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REAL ESTATE LEASE

ARTICLE ONE: BASIC TERMS

This Article One contains the Basic Terms of this Lease between the Landlord and Tenant named below. Other Articles, Sections and Paragraphs of the Lease referred to in this Article One explain and define the Basic Terms and are to be read in conjunction with the Basic Terms.

Section 1.01. Date of Lease: February 21, 1991

Section 1.02. Landlord: SOFS ASSOCIATES

Address of Landlord: 635 G Street, Suite 403 San Diego, CA 92101

Section 1.03. Tenant: CHURCH OF SCIENTOLOGY OF SAN DIEGO Western United States, San Diego

Address of Tenant:

Section 1.04. Property: (Include street address, approximate square footage and description) approximately 900 square feet located at the southwest corner of 7th and G Street, consisting of the northeast corner of the ground floor and the entire second floor of the building. (See floor plan attached hereto)

Section 1.05. Lease Term: 5 years beginning on May 1, 1991 or such other date as is specified in this Lease, and ending on April 30, 1996

Section 1.06. Permitted Uses: (See Section 3.01) office, meetings, sales and display of religious artifacts, personal training and pastoral counseling.

Section 1.07. Tenant's Guarantor: (If none, so state) none

Section 1.08. Landlord's Broker: (See Article Fourteen)(If none, so state) none

Section 1.09. Tenant's Broker: (If none, so state) Industrial Property Company

Section 1.10. Commission Payable to Landlord's Broker: (See Article Fourteen) \$

Section 1.11. Initial Security Deposit: (See Paragraphs 3.03 and 11.03(c)) \$ 7440.00

Section 1.12. Vehicle Parking Spaces Allocated to Tenant: (See Multi-Tenant Facility Lease Rider, if attached) 2 normal spaces guaranteed at market rate, 2 handicap spaces guaranteed at market rate (except such handicap spaces shall be free through April 30, 1996).

Section 1.13. Rent and Other Charges Payable by Tenant: (a) BASE RENT: Seven thousand four hundred forty one 3/00 (\$ 7440.00)

per month for the first 12 months, as provided in Section 3.01, and shall be increased on each anniversary date after the Commencement Date 5% per annum above the rent being paid in the immediately preceding period

Section 1.14. Costs and Charges Payable by Landlord:

- (a) BASE REAL PROPERTY TAXES (See Section 4.02), (b) BASE INSURANCE PREMIUMS (See Section 4.04(c)), (c) MAINTENANCE AND REPAIR (See Article Six).

Section 1.15 Riders: The following Riders are attached to and made a part of this Lease: (If none, so state)

See Rider To Real Estate Lease attached hereto Initials [Signature]

EXHIBIT A

ARTICLE TWO: LEASE

Section 2.01. Lease Property For Lease Term. Landlord leases the Property to Tenant and Tenant leases the Property from Landlord for the Lease Term. The Lease Term is for the period stated in Section 1.05 above and shall begin and end on the dates specified in Section 1.05 above, unless the beginning or end of the Lease Term is changed under any provision of this Lease. The "Commencement Date" shall be the date specified in Section 1.05 above for the beginning of the Lease Term, unless advanced or delayed under any provision of this Lease.

Section 2.02. Delay in Commencement. Landlord shall not be liable to Tenant if Landlord does not deliver possession of the Property to Tenant on the first date specified in Section 1.05 above. Landlord's non-delivery of the Property to Tenant on that date shall not affect this Lease or the obligations of Tenant under this Lease. However, the Commencement Date shall be delayed until possession of the Property is delivered to Tenant. The Lease Term shall be extended for a period equal to the delay in delivery of possession of the Property to Tenant, plus the number of days necessary to end the Lease Term on the last day of a month. If Landlord does not deliver possession of the Property to Tenant within sixty (60) days after the first date specified in Section 1.05 above, Tenant may elect to cancel this Lease by giving written notice to Landlord within ten (10) days after the 60-day period ends. If Tenant gives such notice, the Lease shall be cancelled and neither Landlord nor Tenant shall have any further obligations to the other. If Tenant does not give such notice, Tenant's right to cancel the Lease shall expire and the Lease Term shall commence upon the delivery of possession of the Property to Tenant. If delivery of possession of the Property to Tenant is delayed, Landlord and Tenant shall, upon such delivery, execute an amendment to this Lease setting forth the Commencement Date and expiration date of the Lease.

Section 2.03. Early Occupancy. If Tenant occupies the Property prior to the Commencement Date, Tenant's occupancy of the Property shall be subject to all of the provisions of this Lease. Early occupancy of the Property shall not advance the expiration date of this Lease. Tenant shall pay Base Rent and all other charges specified in this Lease for the early occupancy period.

Section 2.04. Holding Over. Tenant shall vacate the Property upon the expiration or earlier termination of this Lease. Tenant shall reimburse Landlord for and indemnify Landlord against all damages incurred by Landlord from any delay by Tenant in vacating the Property. If Tenant does not vacate the Property upon the expiration or earlier termination of the Lease and Landlord thereafter accepts rent from Tenant, Tenant's occupancy of the Property shall be a "month-to-month" tenancy, subject to all of the terms of this Lease applicable to a month-to-month tenancy, except that the Base Rent then in effect shall be increased by twenty-five percent (25%).

ARTICLE THREE: BASE RENT

Section 3.01. Time and Manner of Payment. Upon execution of this Lease, Tenant shall pay Landlord the Base Rent in the amount stated in Paragraph 1.13(a) above for the first month of the Lease Term. On the first day of the second month of the Lease Term and each month thereafter, Tenant shall pay Landlord the Base Rent, in advance, without offset, deduction or prior demand. The Base Rent shall be payable at Landlord's address or at such other place as Landlord may designate in writing.

~~Section 3.02. Cost of Living Increases. The Base Rent shall be increased at the limits specified in Paragraph 1.13(a) above, in proportion to the increase in the index which has occurred between the first month of the Lease Term and the month in which the rent is to be increased. Landlord shall notify Tenant of such increase by delivering a written statement setting forth the indices for the appropriate months, the percentage increase between those two indices, and the new amount of the Base Rent. The Base Rent shall not be reduced from the last previous adjusted Base Rent by reason of any decrease in the index. Tenant shall pay the new Base Rent from its effective date until the next periodic increase. Landlord's notice may be given after the effective date of the increase since the index for the appropriate month may be unavailable on the effective date. In such event, Tenant shall pay Landlord the necessary rental adjustment for the months elapsed between the effective date of the increase and Landlord's notice of such increase within ten (10) days after Landlord's notice. If the format or components of the index are materially changed after the Date of Lease, Landlord shall substitute an index which is published by the Bureau of Labor Statistics or similar agency and which is most nearly equivalent to the index in effect on the Date of Lease. Landlord shall notify Tenant of the substituted index, which shall be used to calculate the increase in the Base Rent unless Tenant objects in writing within fifteen (15) days after receipt of Landlord's notice. If Tenant objects, the substitute index shall be determined in accordance with the rules and regulations of the American Arbitration Association. The cost of such arbitration shall be borne equally by Landlord and Tenant.~~

~~Section 3.03. Security Deposit Increases. Each time the Base Rent is increased, Tenant shall deposit additional funds with Landlord sufficient to increase the Security Deposit to an amount which bears the same relationship to the adjusted Base Rent as the initial Security Deposit bore to the initial Base Rent.~~

Section 3.04. Termination; Advance Payments. Upon termination of this Lease under Article Seven (Damage or Destruction), Article Eight (Condemnation) or any other termination not resulting from Tenant's default, and after Tenant has vacated the Property in the manner required by this Lease, an equitable adjustment shall be made concerning advance rent, and any other advance payments made by Tenant to Landlord, and Landlord shall refund the unused portion of the Security Deposit to Tenant or Tenant's successor.

