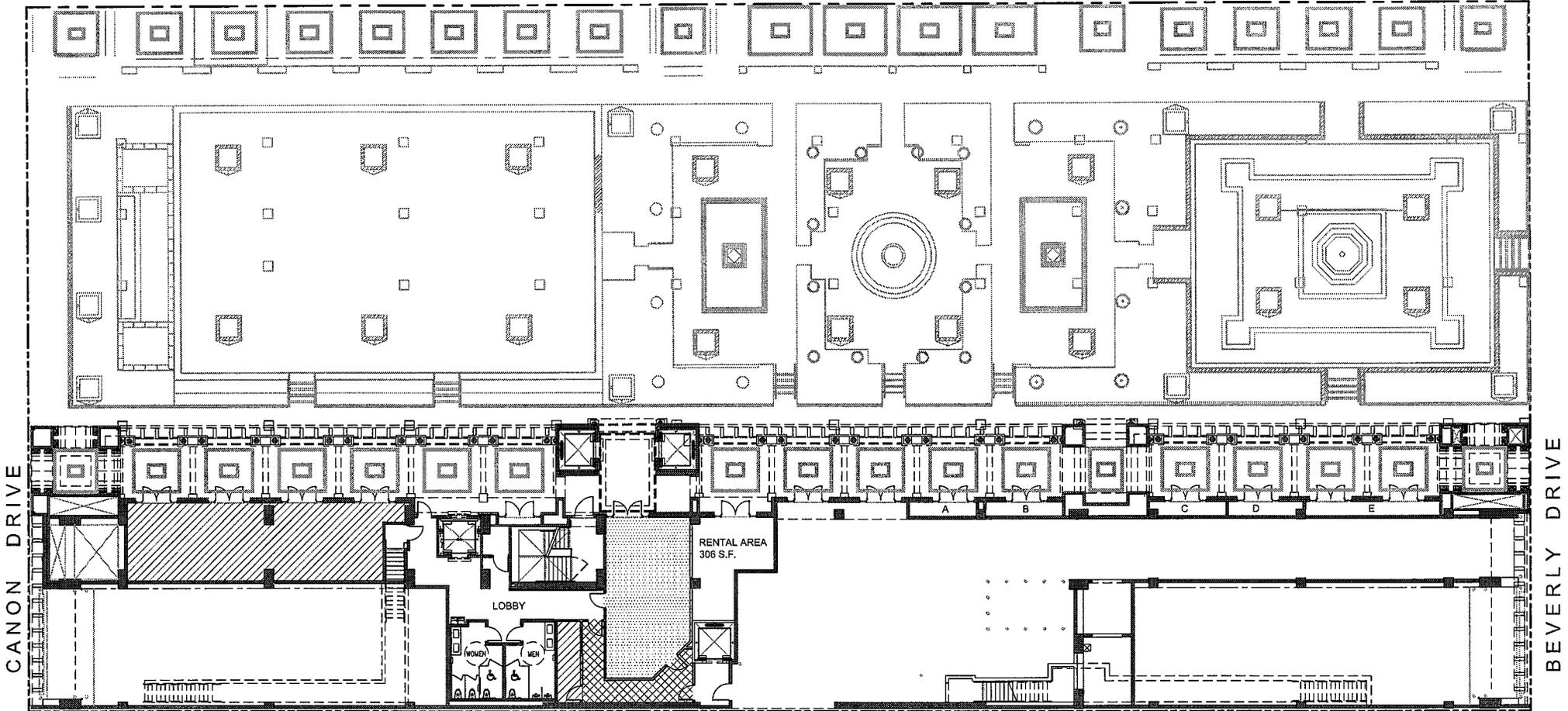
By: _____
Jeffrey Kolin,
Executive Director

By: _____
Scott Miller,
Director of Administrative Services/CFO

EXHIBIT A

DIAGRAM OF PREMISES

(Attached.)



VITRINE SPACES:

- VITRINE A - 45 S.F.
- VITRINE B - 45 S.F.
- VITRINE C - 45 S.F.
- VITRINE D - 45 S.F.
- VITRINE E - 84 S.F.

**BEVERLY HILLS GARDENS BUILDING
FIRST FLOOR PLAN**

scale: 1/16" = 1'-0"



EXHIBIT A-1

LEGAL DESCRIPTION AND DEPICTION OF PROJECT LAND

Lots 6, 7, 8, 22, 23, and 24, in Block 11 of Beverly, in the City of Beverly Hills, County of Los Angeles, State of California, as per the map recorded in book 11, page 94 of Maps, in the Official Records of said County.

EXHIBIT B-1

**TENANT IMPROVEMENTS AND
TENANT ALLOWANCE**

A. GENERAL

The Premises and all systems and equipment serving the Premises shall be delivered in good working order and condition, free of defects (and Landlord shall repair latent defects at Landlord's expense and not as an Operating Expense at any time discovered during the initial Term to the extent they adversely affect Tenant) and in compliance with all applicable building, use and occupancy codes, regulations and laws applicable to the City of Beverly Hills enacted as of the Commencement Date and applicable to new construction. In addition, Landlord shall deliver the Premises in accordance with Exhibit B-2.

The preparation of all design and working drawings and specifications relating to completion of the Premises for occupancy by Tenant and the letting of contracts relating to the Tenant Improvements and the supervision and completion of the Tenant Improvements, and payment therefor shall be the responsibility of Tenant (subject to reimbursement from or payment by the Tenant Improvement Allowance).

All Landlord approvals under this Lease and its exhibits must be obtained in writing from the City Manager of Landlord or his or her designee who is designated in writing by the City Manager. No approval by Landlord under the Lease and its exhibits shall relieve Tenant of the obligation to obtain any other required governmental permits or approvals (including such permits or approvals from the City of Beverly Hills). Tenant must obtain such permits or approvals for its work from the applicable building department of the City of Beverly Hills and other authorities having jurisdiction therefor. Tenant must submit evidence of these approvals (and reasonable evidence of its ability to pay projected costs in excess of the Tenant Improvement Allowance) to Landlord before commencing the Tenant Improvement work. Tenant shall be responsible for payment of all fees and charges incurred in obtaining said permits and approvals for the Tenant Improvements and for obtaining a certificate of occupancy for the Premises prior to commencing business in the Premises.

Tenant shall ensure that all the provisions and conditions contained or imposed in this Exhibit B-1 are observed and performed by all designers, contractors and trades engaged by Tenant.

**B. PLANS AND SPECIFICATIONS FOR THE TENANT
IMPROVEMENTS**

So that the Tenant Improvements may proceed without delay and in an efficient manner, the following provisions shall apply:

1. Target Dates; Early Entry by Tenant.

a) All designers or engineers employed by Tenant shall be familiar with the plans for the Building made available to Tenant to the extent necessary to complete the required architectural, mechanical and electrical working drawings and specifications.

b) Landlord shall continue to give Tenant and its architects, engineers and designers access to the Premises, prior to delivery of the Premises to Tenant for construction, for the purpose of inspecting, reviewing and measuring conditions within the Premises.

2. Submission of Preliminary Plans and Specifications. Landlord acknowledges that Tenant desires to install a new window within the Premises, make existing windows in the Premises “openable”, and install cameras above entry doors in the hallway; Landlord agrees to approve such requests subject to reasonable conditions and Landlord’s reasonable approval of plans for the exact improvements contemplated. Tenant will provide Landlord with three (3) printed sets of preliminary plans and specifications which shall demonstrate design intent and shall be subject to the approval of Landlord prior to Tenant’s preparation of detailed working drawings and design specifications, which approval shall not be unreasonably withheld or conditioned. Landlord shall within five (5) business days after receipt of the preliminary plans and specifications, approve them, approve them with conditions (which shall be stated in a reasonably clear manner) or disapprove them (based on a Design problem) and return them to Tenant with requested revisions. If Landlord disapproves the preliminary plans and specifications, Tenant shall resubmit the preliminary plans and specifications to Landlord and Landlord shall approve or disapprove the resubmitted preliminary plans and specifications based upon the criteria set forth in this Section within five (5) business days after Landlord receives such resubmitted preliminary plans and specifications. Such procedure shall be repeated until the preliminary plans and specifications are approved. The preliminary plans and specifications shall be accompanied by sample boards of finishes or an artistic rendering. Notwithstanding anything to the contrary contained herein, Landlord hereby approves (i) Wolcott as Tenant’s designer. Notwithstanding anything to the contrary contained herein, Landlord agrees that Tenant may desire to run plumbing or other conduits through other tenant spaces in the Building and Landlord agrees to cause the occupants of such spaces to reasonably cooperate with Tenant in a reasonable manner including without limitation, to provide reasonable periods of time for Tenant to complete such work.

3. Approval of Preliminary Plans and Specifications. Landlord shall notify Tenant either of its approval thereof or of any changes reasonably required by it. Landlord shall not require any improvements described in the preliminary plans, or any portion of them, to be removed by Tenant prior to the expiration (or promptly after any earlier termination) of this Lease. If changes are required, Tenant shall submit amended plans and specifications to Landlord for approval and Landlord shall grant or deny approval to the amended plans and specifications within five (5) business days from receipt.

4. Submission of Final Plans and Specifications. Within ninety (90) days after Landlord's approval of Tenant's preliminary plans and specifications (or conditional approval), Tenant shall submit three (3) printed sets of final plans and specifications, finish material samples and such other information as may be reasonably necessary for the Tenant Improvements to be approved by Landlord. Tenant's final plans shall include a schedule and other documentation reasonably acceptable to Landlord identifying all trade fixtures and equipment (along with the costs thereof) that Tenant proposes to be reimbursed from the Tenant Improvement Allowance. Landlord's approval of Tenant's final plans shall not be unreasonably withheld or conditioned.

5. Approval of Final Plans and Specifications; Later Changes. Landlord within ten (10) business days following receipt of the final plans and specifications shall notify Tenant of its approval of Tenant's final plans and specifications, approval with conditions (which shall be stated in a reasonably clear matter) or disapprove (based on a Design Problem) the final plans and specifications and return them to Tenant with requested revisions. If Landlord disapproves the final plans and specifications, Tenant may resubmit the final plans and specifications to Landlord at any time, and Landlord shall approve or disapprove the resubmitted final plans and specifications based upon the criteria set forth in this Section within five (5) business days after Landlord receives such resubmitted final plans and specifications. Such procedure shall be repeated until the final plans and specifications are approved. For purposes hereof, the phrase "Design Problem" shall mean any improvements which will: (i) affect the exterior appearance of the Building; (ii) affect the roof or any structural portion of the Building or any Building Systems; or (iii) fail to comply with applicable law.

6. Change Orders. In the event Tenant desires to materially change the approved final plans and specifications and such change consists of or would cause a Design Problem, Tenant shall deliver notice of the same to Landlord setting forth in detail the changes Tenant desires to make to the approved final plans and specifications. Landlord shall within five (5) business days after receipt of such notice of a change order approve the change or disapprove the change (based on a Design Problem) together with notice specifying the reasons for disapproval; provided that such five (5) business day period shall be extended to ten (10) business days if Landlord, in good faith, hires a consultant to review the applicable change order.

7. Working Drawings and Specifications. Each set of working drawings and specifications shall be of uniform size to a minimum scale of 1/8" to each foot and shall include, but not be limited to, the following:

- (1) floor plans;
- (2) reflected ceiling plans;
- (3) specifications, identification and colors of materials

for all plans and work;

- (4) interior elevations and finish schedule; and
- (5) engineered plans and specifications for all electrical, mechanical, and plumbing work, including details and performance information relating to all fixtures, equipment and any under-floor services, including conduit runs to be recessed or buried in the floor.