*[Handwritten initials]*



(b) Hazard and Rental Income Insurance. During the Lease Term, Landlord shall maintain policies of insurance covering loss of or damage to the Property in such amount or percentage of replacement value as Landlord or its insurance advisor deems reasonable in relation to the age, location, type of construction and physical condition of the Property and the availability of such insurance at reasonable rates. Such policies shall provide protection against all perils included within the classification of fire, extended coverage, vandalism, malicious mischief, special extended perils (all risk), sprinkler leakage, earthquake sprinkler leakage, and Inflation Guard endorsement, and any other perils (except flood and earthquake, unless required by any lender holding a security interest in the Property) which Landlord deems necessary. Landlord may obtain insurance coverage for Tenant's fixtures, equipment or building improvements installed by Tenant in or on the Property. Tenant shall, at Tenant's expense, maintain such primary or additional insurance on its fixtures, equipment and building improvements as Tenant deems necessary to protect its interest. Tenant shall not do or permit to be done anything which invalidates any such insurance policies.

(c) Payment of Premiums; Insurance Policies.

(i) Landlord shall pay the "Base Premiums" for the insurance policies maintained by Landlord under Paragraph 4.04(b). ~~If the Property has been previously fully occupied, the "Base Premiums" are the insurance premiums paid during or applicable to the last twelve (12) months of such prior occupancy. If the Property has not been previously fully occupied or has been occupied for less than twelve (12) months, the Base Premiums are the lowest annual premiums reasonably obtainable for the required insurance for the Property as of the Commencement Date.~~

~~(ii) Tenant shall pay Landlord the amount, if any, by which the insurance premiums for all policies maintained by Landlord under Paragraph 4.04(b) have increased over the Base Premiums, whether such increases result from the nature of Tenant's occupancy, any act or omission of Tenant, the requirement of any lender referred to in Article Eleven (Protection of Lenders), the increased value of the Property or general rate increases. However, if Landlord substantially increases the amount of insurance covered or the percentage of insured value after the period during which the Base Premiums were calculated, Tenant shall only pay Landlord the amount of increased premiums which would have been charged by the insurance carrier if the amount of insurance or percentage of insured value had not been substantially increased by Landlord. This adjustment in the amount due from Tenant shall be made only once during the Lease Term. Thereafter, Tenant shall be obligated to pay the full amount of any additional increases in the insurance premiums, including increases resulting from any further increases in the amount of insurance or percentage of insured value. Subject to Section 4.05 and any Multi-Tenant Facility Lease Rider attached to this Lease, Tenant shall pay Landlord the increases over the Base Premiums within fifteen (15) days after receipt by Tenant of a copy of the premium statement or other evidence of the amount due. If the insurance policies maintained by Landlord cover improvements or real property other than the Property, Landlord shall also deliver to Tenant a statement of the amount of the premiums applicable to the Property showing, in reasonable detail, how such amount was computed. If the Lease Term expires before the expiration of the insurance period, Tenant's liability shall be pro-rated on an annual basis.~~

Section 4.05. Multiple Tenant Buildings; Rules and Regulations. ~~If the Property is part of a larger building or group of buildings, Tenant shall pay monthly, in advance, its pro-rata share of common area maintenance and repair costs as reasonably determined by Landlord. Tenant shall also comply with Landlord's rules and regulations respecting the management, care and safety of the common areas of such buildings and grounds, including parking areas, landscaped areas, walkways, hallways and other facilities provided for the common use and convenience of other occupants. Notice of such rules and regulations will be posted or given to Tenant. Tenant shall pay for any increase in the property insurance premiums for such buildings caused by Tenant's acts, omissions, use or occupancy of the Property.~~

Section 4.06. Late Charges. Tenant's failure to pay rent promptly may cause Landlord to incur unanticipated costs. The exact amount of such costs are impractical or extremely difficult to ascertain. Such costs may include, but are not limited to, processing and accounting charges and late charges which may be imposed on Landlord by any ground lease, mortgage or trust deed encumbering the Property. Therefore, if Landlord does not receive any rent payment within ten (10) days after it becomes due, Tenant shall pay Landlord a late charge equal to ten percent (10%) of the overdue amount. The parties agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of such late payment.

Section 4.07. Interest on Past Due Obligations. Any amount owed by Tenant to Landlord which is not paid when due shall bear interest at the rate of fifteen percent (15%) per annum from the due date of such amount. However, interest shall not be payable on late charges to be paid by Tenant under this Lease. The payment of interest on such amounts shall not excuse or cure any default by Tenant under this Lease. If the interest rate specified in this Lease is higher than the rate permitted by law, the interest rate is hereby decreased to the maximum legal interest rate permitted by law.



## ARTICLE FIVE: USE OF PROPERTY

Section 5.01. Permitted Uses. Tenant may use the Property only for the Permitted Uses set forth in Section 1.06 above.

Section 5.02. Manner of Use. Tenant shall not cause or permit the Property to be used in any way which constitutes a violation of any law, ordinance, or governmental regulation or order, which annoys or interferes with the rights of tenants of the development of which the Property is part, or which constitutes a nuisance or waste. Tenant shall obtain and pay for all permits, including a Certificate of Occupancy, required for Tenant's occupancy of the Property and shall promptly take all substantial and non-substantial actions necessary to comply with all applicable statutes, ordinances, rules, regulations, orders and requirements regulating the use by Tenant of the Property, including the Occupational Safety and Health Act.

Section 5.03. Signs and Auctions. Tenant shall not place any signs on the Property without Landlord's prior written consent. Tenant shall not conduct or permit any auctions or sheriff's sales at the Property.

Section 5.04. Indemnity. Tenant shall indemnify Landlord against and hold Landlord harmless from any and all costs, claims or liability arising from: (a) Tenant's use of the Property; (b) the conduct of Tenant's business or anything else done or permitted by Tenant to be done in or about the Property; (c) any breach or default in the performance of Tenant's obligations under this Lease; (d) any misrepresentation or breach of warranty by Tenant under this Lease; or (e) other acts or omissions of Tenant. Tenant shall defend Landlord against any such cost, claim or liability at Tenant's expense with counsel reasonably acceptable to Landlord or, at Landlord's election, Tenant shall reimburse Landlord for any legal fees or costs incurred by Landlord in connection with any such claim. As a material part of the consideration to Landlord, Tenant hereby assumes all risk of damage to property or injury to persons in or about the Property arising from any cause, and Tenant hereby waives all claims in respect thereof against Landlord, except for any claim arising out of Landlord's gross negligence or willful misconduct.


Section 5.05. Landlord's Access. Landlord or its agents may enter the Property at all reasonable times to show the Property to potential buyers, investors or tenants or other parties, or for any other purpose Landlord deems necessary. Landlord shall give Tenant prior notice of such entry, except in the case of an emergency. Landlord may place customary "For Sale" or "For Lease" signs on the Property.

Section 5.06. Quiet Possession. If Tenant pays the rent and complies with all other terms of this Lease, Tenant may occupy and enjoy the Property for the full Lease Term, subject to the provisions of this Lease.