C. GENERAL REQUIREMENTS

1. Architect, General Contractor and Subcontractor Approval.

Landlord shall have the right to approve, which approval shall not be unreasonably withheld or conditioned and shall be granted or denied within five (5) business days, the architect (if other than Wolcott) and all contractors and subcontractors designing or performing construction of the Tenant Improvements and who will be working in the Building. All contractors and subcontractors who will perform such work must have in force workers' compensation insurance in the amount required by law and such other employer's and comprehensive general liability insurance in accordance with the standards set forth in Section 18(a) of the Lease (but with a liability limit of not less than Two Million Dollars (\$2,000,000.00) for contractors and One Million Dollars (\$1,000,000.00) for subcontractors), and such other insurance as Landlord reasonably deems necessary to supplement the insurance coverage provided for in Section 20(a) of the Lease.

2. Workmanship, Materials and Design and Construction Guidelines

Compliance. All of the Tenant Improvements required by Tenant to complete the Premises for occupancy:

- a) shall be carried out with good workmanship and with first class materials, which shall all be of a high quality and shall be conforming to the commercially reasonable standards of practice, and shall conform with applicable Laws.
- b) shall be constructed or performed in compliance with the Design and Construction Guidelines attached hereto.

3. Proof of Insurance.

Before commencing Tenant Improvements, Tenant shall furnish written proof to Landlord that the insurance required under Section C1 above by Landlord has been obtained and is in force. Landlord shall be named as an additional insured in such insurance.

4. Access and Rules.

Tenant and its contractors shall access the Premises through the service alley of the Building and the freight elevator, only, in order to execute Tenant Improvements, subject to compliance with non-discriminatory rules, regulations and stipulations which Landlord may make from time to time. These rules, regulations and stipulations may include, but shall not be limited to, matters relating to:

- a) the handling and storage of material and equipment;

b) hours of work and coordination of activity so long as Tenant is provided reasonable access twenty-four (24) hours per day, seven (7) days per week for construction that does not cause noise to emanate from the Premises and from 11:00 p.m. until 12:00 p.m. (i.e., noon) for construction that causes noise to emanate from the Premises;

- c) use of the facilities and utilities;
- d) scheduling of work;
- e) deliveries; and
- f) clean-up of work and the disposition of refuse.

5. Refuse Removal. Tenant shall at all times keep the Premises and all other areas clear of all waste materials and refuse caused by itself, its suppliers, contractors or by their work. Tenant shall remove all waste materials and refuse directly from the Premises and shall deposit them in places or in receptacles provided by Tenant at Tenant's sole cost and expense specifically for the disposal of waste materials and refuse in connection with the Tenant Improvements (which receptacles shall be located at a place reasonably designated by Landlord). In no event shall Tenant's construction debris be placed in with the rubbish and trash of other tenants. Landlord requires Tenant to clean up on a daily basis, and shall be entitled to clean up at Tenant's expense if Tenant fails to comply with Landlord's reasonable requirements in this respect.

At the completion of Tenant Improvements, Tenant shall remove all waste material and refuse from the Premises and deposit them in places or in receptacles designated by Landlord and shall remove all tools, equipment and materials from the Project. The final clean-up shall include the cleaning of all lighting fixtures, millwork units, storefronts and space which may be affected by the work.

6. Damage by Tenant. Subject to the waiver of subrogation contained in the Lease, any damage caused by Tenant's contractor or subcontractors constructing the Tenant Improvements to the Project, including the Building structure or the Building Systems, or to any property of Landlord or of other tenants shall be repaired by Tenant to the reasonable satisfaction of Landlord.

7. Failure to Perform Work. If Tenant's contractor performs any work which does not substantially conform with the approved plans and specifications and would consist of or cause a Design Problem, then Landlord, after thirty (30) business days' prior written notice to Tenant and Tenant's contractor, may without prejudice to any right or remedy Landlord may have, complete the work, remedy the defaults or make good any such deficiencies and Tenant shall reimburse Landlord for such costs, as additional Rent, within thirty (30) days after written demand.

8. Security Except to the extent resulting from Landlord's gross negligence or willful misconduct, Tenant shall be entirely responsible for the security of

the Premises during construction and Landlord shall not be liable for any loss or damage suffered by Tenant.

9. Fire Protection. Tenant shall maintain and keep on the Premises at all times during construction and the term of the Lease, a suitable portable fire extinguisher for Class A, B and C fires and shall comply with any additional requirements and regulations imposed by the fire marshal and all other appropriate governmental agencies.

10. Performance of Construction. Tenant shall diligently complete the Tenant Improvements.

11. Preparation of "As-built" Plans. Within sixty (60) days after the completion of the Tenant Improvements, Tenant shall deliver to Landlord both a "hard" copy and a copy on CAD diskette of the "as-built" plans and specifications (including all working drawings) for the Tenant Improvements.

D. Public Work; Prevailing Wage Requirement

Tenant acknowledges that the Tenant Improvements are a "public work" under Section 1720 of the California Labor Code and Tenant agrees that Tenant shall: (i) pay prevailing wages for all Tenant Improvement Work in accordance with Section 1720, et seq. of the California Labor Code; (ii) otherwise comply with the provisions of Sections 1773.8, 1775, 1776, 1777.5, 1777.6 and 1813 of the California Labor Code and all other applicable laws and regulations with respect to prevailing wages; and (iii) obtain payment and performance bond(s) for the Tenant Improvement Work.

E. Tenant Improvement Allowance

1. Landlord agrees to contribute up to the sum of Three Hundred One Thousand Seven Hundred Forty and No/100 Dollars (\$301,740.00) for the actual costs of design and construction of the Tenant Improvements, including without limitation, payment of the fees and costs of the architect, project manager and other consultants in connection with the design and construction of the Tenant Improvements, costs of construction of the Tenant Improvements, cost of electricity and parking, testing and inspection costs, trash removal costs, hoist fees, contractors' fees and general conditions, sales and use taxes and Title 24 fees, data and telecommunications cabling and conduit and any other costs of design and construction of the Tenant Improvements, but not for Tenant's antennas, satellite dishes, moving expenses, furniture or fixtures (the "Tenant Improvement Allowance"). In no event shall any unused portion of the Tenant Improvement Allowance be paid to Tenant or credited against any obligation payable by Tenant under this Lease. If Landlord fails to disburse any portion of the Tenant Improvement Allowance in violation of this Lease, Tenant so notifies Landlord in writing, and Landlord does not dispute the violation by written notice to Tenant given within twenty (20) days thereafter, then Tenant may deduct the amount that Landlord failed to disburse (in violation of the Lease) against rent and other sums payable by Tenant to Landlord under the Lease, but Landlord shall nevertheless have the right to later dispute the alleged violation and Tenant shall not be deemed to have had any right to

deduct from rent in the event it is finally determined that Landlord was not in violation of this Lease. Tenant may also deduct such sums against rent if it is finally determined by a court with jurisdiction that Landlord is obligated to disburse such sums and is in violation of the Lease for not disbursing such sums.

2. Subject to Section 3 below, Landlord shall pay to Tenant the Tenant Improvement Allowance for the actual costs of Tenant Improvements in monthly installments, within thirty (30) days after Tenant delivers written request to Landlord for payment describing the applicable Tenant Work (together with any additional supporting documentation reasonably requested by Landlord), subject to the satisfaction of the following conditions:

a) All building permits for the Tenant Improvements have been issued by the applicable governmental authorities and copies of such building permits have been delivered to Landlord;

b) Tenant has submitted to Landlord (i) all invoices for that portion of the Tenant Improvements for which payment is requested; and (ii) appropriate conditional lien releases and waivers from any and all contractors and materialmen that provided services or installed supplies to or for the account of Tenant (unconditional as to any work for which a disbursement of the Tenant Improvement Allowance was previously made) (provided that no lien releases shall be required of the architect, project manager and other consultants unless they have filed a preliminary notice); and

c) Tenant has completed that portion of the Tenant Improvements described on the invoices submitted for which the installment payment is requested; and

d) Tenant is not in default of any provisions of this Lease (provided that once all defaults are cured, the disbursement will then be made, if Landlord has not terminated this Lease).

3. Landlord shall be entitled to retain ten percent (10%) of each requested installment for the costs of the Tenant Improvements.

4. Landlord shall pay a final payment of the Tenant Improvement Allowance equal to ten percent (10%) of the costs of the Tenant Improvements (i.e., the retention described in Paragraph 3 above) for the actual costs of Tenant Improvements within thirty (30) days after Landlord's receipt of Tenant's written request thereof, together with documentation sufficient (in Landlord's reasonable determination) to establish that items (a) through (f) below have been satisfied:

a) All required inspections of the Tenant Improvements by the applicable governmental agencies have taken place and the completed Tenant Improvements have passed all such inspections;

b) Tenant has completed the Tenant Improvements;

c) Tenant has received a Certificate of Occupancy;

d) Tenant has submitted to Landlord (i) all invoices and proof of payment for all of the Tenant Improvements evidencing expenditures by Tenant of any amount equal to or greater than the amount of the Tenant Improvement Allowance; and (ii) appropriate final lien releases and waivers, conditioned only upon final payment of the applicable sum specified therein, from any and all contractors and materialmen which provided services or installed supplies to or for the account of Tenant with respect to the Tenant Improvements;

e) Tenant is not in default of any provisions of the Lease beyond applicable notice and cure periods.

f) All statutory lien periods have expired without the filing of a lien.

5. Within thirty (30) days after Landlord's final payment of the Tenant Improvement Allowance, Tenant shall submit to Landlord final, unconditional lien releases and waivers from any and all contractors and materialmen which provided services or installed supplies to or for the account of Tenant with respect to the Tenant Improvements.

6. Landlord will not charge Tenant any supervisory or administrative fees in connection with Landlord's Work or Tenant's initial tenant improvement work but Tenant will pay the actual costs incurred by Landlord for engaging a consultant (and all permit fees) to review Tenant's plans and specifications.

7. Neither Tenant nor Tenant's agents shall be charged for the use of water, security, toilet facilities, loading docks and/or the freight elevator during the construction of the Tenant Improvements and Tenant's move into the Premises. Subject to terms of this Exhibit, the foregoing items shall be made reasonably available to the contractor, architect, consultants and the subcontractors during the construction of the Tenant Improvements. Tenant shall pay for the actual cost of electricity and/or HVAC used in connection with the construction of the Tenant Improvements. Landlord agrees to provide Tenant's contractor, architect, consultants and subcontractors during the construction of the Tenant Improvements with reasonable parking accommodations (with key cards), including parking at monthly rates (\$60 per month) and discounted parking (\$3.00 per day) based on the understanding that much of such usage will be during other than normal business hours.

F. NON-COMPLIANCE

1. Non-Compliance. If Tenant or Landlord does not comply with the provisions of the Lease or any other agreement relative to the construction or occupation of the Premises, including this Exhibit, the non-defaulting party, in addition to and not in lieu of any other rights or remedies, may (subject to applicable notice and cure provisions) declare and treat such noncompliance as a default or breach of covenant

under this Lease and exercise any right available under the provisions of this Lease, including the right of termination.

2. Termination; Retention or Demolition of Tenant Improvements. In any event of termination pursuant to the above provision by Landlord, Landlord may further elect either to:

a) retain for its own use without payment therefor all or any of the Tenant Improvements which has been commenced, installed or completed to the date of such termination; or

b) forthwith demolish or remove all or any work and restore the Premises to the condition in which the same were prior to the commencement, installation or completion of all or such of the Tenant Improvements and recover the cost of so doing from Tenant.