## ARTICLE SIX: CONDITION OF PROPERTY; MAINTENANCE, REPAIRS AND ALTERATIONS

Section 6.01. Existing Conditions. Except as set forth in any rider requiring Landlord to perform work on the Property prior to the Commencement Date, Tenant accepts the Property in its condition as of the execution of the Lease, subject to all recorded matters, laws, ordinances, and governmental regulations and orders. Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation as to the condition of the Property or the suitability of the Property for Tenant's intended use.

Section 6.02. Exemption of Landlord from Liability. Landlord shall not be liable for any damage or injury to the person, business (or any loss of income therefrom), goods, wares, merchandise or other property of Tenant, Tenant's employees, invitees, customers or any other person in or about the Property, whether such damage or injury is caused by or results from: (a) fire, steam, electricity, water, gas or rain; (b) the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures or any other cause; (c) conditions arising in or about the Property or upon other portions of any building of which the Property is a part, or from other sources or places; or (d) any act or omission of any other tenant of any building of which the Property is a part. Landlord shall not be liable for any such damage or injury even though the cause of or the means of repairing such damage or injury are not accessible to Tenant. The provisions of this Section 6.02 shall not, however, exempt Landlord from liability for Landlord's gross negligence or willful misconduct.

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(Cross Form)

Initials: 

Section 6.03. Landlord's Obligations. Subject to the provisions of Article Seven (Damage or Destruction) and Article Eight (Condemnation), and except for damage caused by any act or omission of Tenant, Landlord shall keep the foundation, roof and structural portions of exterior walls of the improvements on the Property in good order, condition and repair. However, Landlord shall not be obligated to maintain or repair windows, doors, plate glass or the surfaces of walls. Landlord shall not be obligated to make any repairs under this Section 6.03 until a reasonable time after receipt of a written notice from Tenant of the need for such repairs. Tenant waives the benefit of any present or future law which might give Tenant the right to repair the Property at Landlord's expense or to terminate the Lease because of the condition of the Property.

Section 6.04. Tenant's Obligations.

~~(a) Subject to the provisions of Section 6.03, Article Seven (Damage or Destruction) and Article Eight (Condemnation), Tenant shall, at all times, keep the Property (including all structural, non-structural, interior, exterior, and landscaped areas, portions, systems and equipment) in good order, condition and repair. If any portion of the Property or any system or equipment in the Property which Tenant is obligated to repair cannot be fully repaired, Tenant shall promptly replace such portion of or system or equipment in the Property, regardless of whether the benefit of such replacement extends beyond the Lease Term. Tenant shall also maintain a preventive maintenance contract providing for the regular inspection and maintenance of the heating and air conditioning system by a licensed heating and air conditioning contractor. Landlord shall have the right upon written notice to Tenant, to undertake the responsibility for preventive maintenance of the heating and air conditioning system at Tenant's expense. In addition, Tenant shall, at Tenant's expense, repair any damage to the roof, foundation or structural portions of walls caused by Tenant's acts or omissions. It is the intention of Landlord and Tenant that, at all times during the Lease Term, Tenant shall maintain the Property in an attractive, first-class and fully operative condition.~~

(b) All of Tenant's obligations to maintain and repair shall be accomplished at Tenant's sole expense. If Tenant fails to maintain and repair the Property as required by this Section 6.04, Landlord may, on ten (10) days' prior notice (except that no notice shall be required in case of emergency), enter the Property and perform such maintenance or repair on behalf of Tenant. In such case, Tenant shall reimburse Landlord for all costs incurred in performing such maintenance or repair immediately upon demand.

Section 6.05. Alterations, Additions, and Improvements.

(a) Tenant shall not make any alterations, additions, or improvements to the Property without Landlord's prior written consent, except for non-structural alterations which do not exceed Five Thousand Dollars (\$5,000) in cost cumulatively over the Lease Term and which are not visible from the outside of any building of which the Property is part. Landlord may require Tenant to provide demolition and/or lien and completion bonds in form and amount satisfactory to Landlord. Tenant shall promptly remove any alterations, additions, or improvements constructed in violation of this Paragraph 6.05(a) upon Landlord's written request. All alterations, additions, and improvements will be accomplished in a good and workmanlike manner, in conformity with all applicable laws and regulations, and by a contractor approved by Landlord. Upon completion of any such work, Tenant shall provide Landlord with "as built" plans, copies of all construction contracts, and proof of payment for all labor and materials.

(b) Tenant shall pay when due all claims for labor and material furnished to the Property. Tenant shall give Landlord at least ten (10) days' prior written notice of the commencement of any work on the Property. Landlord may elect to record and post notices of non-responsibility on the Property.

Section 6.06. Condition upon Termination. Upon the termination of the Lease, Tenant shall surrender the Property to Landlord, broom clean and in the same condition as received except for ordinary wear and tear which Tenant was not otherwise obligated to remedy under any provision of this Lease. However, Tenant shall not be obligated to repair any damage which Landlord is required to repair under Article Seven (Damage or Destruction). In addition, Landlord may require Tenant to remove any alterations, additions or improvements (whether or not made with Landlord's consent) prior to the termination of the Lease and to restore the Property to its prior condition, all at Tenant's expense. All alterations, additions and improvements which Landlord has not required Tenant to remove shall become Landlord's property and shall be surrendered to Landlord upon the termination of the Lease, except that Tenant may remove any of Tenant's machinery or equipment which can be removed without material damage to the Property. Tenant shall repair, at Tenant's expense, any damage to the Property caused by the removal of any such machinery or equipment. In no event, however, shall Tenant remove any of the following materials or equipment without Landlord's prior written consent: any power wiring or power panels; lighting or lighting fixtures; wall coverings; drapes, blinds or other window coverings; carpets or other floor coverings; heaters, air conditioners or any other heating or air conditioning equipment; fencing or security gates; or other similar building operating equipment and decorations.

ARTICLE SEVEN: DAMAGE OR DESTRUCTION

Section 7.01. Partial Damage to Property. Tenant shall notify Landlord in writing immediately upon the occurrence of any damage to the Property. If the Property is only partially damaged and if the proceeds received by Landlord from the insurance policies described in Paragraph 4.04(b) are sufficient to pay for the necessary repairs, this Lease shall remain in effect and Landlord shall repair the damage as soon as reasonably possible. Landlord may

elect to repair any damage to Tenant's fixtures, equipment, or improvements. If the insurance proceeds received by Landlord are not sufficient to pay the entire cost of repair, or if the damage was due to a cause not covered by the insurance policies which Landlord maintains under Paragraph 4.04(b), Landlord may elect either to (a) repair the damage as soon as reasonably possible in which case this Lease shall remain in full force and effect, or (b) terminate this Lease as of the date the damage occurred. Landlord shall notify Tenant within thirty (30) days after receipt of notice of the occurrence of the damage, whether Landlord elects to repair the damage or terminate the Lease. If Landlord elects to repair the damage and if the damage was due to an act or omission of Tenant, Tenant shall pay Landlord upon demand the difference between the actual cost of repair and any insurance proceeds received by Landlord. If Landlord elects to terminate the Lease, Tenant may elect to continue this Lease in full force and effect, in which case Tenant shall repair any damage to the Property and any building in which the Property is located. Tenant shall pay the cost of such repairs, except that upon satisfactory completion of such repairs, Landlord shall deliver to Tenant any insurance proceeds received by Landlord for the damage repaired by Tenant. Tenant shall give Landlord written notice of such election within ten (10) days after receiving Landlord's termination notice. If the damage to the Property occurs during the last six (6) months of the Lease Term, Landlord may elect to terminate this Lease as of the date the damage occurred regardless of the sufficiency of any insurance proceeds. In such event, Landlord shall not be obligated to repair or restore the Property and Tenant shall have no right to continue this Lease. Landlord shall notify Tenant of its election within thirty (30) days after receipt of notice of the occurrence of the damage.