EXHIBIT B-2

DESIGN AND CONSTRUCTION STANDARDS

General:

- If partition is to be erected against exterior windows such that the partition is visible from exterior, the partition shall be painted "Bitter-sweet Chocolate" to match other partitions of same condition in the building. Landlord to provide paint specification.
- Construction Hours –Twenty-four (24) hours per day, seven (7) days per week for construction that does not cause noise to emanate from the Premises and from 11:00 p.m. until 12:00 p.m. (i.e., noon) for construction that causes noise to emanate from the Premises.

Landlord Deliverables:

- Men's and Women's toilet rooms have been constructed pursuant to the base core and shell plans. If code deficient, Landlord shall upgrade restrooms to satisfy current ADA and Title 24 Building codes, if/as required by local governing agencies.
- Lighting - maximum of 2 watts of connected load per usable square foot for all lighting
- Power- maximum of 6 watts of connected load per usable square foot within the premises for all outlets and non-lighting requirements.
- Tenant, at its own cost and expense shall have the ability to install additional electrical power capacity (in excess of 6 watts) of electrical power capacity (including panels and transformers), if needed, within Premises and Tenant shall pay for above-standard usage;
- Adequate (for a normal office tenant) supply of cold water, waste and vent at two (2) connection points.

Construction Access:

- All construction foot traffic and construction material delivery shall be limited to the service alley and freight elevator only (to the extent available).
- All construction material shall be stored within the lease premises only.
- Construction shall not impact other tenants in the building. Construction noise, dust, vibration & odorous activities that are deemed disruptive by City shall be performed during the hours of construction of twenty-four (24) hours per day, seven (7) days per week for construction that does not cause noise to emanate

from the Premises and from 11:00 p.m. until 12:00 p.m. (i.e., noon) for construction that causes noise to emanate from the Premises.

- Routing of MEP, Phone, Data lines shall be limited to existing building shafts, common areas and stairwells.
- Construction noise and dust shall be such not to impact building operations and functions as well as other tenants in the building. If such activities are deemed disruptive by City, the activities shall be scheduled off hours.
- The roof equipment is shared with The Montage Hotel. Construction activity by tenant shall not impact any equipment on the roof. Any damage caused by Tenant's contractor shall be paid for by tenant.
- No construction staging allowed outside lease premises.
- Construction crew shall utilize Gardens Building freight elevator. Freight elevator shall be scheduled with a 24 hour advance notice for heavy and oversized deliveries.
- Construction hours shall be included in Contractor's base bid.
- The Loading dock and alley shall remain clean and free of construction debris at all times.

Protection of existing building Systems and Finishes:

- Prior to start of construction, contractor shall provide a photo documentation of the existing conditions of the building including MEP systems and finishes.
- Contractor shall protect all building equipment, systems, finishes including but not limited to the roof equipment, Equipment in the services Alley, all finishes in the construction path of travel. Contractor shall remain responsible for any damage to said items.
- There shall be no impact to the existing fire alarm system without a 72 hour prior notice. Any work on fire alarm shall be performed during off hours as determined by City.
- Testing and balancing of fire alarm, sprinklers, HVAC, and water shall be scheduled such not to impact the operation of the building and existing tenants.
- No work shall be performed on the exterior of the building or on the colonnade.
- The existing concrete floors are Post -Tensioned. X-ray of the floor is required prior to core drilling. Tenant to provide structural engineer's confirmation of core location to City prior to start of work.

The following items 1 through 9 designed and built to Landlord standard finishes and specifications:

1. Concrete floor;
2. Standard storefront and Windows matching the Hotel.
3. Thermally insulated exterior perimeter framed walls with drywall sanded, not painted. Columns framed without drywall. North exterior wall shall remain concrete block and concrete shear wall without drywall and framing;
4. Insulated roof to meet Title 24 energy requirements;
5. Fire sprinkler system, light hazard protection, (modifications additions or changes to any sprinkler heads shall be at tenant's cost);
6. Chilled Water Loop equal to 120 tons of air conditioning (HVAC unit, thermostat and smoke detectors to code at tenant's cost), open plenum (requires non-combustible space) for return air above ceiling (return air ducts if space is combustible), supply air ducts and registers for air circulation at tenant's cost;
 - A. Heat exchanger which circulates condenser water which will be tied into water source heat pumps which will be installed by Tenant.
 - B. Fresh air has been brought to the space for tie into future heat pumps.
 - C. Stair pressurization system has been provided by Code.
 - D. Tenant shall install a sub meter at the point of connection to the Chilled Water Loop to monitor tenant's specific use of chilled water at tenant's cost. Landlord shall invoice tenant for chilled water usage no less than quarterly.
7. Plumbing;
 - A. One 2" water service is provided and it extends to 1 riser located within the building.
 - B. A 4" sanitary sewer waste line is provided and extends from sewer tap at perimeter of site and 1 - 3" vent risers are located at each of the water service risers throughout the building.
8. Electrical service;
 - A. Power comes from SCE vault to TMB (Tenant Meter Board) located on P1. (Room P1206) under the hotel. This meter section will be providing 2000 Amps.
 - B. TMB will have one meter for house power and contains space for 5 future meters for all building tenants.
 - Two (2) – 2" empty conduit provided for future tenant
 - Future TI tenants will be responsible for pulling cable from the Garden Building to Electrical Room P1206 on P1 under the Hotel.
 - C. HDB will have:
 - (2) 25 Amps for mechanical units on roof.

- (2) 60 Amps for elevators at 42FLA each. This is not required to be on emergency because the building is classified as a low rise.
- (1) 100 Amps connected to panel HG located on P1 under the Garden Building to feed the house power in the Garden Building.

D. Emergency generator load for the Garden Building will only consist of the following:

- Path of egress throughout the building, i.e. in exit corridors and stairs, loading dock and lobby.

9. Technology Services:

A Public Utility Entrance Facility (P1153 - T3.01.01 in the Hotel) where voice, data, CATV and Satellite services will be offered to the hotel, residences, hotel retail tenants and tenants of the Garden Building is available.

All public utility services come into the Entrance Facility where they terminate on separate and segregated demarcation points for CATV, Telephone / Data, satellite and third party technology providers.

Voice and data services enter from the street, and satellite services are accessed from a satellite dish farm that is located on top of the hotel. From this point, satellite cabling shall extend to the Hotel MATV Room (P1154 - T3.03.01) where a satellite headend shall be established for hotel, residence and retail customers.

A retail feed shall exit the Hotel MATV Room and terminate in the Entrance Facility for services to the Garden Building, thus completing the representation of all technology services. Additional space in this room has been allocated for future wireless and wired technology services.

From the Entrance Facility, these services shall be delivered to the Garden Building via fiber optic, twisted pair and coaxial backbone that will extend to the Garden Building MER (Main Equipment Room) located on Level P2 (P2225 - T1.01.02).

Independent equipment and service providers will be allocated space to place network based equipment at this point to enhance and distribute the various technology signals.

From the Garden Building MER, there have been three 1 ¼" conduits extended to spaces in rooms 1211, 2216 and 3211. Within the conduits, two (2) category 6 cables, one (1) 25-pair category 3 voice cable, and/or one RG-11 coaxial cable has been provided to extend the retail customer signal to each of these areas.

1" telephone/data conduit only extending from telephone backboard in main electric room running up to the exterior lease line nearest such backboard location (additional telephone / data capacity shall be at tenant's cost).

EXHIBIT C

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 be installed or displayed on any part of the outside or inside of the Building (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 Building. 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 Building. Without Landlord's written consent, neither Tenant nor any employee or invitee of Tenant shall go upon the roof of the Building or enter any other areas restricted by Landlord; provided Tenant's contractors shall have the right to access the roof in connection with its rights under Section 13(d) of the Lease.

3. At Landlord's request, as a part of the Tenant Improvements, Tenant shall install new locks in, and re-key (or at its own option use electronic locks with access codes provided access is available by keyed lock as well), the Premises, and in such event, Tenant shall deliver a copy of a key (and, when applicable, access code) to all such locks to Landlord upon installation thereof. In addition, upon the termination of its tenancy, Tenant shall deliver to Landlord all keys in Tenant's possession to all doors and locks in the Premises.

4. All contractors and technicians rendering any service to Tenant after completion of the Tenant Improvements shall be referred to Landlord for approval (which approval shall not be unreasonably withheld, conditioned or delayed) 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 Building, (2) use the passenger elevators or (3) park anywhere in the Parking Structure except in the area reasonably designated by Landlord.

5. Without limiting Landlord's approval rights of Tenant Improvements, Landlord also shall have the right after completion of Tenant Improvements 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 in good faith, stand on such platforms as determined by Landlord in good faith 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 be approved by Landlord which approval shall not be unreasonably withheld, delayed or conditioned. 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.

6. 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 office cleaning or office supplies. 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 which allows noise, odors or vibrations to emanate from the Premises, nor shall Tenant bring into or keep in or about the Premises any birds or animals other than licensed "seeing-eye" dogs.

7. Tenant shall not use any method of heating or air conditioning other than that installed by Landlord or approved by Landlord as part of the Tenant Improvements.

8. Tenant shall cooperate 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, provided such cooperation will not materially and adversely affect Tenant's operation of its own HVAC in the Premises. Tenant shall keep corridor doors closed.

9. 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.

10. 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.

11. Tenant shall close and lock the doors of its Premises before Tenant and its employees leave the Premises.

12. The toilet rooms, toilets, urinals, wash bowls 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.

13. Intentionally Deleted.

14. Except as set forth in the Lease, Tenant shall not install any radio or television antenna, loudspeaker or other devices on the roof(s) or exterior walls of the Building. Tenant shall not interfere with radio or television broadcasting or reception from or in the Building or elsewhere.

15. Tenant shall not affix any floor covering to the floor of the Premises in any manner except as reasonably approved by Landlord to the extent required by the provisions of the Lease pertaining to Tenant Improvements or 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 Tenant Improvements or Alterations. Tenant shall repair any damage resulting from noncompliance with this rule.

16. Canvassing, soliciting and distribution of handbills or any other written material, and peddling in the Building or Common Areas (collectively, the "Project") are prohibited, and Tenant shall cooperate to prevent such activities.

17. 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 these Rules and Regulations.

18. 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.

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

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

21. Provided that such are applied to all tenants in the Building, 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 Building and for the preservation of good order therein, which Rules and Regulations shall not be discriminatorily modified or enforced in a manner which shall materially interfere with the conduct of Tenant's Permitted Use from the Premises or Tenant's use of or access to the Premises or the Parking Structure. Tenant agrees to abide by all such Rules and Regulations of which Tenant has been given written notice.

22. Tenant shall use commercially reasonable efforts to ensure the observance of all of the foregoing rules by Tenant's employees, agents, customers, invitees and guests.

23. Landlord reserves the right to charge as additional Rent to Tenant, any extra costs incurred by Landlord as a result of the violation of these Rules and Regulations by Tenant or by Tenant's employees, agents, customers, invitees and guests.

VISITOR PARKING

1. Unassigned parking is in the parking structure under the Building. Monthly parkers can enter and exit by card.
2. Visitors will draw a ticket and exit using the same ticket after paying at the pay-by-foot machine near the pedestrian path to the garage. Validation of the tickets will be possible, but equipment will be the Tenant's responsibility (i.e., Tenant may either buy "script" or "valometer" from Landlord).

EXHIBIT D

FORM OF 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 _____, 2010, by and between the CITY OF BEVERLY HILLS, a parking authority established pursuant to the Parking Law of 1949 of the State of California ("Landlord"), and Frem Investments, LLC, a California limited liability company ("Tenant").