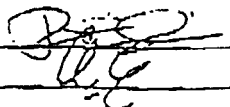
**Section 7.02. Total or Substantial Destruction.** If the Property is totally or substantially destroyed by any cause whatsoever, or if the Property is in a building which is substantially destroyed (even though the Property is not totally or substantially destroyed), this Lease shall terminate as of the date the destruction occurred regardless of whether Landlord receives any insurance proceeds. However, if the Property can be rebuilt within one (1) year after the date of destruction, Landlord may elect to rebuild the Property at Landlord's own expense, in which case, this Lease shall remain in full force and effect. Landlord shall notify Tenant of such election within thirty (30) days after the occurrence of total or substantial destruction. If the destruction was caused by an act or omission of Tenant, Tenant shall pay Landlord the difference between the actual cost of rebuilding and any insurance proceeds received by Landlord.

**Section 7.03. Temporary Reduction of Rent.** If the Property is destroyed or damaged and Landlord or Tenant repairs or restores the Property pursuant to the provisions of this Article Seven, the Base Rent payable during the period of such damage, repair and/or restoration shall be reduced according to the degree, if any, to which Tenant's use of the Property is impaired. However, the reduction shall not exceed the sum of one year's payment of Base Rent. Except for such possible reduction in Base Rent, Tenant shall not be entitled to any compensation, reduction, or reimbursement from Landlord as a result of any damage, destruction, repair, or restoration of or to the Property.

**Section 7.04. Waiver.** Tenant waives the protection of any statute, code or judicial decision which grants a tenant the right to terminate a lease in the event of the substantial destruction of the leased property. Tenant agrees that the provisions of Section 7.02 above shall govern the rights and obligations of Landlord and Tenant in the event of any substantial or total destruction to the Property.

## ARTICLE EIGHT: CONDEMNATION

If all or any portion of the Property is taken under the power of eminent domain or sold under the threat of that power (all of which are called "Condemnation"), this Lease shall terminate as to the part taken or sold on the date the condemning authority takes title or possession, whichever occurs first. If more than twenty percent (20%) of the floor area of the building in which the Property is located, or which is located on the Property, is taken, either Landlord or Tenant may terminate this Lease as of the date the condemning authority takes title or possession, by delivering written notice to the other within ten (10) days after receipt of written notice of such taking (or in the absence of such notice, within ten (10) days after the condemning authority takes possession). If neither Landlord nor Tenant terminates this Lease, this Lease shall remain in effect as to the portion of the Property not taken, except that the Base Rent shall be reduced in proportion to the reduction in the floor area of the Property. Any Condemnation award or payment shall be distributed in the following order: (a) first, to any ground lessor, mortgagee or beneficiary under a deed of trust encumbering the Property, the amount of its interest in the Property; (b) second, to Tenant, only the amount of any award specifically designated for loss of or damage to Tenant's trade fixtures or removable personal property; and (c) third, to Landlord, the remainder of such award, whether as compensation for reduction in the value of the leasehold, the taking of the fee, or otherwise. If this Lease is not terminated, Landlord shall repair any damage to the Property caused by the Condemnation, except that Landlord shall not be obligated to repair any damage for which Tenant has been reimbursed by the condemning authority. If the severance damages received by Landlord are not sufficient to pay for such repair, Landlord shall have the right to either terminate this Lease or make such repair at Landlord's expense.





#### ARTICLE NINE: ASSIGNMENT AND SUBLETTING

Section 9.01. Landlord's Consent Required. No portion of the Property or of Tenant's interest in this Lease may be acquired by any other person or entity, whether by assignment, mortgage, sublease, transfer, operation of law, or act of Tenant, without Landlord's prior written consent, except as provided in Section 9.02 below. Landlord shall grant or withhold its consent as provided in Section 9.04 below. Any attempted transfer without consent shall be void and shall constitute a non-curable breach of this Lease. If Tenant is a partnership, any cumulative transfer of more than 20% of the partnership interests shall require Landlord's consent. If Tenant is a corporation, any change in a controlling interest of the voting stock of the corporation shall require Landlord's consent.

Section 9.02. Tenant Affiliate. Tenant may assign this Lease or sublease the Property, without Landlord's consent, to any corporation which controls, is controlled by or is under common control with Tenant, or to any corporation resulting from the merger of or consolidation with Tenant ("Tenant's Affiliate"). In such case, any Tenant's Affiliate shall assume in writing all of Tenant's obligations under this Lease.

Section 9.03. No Release of Tenant. No transfer permitted by this Article Nine, whether with or without Landlord's consent, shall release Tenant or change Tenant's primary liability to pay the rent and to perform all other obligations of Tenant under this Lease. Landlord's acceptance of rent from any other person is not a waiver of any provision of this Article Nine. Consent to one transfer is not a consent to any subsequent transfer. If Tenant's transferee defaults under this Lease, Landlord may proceed directly against Tenant without pursuing remedies against the transferee. Landlord may consent to subsequent assignments or modifications of this Lease by Tenant's transferee, without notifying Tenant or obtaining its consent. Such action shall not relieve Tenant's liability under this Lease.

Section 9.04. Landlord's Election. Tenant's request for consent to any transfer described in Section 9.01 above shall be accompanied by a written statement setting forth the details of the proposed transfer, including the name, business and financial condition of the prospective transferee, financial details of the proposed transfer (e.g., the term of and rent and security deposit payable under any assignment or sublease), and any other information Landlord deems relevant. Landlord shall have the right (a) to withhold consent, if reasonable; (b) to grant consent; or (c) if the transfer is a sublease of the Property or an assignment of this Lease, to terminate this Lease as of the effective date of such sublease or assignment, in which case Landlord may elect to enter into a direct lease with the proposed assignee or subtenant.

Section 9.05. No Merger. No merger shall result from Tenant's sublease of the Property under this Article Nine, Tenant's surrender of this Lease or the termination of this Lease in any other manner. In any such event, Landlord may terminate any or all subtenancies or succeed to the interest of Tenant as sublandlord thereunder.

#### ARTICLE TEN: DEFAULTS; REMEDIES

Section 10.01. Covenants and Conditions. Tenant's performance of each of Tenant's obligations under this Lease is a condition as well as a covenant. Tenant's right to continue in possession of the Property is conditioned upon such performance. Time is of the essence in the performance of all covenants and conditions.

Section 10.02. Defaults. Tenant shall be in material default under this Lease:

(a) If Tenant abandons the Property or if Tenant's vacation of the Property results in the cancellation of any insurance described in Section 4.04;

(b) If Tenant fails to pay rent or any other charge required to be paid by Tenant, as and when due;

(c) If Tenant fails to perform any of Tenant's non-monetary obligations under this Lease for a period of thirty (30) days after written notice from Landlord; provided that if more than thirty (30) days are required to complete such performance, Tenant shall not be in default if Tenant commences such performance within the thirty (30) day period and thereafter diligently pursues its completion. However, Landlord shall not be required to give such notice if Tenant's failure to perform constitutes a non-curable breach of this Lease. The notice required by this Paragraph is intended to satisfy any and all notice requirements imposed by law on Landlord and is not in addition to any such requirement.

(d) (i) If Tenant makes a general assignment or general arrangement for the benefit of creditors; (ii) if a petition for adjudication of bankruptcy or for reorganization or rearrangement is filed by or against Tenant and is not dismissed within thirty (30) days; (iii) if a trustee or receiver is appointed to take possession of substantially all of Tenant's assets located at the Property or of Tenant's interest in this Lease and possession is not restored to Tenant within thirty (30) days; or (iv) if substantially all of Tenant's assets located at the Property or of Tenant's interest in this Lease is subjected to attachment, execution or other judicial seizure which is not discharged within thirty (30) days. If a court of competent jurisdiction determines that any of the acts described in this subparagraph (d) is not a default under this Lease, and a trustee is appointed to take possession (or if Tenant remains a debtor in possession) and such trustee or Tenant transfers Tenant's interest hereunder, then Landlord shall receive, as Additional Rent, the difference between the rent (or any other consideration) paid in connection with such assignment or sublease and the rent payable by Tenant hereunder.

Section 10.03. Remedies. On the occurrence of any material default by Tenant, Landlord may, at any time thereafter, with or without notice or demand and without limiting Landlord in the exercise of any right or remedy which Landlord may have:

(a) Terminate Tenant's right to possession of the Property by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Property to Landlord. In such event, Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default, including

(i) the worth at the time of the award of the unpaid Base Rent, Additional Rent and other charges which had been earned at the time of the termination; (ii) the worth at the time of the award of the amount by which the unpaid Base Rent, Additional Rent and other charges which would have been earned after termination until the time of the award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; (iii) the worth at the time of the award of the amount by which the unpaid Base Rent, Additional Rent and other charges which would have been paid for the balance of the term after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under the Lease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, any costs or expenses incurred by Landlord in maintaining or preserving the Property after such default, the cost of recovering possession of the Property, expenses of reletting, including necessary renovation or alteration of the Property, Landlord's reasonable attorneys' fees incurred in connection therewith, and any real estate commission paid or payable. As used in subparts (i) and (ii) above, the "worth at the time of the award" is computed by allowing interest on unpaid amounts at the rate of fifteen percent (15%) per annum, or such lesser amount as may then be the maximum lawful rate. As used in subpart (iii) above, the "worth at the time of the award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus 1%. If Tenant shall have abandoned the Property, Landlord shall have the option of (i) retaking possession of the Property and recovering from Tenant the amount specified in this Paragraph 10.03(a), or (ii) proceeding under Paragraph 10.03(b);

(b) Maintain Tenant's right to possession, in which case this Lease shall continue in effect whether or not Tenant shall have abandoned the Property. In such event, Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the rent as it becomes due hereunder;

(c) Pursue any other remedy now or hereafter available to Landlord under the laws or judicial decisions of the state in which the Property is located.

Section 10.04. Cumulative Remedies. Landlord's exercise of any right or remedy shall not prevent it from exercising any other right or remedy.

ARTICLE ELEVEN: PROTECTION OF LENDERS

Section 11.01. Subordination. Landlord shall have the right to subordinate this Lease to any ground lease, deed of trust or mortgage encumbering the Property, any advances made on the security thereof and any renewals, modifications, consolidations, replacements or extensions thereof, whenever made or recorded. However, Tenant's right to quiet possession of the Property during the Lease Term shall not be disturbed if Tenant pays the rent and performs all of Tenant's obligations under this Lease and is not otherwise in default. If any ground lessor, beneficiary or mortgagee elects to have this Lease prior to the lien of its ground lease, deed of trust or mortgage and gives written notice thereof to Tenant, this Lease shall be deemed prior to such ground lease, deed of trust or mortgage whether this Lease is dated prior or subsequent to the date of said ground lease, deed of trust or mortgage or the date of recording thereof.

Section 11.02. Attornment. If Landlord's interest in the Property is acquired by any ground lessor, beneficiary under a deed of trust, mortgagee, or purchaser at a foreclosure sale, Tenant shall attorn to the transferee or successor to Landlord's interest in the Property and recognize such transferee or successor as Landlord under this Lease. Tenant waives the protection of any statute or rule of law which gives or purports to give Tenant any right to terminate this Lease or surrender possession of the Property upon the transfer of Landlord's interest.

Section 11.03. Signing of Documents. Tenant shall sign and deliver any instrument or documents necessary or appropriate to evidence any such attornment or subordination or agreement to do so. Such subordination and attornment documents may contain such provisions as are customarily required by any ground lessor, beneficiary under a deed of trust or mortgagee. If Tenant fails to do so within ten (10) days after written request, Tenant hereby makes, constitutes and irrevocably appoints Landlord, or any transferee or successor of Landlord, the attorney-in-fact of Tenant to execute and deliver any such instrument or document.

Section 11.04. Estoppel Certificates.

(a) Upon Landlord's written request, Tenant shall execute, acknowledge and deliver to Landlord a written statement certifying: (i) that none of the terms or provisions of this Lease have been changed (or if they have been changed, stating how they have been changed); (ii) that this Lease has not been cancelled or terminated; (iii) that the last date of payment of the Base Rent and other charges and the time period covered by such payment; (iv) that Landlord is not in default under this Lease (or, if Landlord is claimed to be in default, stating why); and (v) such other matters as may be reasonably required by Landlord or the holder of a mortgage, deed of trust or lien to which the Property is or becomes subject. Tenant shall deliver such statement to Landlord within ten (10) days after Landlord's request. Any such statement by Tenant may be given by Landlord to any prospective purchaser or encumbrancer of the Property. Such purchaser or encumbrancer may rely conclusively upon such statement as true and correct.

(b) If Tenant does not deliver such statement to Landlord within such ten (10) day period, Landlord, and any prospective purchaser or encumbrancer, may conclusively presume and rely upon the following facts: (i) that the terms and provisions of this Lease have not been changed except as otherwise represented by Landlord; (ii) that this Lease has not been cancelled or terminated except as otherwise represented by Landlord; (iii) that not more than one month's Base Rent or other charges have been paid in advance; and (iv) that Landlord is not in default under the Lease. In such event, Tenant shall be estopped from denying the truth of such facts.

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Initials [Handwritten Signature]

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Section 11.05. Tenant's Financial Condition. Within ten (10) days after written request from Landlord, Tenant shall deliver to Landlord such financial statements as are reasonably required by Landlord to verify the net worth of Tenant, or any assignee, subtenant, or guarantor of Tenant. In addition, Tenant shall deliver to any lender designated by Landlord any financial statements required by such lender to facilitate the financing or refinancing of the Property. Tenant represents and warrants to Landlord that each such financial statement is a true and accurate statement as of the date of such statement. All financial statements shall be confidential and shall be used only for the purposes set forth herein.

#### ARTICLE TWELVE: LEGAL COSTS

Section 12.01 Legal Proceedings. Tenant shall reimburse Landlord, upon demand, for any costs or expenses incurred by Landlord in connection with any breach or default of Tenant under this Lease, whether or not suit is commenced or judgment entered. Such costs shall include legal fees and costs incurred for the negotiation of a settlement, enforcement of rights or otherwise. Furthermore, if any action for breach of or to enforce the provisions of this Lease is commenced, the court in such action shall award to the party in whose favor a judgment is entered, a reasonable sum as attorneys' fees and costs. Such attorneys' fees and costs shall be paid by the losing party in such action. Tenant shall also indemnify Landlord against and hold Landlord harmless from all costs, expenses, demands and liability incurred by Landlord if Landlord becomes or is made a party to any claim or action (a) instituted by Tenant, or by any third party against Tenant, or by or against any person holding any interest under or using the Property by license of or agreement with Tenant; (b) for foreclosure of any lien for labor or material furnished to or for Tenant or such other person; (c) otherwise arising out of or resulting from any act or transaction of Tenant or such other person; or (d) necessary to protect Landlord's interest under this Lease in a bankruptcy proceeding, or other proceeding under Title 11 of the United States Code, as amended. Tenant shall defend Landlord against any such claim or action at Tenant's expense with counsel reasonably acceptable to Landlord or, at Landlord's election, Tenant shall reimburse Landlord for any legal fees or costs incurred by Landlord in any such claim or action.