RECITALS

A. Tenant and Landlord have entered into that certain Office Lease of substantially even date herewith (the "Lease"), pursuant to which Landlord has agreed to lease and demise to Tenant, and Tenant has agreed to lease and accept from Landlord, a portion (the "Premises") of that certain building located in the City of Beverly Hills, County of Los Angeles, State of California, commonly known as 240 N. Beverly Drive. The Premises are more particularly described in the Lease.

B. Tenant and Landlord 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 Landlord agree as follows:

1. Lease. Landlord hereby leases and demises to Tenant, and Tenant hereby leases and accepts from Landlord, the portion of the Property defined as the "Premises" at 240

N. Beverly Drive described in the Lease for an initial term of ten (10) years and two (2) months at the rental rates and upon the other terms and conditions set forth in the Lease, which 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:

THE PARKING AUTHORITY
OF THE CITY OF BEVERLY HILLS

By: _____
Jimmy Delshad
Chairman of Board of Directors

TENANT:

FREM INVESTMENTS, LLC, a California
limited liability company

Gabriel Frem, Member/Manager

ATTEST:

_____ (SEAL)

By: _____
Byron Pope
Secretary to Board of Directors

EXHIBIT E

NOTICE OF LEASE TERM DATES

To: Frem Investments, LLC
240 N. Beverly Drive, Suite 300
Beverly Hills, California 90210

Re: Office Lease dated _____, 2010 between the City of Beverly Hills ("Landlord"), and Frem Investments Los Angeles, LLC ("Tenant") for Suites 300 and 370 of the office building located at 240 N. Beverly Drive, Beverly Hills, California.

Gentlemen:

In accordance with the Office Lease (the "Lease"), we wish to advise you and/or confirm as follows:

1. The Lease Term shall commence on or has commenced on _____ for a term of _____ ending on _____.
2. Rent commenced to accrue on _____, and is in the amount of _____.
3. Your rent checks should be made payable to Parking Authority of the City of Beverly Hills at 655 N. Rexford Drive, Cashier's Office, Beverly Hills, California 90210.

"Landlord":

PARKING AUTHORITY OF THE CITY OF
BEVERLY HILLS

By: _____

Print Name: _____

Title: _____

Agreed to and Accepted

as of _____, 20__.

"Tenant":

FREM INVESTMENTS, LLC
a California limited liability company

By: _____

Print Name: _____

Title: _____

EXHIBIT F

JANITORIAL SPECIFICATIONS

1. OFFICE AREAS AND BALCONIES (All Floors)

a. Nightly Services (Five (5) nights per week)

i. General Offices and Balconies

1. Empty all waste and recycling receptacles and sort for recyclable versus non-recyclable. Clean, and reline when needed. Remove material to designated areas.
2. Vacuum all carpeted areas (moving only light furniture (desks, file cabinets, etc. not to be moved)), including conference rooms, reception areas, interior stairwells, hallways, corridors and individual offices. All hard surfaced flooring to be swept using approved dustdown preparation and damp mopped.
3. Wash and sanitize all drinking fountains and coolers.
4. Damp mop all hard surface areas that have been cleared of personal property by Tenant.
5. Spot clean carpets to remove light spillage. Report large spills and stains to supervisor.
6. Assure all designated locked doors are closed after area has been cleaned.
7. Activate all alarm systems as instructed by occupant (if applicable).
8. Arrange chairs at desk and conference room tables and turn off lights upon exiting.
9. Clean conference room tables that have been cleared of personal property by Tenant and remove any remaining food items.
10. Clean and sweep all lunchroom/eating areas. Wash and wipe tables that have been cleared of personal property by Tenant and counter tops that have been cleared of personal property by Tenant and clean sinks.
11. Remove scuff marks on floor as needed.
12. Hand dust and wipe clean all furniture, fixtures and window sills.
13. Sweep all private stairways.

ii. Lavatories

1. Sweep and wash all floors, using proper disinfectants.
2. Wash and polish all mirrors, shelves, bright work and enameled surfaces.
3. Wash and disinfect all basins, bowls and urinals.
4. Disinfect and wash all toilet seats.
5. Hand dust and clean all partitions, tile walls, dispensers and receptacles in lavatories and restrooms.
6. Empty paper receptacles, fill receptacles from tenant supply and remove wastepaper.
7. Fill toilet tissue holders from tenant supply.
8. Empty and clean sanitary disposal receptacles.

b. Weekly Services

1. Remove recycling and trash material from designated areas when containers are full.
2. Dust and wipe clean with damp or treated cloth all office furniture, file cabinets, and cubicle partition tops that have been cleared of personal property by Tenant.
3. Remove all finger marks and smudges from all vertical surfaces, including doors, door frames, around light switches, private entrance glass, and partitions.
4. Damp wipe and polish all glass furniture tops that have been cleared of personal property by Tenant.
5. Damp mop hard surfaced floors and/or uncarpeted surface floors.
6. Sweep uncarpeted floors employing dust control techniques with exception of lunchroom (which is to be performed nightly)
7. Dust all door louvers and other ventilating louvers within a person's normal reach.
8. Wipe clean all brass and other bright work that have been cleared of personal property by Tenant.

c. Monthly Services

1. Dust and wipe clean chair bases and arms, telephones, cubicle shelves, window sills, relite ledges and all other horizontal surfaces as needed to maintain

clean appearance. The foregoing is limited to surfaces that have been cleared of personal property by Tenant.

2. Edge vacuum all carpeted areas, as needed.

3. High dust premises complete including the following:

Dust all pictures, frames, charts, graphs and similar wall hangings not reached in nightly cleaning.

Dust all vertical surfaces, such as walls, partitions, doors, bucks and other surfaces not reached in nightly cleaning.

Dust all venetian blinds.

Wash all exterior windows.