Section 12.02: Landlord's Consent. Tenant shall pay Landlord's reasonable attorneys' fees incurred in connection with Tenant's request for Landlord's consent under Article Nine (Assignment and Subletting), or in connection with any other act which Tenant proposes to do and which requires Landlord's consent.

#### ARTICLE THIRTEEN: MISCELLANEOUS PROVISIONS

Section 13.01. Non-Discrimination. Tenant promises, and it is a condition to the continuance of this Lease, that there will be no discrimination against, or segregation of, any person or group of persons on the basis of race, color, sex, creed, national origin or ancestry in the leasing, subleasing, transferring, occupancy, tenure, or use of the Property or any portion thereof.

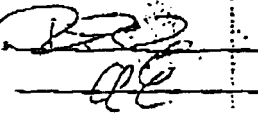
Section 13.02. Waiver of Subrogation. Landlord and Tenant each hereby waive any and all rights of recovery against the other, or against the officers, employees, agents or representatives of the other, for loss of or damage to its property or the property of others under its control, if such loss or damage is covered by any insurance policy in force (whether or not described in this Lease) at the time of such loss or damage. Upon obtaining the policies of insurance described herein, Landlord and Tenant shall give notice to the insurance carrier or carriers of the foregoing mutual waiver of subrogation.

#### Section 13.03. Landlord's Liability; Certain Duties.

(a) As used in this Lease, the term "Landlord" means only the current owner or owners of the fee title to the Property or the leasehold estate under a ground lease of the Property at the time in question. Each Landlord is obligated to perform the obligations of Landlord under this Lease only during the time such Landlord owns such interest or title. Any Landlord who transfers its title or interest is relieved of all liability with respect to the obligations of Landlord under this Lease to be performed on or after the date of transfer. However, each Landlord shall deliver to its transferee all funds previously paid by Tenant if such funds have not yet been applied under the terms of this Lease.

(b) Tenant shall give written notice of any failure by Landlord to perform any of its obligations under this Lease to Landlord and to any ground lessor, mortgagee or beneficiary under any deed of trust encumbering the Property whose name and address have been furnished to Tenant in writing. Landlord shall not be in default under this Lease unless Landlord (or such ground lessor, mortgagee or beneficiary) fails to cure such non-performance within thirty (30) days after receipt of Tenant's notice. However, if such non-performance reasonably requires more than thirty (30) days to cure, Landlord shall not be in default if such cure is commenced within such thirty (30) day period and thereafter diligently pursued to completion.

(c) Upon the execution of this Lease, Tenant shall deposit with Landlord a cash Security Deposit in the amount set forth in Section 1.11 above. Landlord may apply all or part of the Security Deposit to any unpaid rent or other charges due from Tenant or to cure any other defaults of Tenant. If Landlord uses any part of the Security Deposit, Tenant shall restore the Security Deposit to its full amount within ten (10) days after Landlord's written request. Tenant's failure to do so shall be a material default under this Lease. No interest shall be paid on the Security Deposit. Landlord shall not be required to keep the Security Deposit separate from its other accounts and no trust relationship is created with respect to the Security Deposit.



Section 11.05. **Tenant's Financial Condition.** Within ten (10) days after written request from Landlord, Tenant shall deliver to Landlord such financial statements as are reasonably required by Landlord to verify the net worth of Tenant, or any assignee, subtenant, or guarantor of Tenant. In addition, Tenant shall deliver to any lender designated by Landlord any financial statements required by such lender to facilitate the financing or refinancing of the Property. Tenant represents and warrants to Landlord that each such financial statement is a true and accurate statement as of the date of such statement. All financial statements shall be confidential and shall be used only for the purposes set forth herein.

#### ARTICLE TWELVE: LEGAL COSTS

Section 12.01 **Legal Proceedings.** Tenant shall reimburse Landlord, upon demand, for any costs or expenses incurred by Landlord in connection with any breach or default of Tenant under this Lease, whether or not suit is commenced or judgment entered. Such costs shall include legal fees and costs incurred for the negotiation of a settlement, enforcement of rights or otherwise. Furthermore, if any action for breach of or to enforce the provisions of this Lease is commenced, the court in such action shall award to the party in whose favor a judgment is entered, a reasonable sum as attorneys' fees and costs. Such attorneys' fees and costs shall be paid by the losing party in such action. Tenant shall also indemnify Landlord against and hold Landlord harmless from all costs, expenses, demands and liability incurred by Landlord if Landlord becomes or is made a party to any claim or action (a) instituted by Tenant, or by any third party against Tenant, or by or against any person holding any interest under or using the Property by license of or agreement with Tenant; (b) for foreclosure of any lien for labor or material furnished to or for Tenant or such other person; (c) otherwise arising out of or resulting from any act or transaction of Tenant or such other person; or (d) necessary to protect Landlord's interest under this Lease in a bankruptcy proceeding, or other proceeding under Title 11 of the United States Code, as amended. Tenant shall defend Landlord against any such claim or action at Tenant's expense with counsel reasonably acceptable to Landlord or, at Landlord's election, Tenant shall reimburse Landlord for any legal fees or costs incurred by Landlord in any such claim or action.

Section 12.02: **Landlord's Consent.** Tenant shall pay Landlord's reasonable attorneys' fees incurred in connection with Tenant's request for Landlord's consent under Article Nine (Assignment and Subletting), or in connection with any other act which Tenant proposes to do and which requires Landlord's consent.

#### ARTICLE THIRTEEN: MISCELLANEOUS PROVISIONS

Section 13.01. **Non-Discrimination.** Tenant promises, and it is a condition to the continuance of this Lease, that there will be no discrimination against, or segregation of, any person or group of persons on the basis of race, color, sex, creed, national origin or ancestry in the leasing, subleasing, transferring, occupancy, tenure, or use of the Property or any portion thereof.

Section 13.02. **Waiver of Subrogation.** Landlord and Tenant each hereby waive any and all rights of recovery against the other, or against the officers, employees, agents or representatives of the other, for loss of or damage to its property or the property of others under its control, if such loss or damage is covered by any insurance policy in force (whether or not described in this Lease) at the time of such loss or damage. Upon obtaining the policies of insurance described herein, Landlord and Tenant shall give notice to the insurance carrier or carriers of the foregoing mutual waiver of subrogation.

#### Section 13.03. Landlord's Liability; Certain Duties.

(a) As used in this Lease, the term "Landlord" means only the current owner or owners of the fee title to the Property or the leasehold estate under a ground lease of the Property at the time in question. Each Landlord is obligated to perform the obligations of Landlord under this Lease only during the time such Landlord owns such interest or title. Any Landlord who transfers its title or interest is relieved of all liability with respect to the obligations of Landlord under this Lease to be performed on or after the date of transfer. However, each Landlord shall deliver to its transferee all funds previously paid by Tenant if such funds have not yet been applied under the terms of this Lease.