2. **COMMON AREAS.**

To be cleaned in accordance with standards of Comparable Buildings.

Attachment 2

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 _____, 2010, by and between the CITY OF BEVERLY HILLS, a parking authority established pursuant to the Parking Law of 1949 of the State of California ("Landlord"), and Frem Investments, LLC, a California limited liability company ("Tenant").

RECITALS

A. Tenant and Landlord have entered into that certain Office Lease of substantially even date herewith (the "Lease"), pursuant to which Landlord has agreed to lease and demise to Tenant, and Tenant has agreed to lease and accept from Landlord, a portion (the "Premises") of that certain building located in the City of Beverly Hills, County of Los Angeles, State of California, commonly known as 240 N. Beverly Drive. The Premises are more particularly described in the Lease.

B. Tenant and Landlord 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 Landlord agree as follows:

1. Lease. Landlord hereby leases and demises to Tenant, and Tenant hereby leases and accepts from Landlord, the portion of the Property defined as the "Premises" at 240 N. Beverly Drive described in the Lease for an initial term of ten (10) years and two (2) months at the rental rates and upon the other terms and conditions set forth in the Lease, which 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:

THE PARKING AUTHORITY
OF THE CITY OF BEVERLY HILLS

By: _____
Jimmy Delshad
Chairman of Board of Directors

TENANT:

FREM INVESTMENTS, LLC, a California
limited liability company



Gabriel Frem, Member/Manager

ATTEST:

_____ (SEAL)

By: _____
Byron Pope
Secretary to Board of Directors

ACKNOWLEDGMENT

State of California

County of LOS ANGELES)

On AUG. 26, 2010 before me, KATALIN LANGIANESE Notary Public
(insert name and title of the officer)

personally appeared GABRIELA FRAU

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 Katalin Langianese (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

Attachment 3

Broker Commission Agreement

August 26, 2010

Brenda A. Lavender
 Administrative Services
 CITY OF BEVERLY HILLS
 455 North Rexford Drive
 Beverly Hills, CA 90210

Re: 240 N. Beverly Drive, Beverly Hills, CA ("Premises")
 FREM Investments Los Angeles, LLC ("Tenant")

This agreement shall serve as the Commission Agreement between the City of Beverly Hills ("Landlord") and Beitler Commercial Realty Services ("Broker") for the fully executed Lease between "Landlord" and "Tenant" or any affiliated entity of Tenant, for Landlord's property located at 240 N. Beverly Drive, in the City of Beverly Hills.

In the event Tenant executes a Lease for the above referenced "Premises", Landlord agrees to pay Broker a commission for services rendered in procuring the Tenant, as follows.

- 4% of the aggregate rental for the first 5 years of the lease term based on the rental (regardless of offsets), multiplied by the square footage represented as 5,029 square feet; and 2% of the aggregate rental for years 6-10 of the lease term based on the rental (regardless of offsets), multiplied by the square footage represented as 5,029 square feet.
- The commission is calculated as follows:

Broker Commission:

		Rate/SF	Monthly Rent	Annual Rent	Period Rent Paid	Actual Rent for Period
Months	1-12	\$4.00	\$20,116.00	\$241,392.00	4	\$ 80,464.00
Months	13-24	\$4.00	\$20,116.00	\$241,392.00	12	\$241,392.00
Months	25-36	\$4.12	\$20,719.48	\$248,633.76	12	\$248,633.76
Months	37-48	\$4.24	\$21,341.06	\$256,092.72	12	\$256,092.72
Months	49-60	\$4.37	\$21,981.30	\$263,775.60	12	\$263,775.60
Months	61-72	\$4.50	\$22,640.73	\$271,688.76	12	\$271,688.76
Months	73-84	\$4.64	\$23,319.95	\$279,839.40	12	\$279,839.40
Months	85-96	\$4.78	\$24,019.55	\$288,234.60	12	\$288,234.60
Months	97-108	\$4.92	\$24,740.14	\$296,881.68	12	\$296,881.68
Months	109-120	\$5.07	\$25,482.34	\$305,788.08	12	\$305,788.08
Months	121-122	\$5.22	\$26,246.81	\$ 314,961.72	2	\$ 52,493.62
Lease Term Value:					114	\$2,585,284.22
Broker Commission:						
		Total Base Rent		Total Base Rent		
		Years 1-5		Years 6-10		
	4%	\$1,090,358.08	2%	\$1,494,926.14		
						Total Commission
Commission Due Beitler Commercial Realty Services		\$43,614.32		\$29,898.52		\$73,512.85

In the event Landlord fails to make payments within the time limits called for herein, then from the date due until paid, the delinquent payment shall bear interest at the maximum legal rate of the state of the Beitler Commercial Realty Services' office executing this Agreement. In addition, should it become necessary to litigate or arbitrate hereunder, the prevailing party shall

be entitled to all reasonable attorney fees and court costs incurred in connection therewith. Broker and Landlord agree in advance to binding arbitration by The American Arbitration Society at either Broker's or Landlord's option.

Commission shall be due and immediately payable to Broker, 50% upon Lease execution and 50% upon occupancy by Tenant.

This Agreement shall expire one (1) year from date of execution.

AGREED TO & ACCEPTED this 26th day of August, 2010.

BROKER: BEITLER & ASSOCIATES, INC.,
D.B.A. BEITLER COMMERCIAL REALTY SERVICES

By: Willa McNamarra Fields
Title: Executive Vice President

Address: 825 S. Barrington Avenue
Los Angeles, CA 90049

Phone: (310) 820-2955 Fax: (310) 207-4852

AGREED TO & ACCEPTED this _____ day of _____, 2010.

LESSOR: City of Beverly Hills

By: _____
Authorized Signatory

Print: _____

Title: _____

Address: 455 North Rexford Drive
Beverly Hills, CA 90210

Phone: _____

ATTEST:

Byron Pope
Secretary to Board of Directors

(SEAL)