(b) Tenant shall give written notice of any failure by Landlord to perform any of its obligations under this Lease to Landlord and to any ground lessor, mortgagee or beneficiary under any deed of trust encumbering the Property whose name and address have been furnished to Tenant in writing. Landlord shall not be in default under this Lease unless Landlord (or such ground lessor, mortgagee or beneficiary) fails to cure such non-performance within thirty (30) days after receipt of Tenant's notice. However, if such non-performance reasonably requires more than thirty (30) days to cure, Landlord shall not be in default if such cure is commenced within such thirty (30) day period and thereafter diligently pursued to completion.

(c) Upon the execution of this Lease, Tenant shall deposit with Landlord a cash Security Deposit in the amount set forth in Section 1.11 above. Landlord may apply all or part of the Security Deposit to any unpaid rent or other charges due from Tenant or to cure any other defaults of Tenant. If Landlord uses any part of the Security Deposit, Tenant shall restore the Security Deposit to its full amount within ten (10) days after Landlord's written request. Tenant's failure to do so shall be a material default under this Lease. No interest shall be paid on the Security Deposit. Landlord shall not be required to keep the Security Deposit separate from its other accounts and no trust relationship is created with respect to the Security Deposit.

Section 13.04. Severability. A determination by a court of competent jurisdiction that any provision of this Lease or any part thereof is illegal or unenforceable shall not cancel or invalidate the remainder of such provision or this Lease, which shall remain in full force and effect.

Section 13.05. Interpretation. The captions of the Articles or Sections of this Lease are to assist the parties in reading this Lease and are not a part of the terms or provisions of this Lease. Whenever required by the context of this Lease, the singular shall include the plural and the plural shall include the singular. The masculine, feminine and neuter genders shall each include the other. In any provision relating to the conduct, acts or omissions of Tenant, the term "Tenant" shall include Tenant's agents, employees, contractors, invitees, successors or others using the Property with Tenant's express or implied permission.

Section 13.06. Incorporation of Prior Agreements; Modifications. This Lease is the only agreement between the parties pertaining to the lease of the Property and no other agreements are effective. All amendments to this Lease shall be in writing and signed by all parties. Any other attempted amendment shall be void.

Section 13.07. Notices. All notices required or permitted under this Lease shall be in writing and shall be personally delivered or sent by certified mail, return receipt requested, postage prepaid. Notices to Tenant shall be delivered to the address specified in Section 1.03 above, except that upon Tenant's taking possession of the Property, the Property shall be Tenant's address for notice purposes. Notices to Landlord shall be delivered to the address specified in Section 1.02 above. All notices shall be effective upon delivery or attempted delivery in accordance with this Section 13.07. Either party may change its notice address upon written notice to the other party.

Section 13.08. Waivers. All waivers must be in writing and signed by the waiving party. Landlord's failure to enforce any provision of this Lease or its acceptance of rent shall not be a waiver and shall not prevent Landlord from enforcing that provision or any other provision of this Lease in the future. No statement on a payment check from Tenant or in a letter accompanying a payment check shall be binding on Landlord. Landlord may, with or without notice to Tenant, negotiate such check without being bound to the conditions of such statement.

Section 13.09. No Recordation. Tenant shall not record this Lease without prior written consent from Landlord. However, either Landlord or Tenant may require that a "Short Form" memorandum of this Lease executed by both parties be recorded.

Section 13.10. Binding Effect; Choice of Law. This Lease binds any party who legally acquires any rights or interest in this Lease from Landlord or Tenant. However, Landlord shall have no obligation to Tenant's successor unless the rights or interests of Tenant's successor are acquired in accordance with the terms of this Lease. The laws of the state in which the Property is located shall govern this Lease.

Section 13.11. Corporate Authority; Partnership Authority. If Tenant is a corporation, each person signing this Lease on behalf of Tenant represents and warrants that he has full authority to do so and that this Lease binds the corporation. Within thirty (30) days after this Lease is signed, Tenant shall deliver to Landlord a certified copy of a resolution of Tenant's Board of Directors authorizing the execution of this Lease or other evidence of such authority reasonably acceptable to Landlord. If Tenant is a partnership, each person signing this Lease for Tenant represents and warrants that he is a general partner of the partnership, that he has full authority to sign for the partnership and that this Lease binds the partnership and all general partners of the partnership. Tenant shall give written notice to Landlord of any general partner's withdrawal or addition. Within thirty (30) days after this Lease is signed, Tenant shall deliver to Landlord a copy of Tenant's recorded statement of partnership or certificate of limited partnership.


Section 13.12. Joint and Several Liability. All parties signing this Lease as Tenant shall be jointly and severally liable for all obligations of Tenant.

Section 13.13. Force Majeure. If Landlord cannot perform any of its obligations due to events beyond Landlord's control, the time provided for performing such obligations shall be extended by a period of time equal to the duration of such events. Events beyond Landlord's control include, but are not limited to, acts of God, war, civil commotion, labor disputes, strikes, fire, flood or other casualty, shortages of labor or material, government regulation or restriction and weather conditions.

Section 13.14. Execution of Lease. This Lease may be executed in counterparts, and, when all counterpart documents are executed, the counterparts shall constitute a single binding instrument. The delivery of this Lease by Landlord to Tenant shall not be deemed to be an offer and shall not be binding upon either party until executed and delivered by both parties.

#### ARTICLE FOURTEEN: BROKERS


Section 14.01. Broker's Fee. When this Lease is signed by and delivered to both Landlord and Tenant, Landlord shall pay a real estate commission to Landlord's Broker named in Section 1.08 above, if any, as provided in a written agreement between Landlord and Landlord's Broker. If there is no such written agreement, Landlord shall pay the sum stated in Section 1.10 above for services rendered to Landlord by Landlord's Broker in this transaction. Landlord shall pay Landlord's Broker a commission if Tenant exercises any option to extend the Lease Term or to buy the Property, or any similar option or right which Landlord may grant to Tenant, or if Landlord's Broker is the procuring cause of any other lease or sale entered into between Landlord and Tenant covering the Property. Such commission shall be the amount set forth in Landlord's Broker's commission schedule in effect as of the execution of this Lease. If a Tenant's Broker is named in Section 1.09 above, Landlord's Broker shall pay an appropriate portion of its commission to Tenant's Broker if so provided in any agreement between Landlord's Broker and Tenant's Broker. Nothing contained in this Lease shall impose any obligation on Landlord to pay a commission or fee to any party other than Landlord's Broker.

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Section 14.02 Protection of Brokers. If Landlord sells the Property, or assigns Landlord's interest in this Lease, the buyer or assignee shall, by accepting such conveyance of the Property or assignment of the Lease, be conclusively deemed to have agreed to make all payments to Landlord's Broker thereafter required of Landlord under this Article Fourteen. Landlord's Broker shall have the right to bring a legal action to enforce or declare rights under this provision. The prevailing party in such action shall be entitled to reasonable attorneys' fees to be paid by the losing party. Such attorneys' fees shall be fixed by the court in such action. This Paragraph is included in this Lease for the benefit of Landlord's Broker.

Section 14.03 No Other Brokers. Tenant represents and warrants to Landlord that the brokers named in Sections 1.08 and 1.09 above are the only agents, brokers, finders or other parties with whom Tenant has dealt who are or may be entitled to any commission or fee with respect to this Lease or the Property.

ADDITIONAL PROVISIONS MAY BE SET FORTH IN A RIDER OR RIDERS ATTACHED HERETO OR IN THE BLANK SPACE BELOW. IF NO ADDITIONAL PROVISIONS ARE INSERTED, PLEASE DRAW A LINE THROUGH THE SPACE BELOW.

Landlord and Tenant have signed this Lease at the place and on the dates specified adjacent to their signatures below and have initialed all Riders which are attached to or incorporated by reference in this Lease.

Signed on 3/12, 1991  
at San Diego

By: [Signature]  
Its: Partner  
By: \_\_\_\_\_  
Its: \_\_\_\_\_

"LANDLORD"  
CHURCH OF SCIENTOLOGY, WESTERN  
UNITED STATES, SAN DIEGO

Signed on 3/12, 1991  
at San Diego

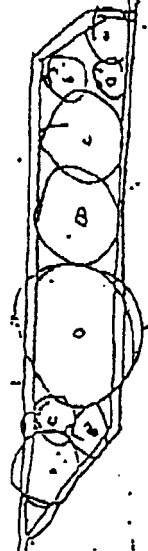
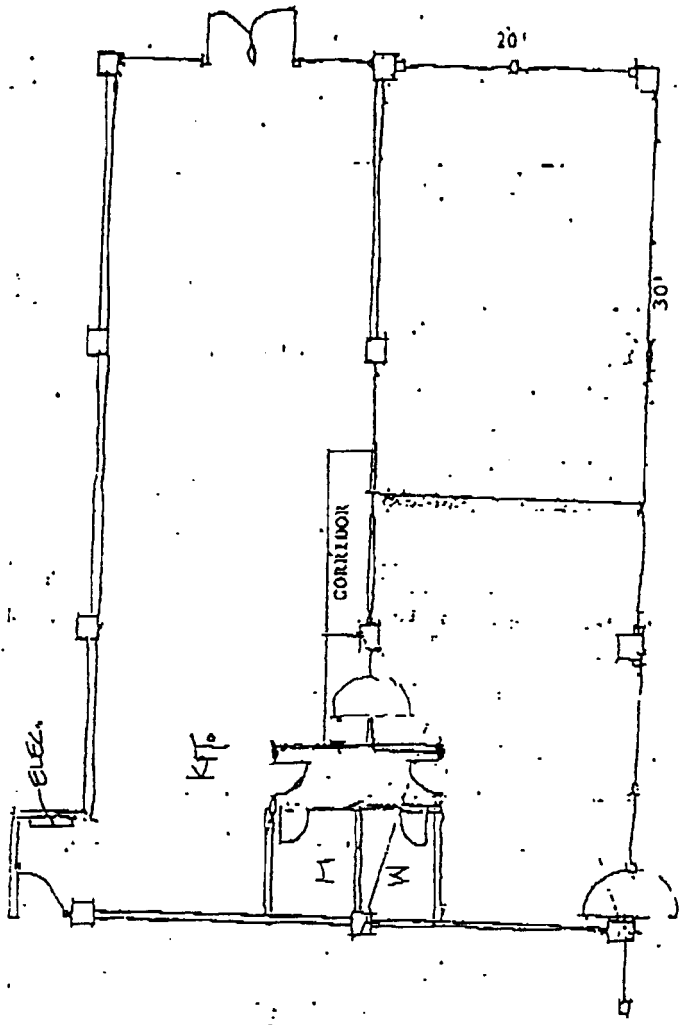
By: [Signature]  
Its: VP ED  
By: \_\_\_\_\_  
Its: \_\_\_\_\_

"TENANT"





VENUS PRESENTY SALAD



SEVENTH AVENUE

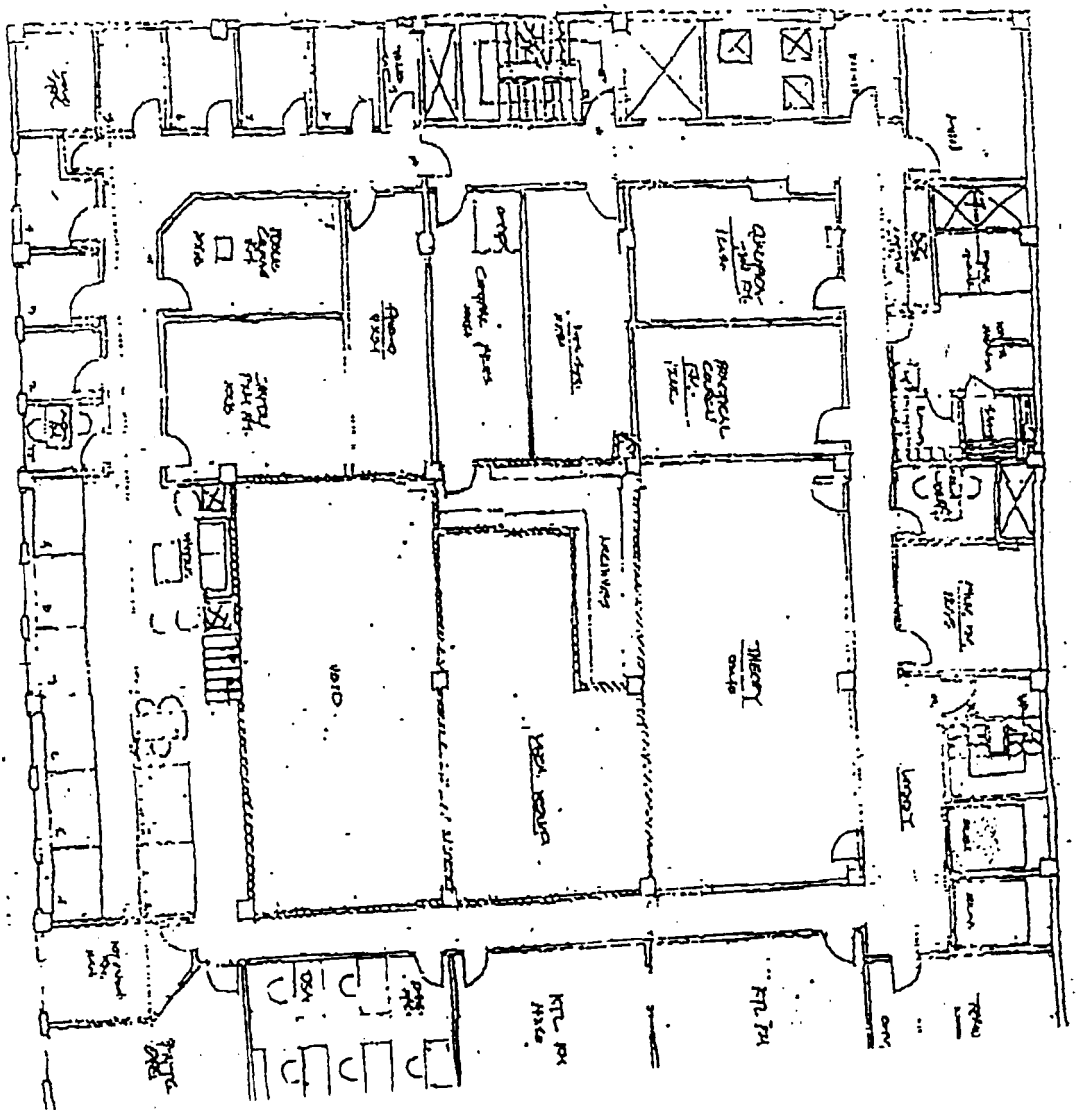
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FIGURE 1-10: THE LABOR MANAGEMENT

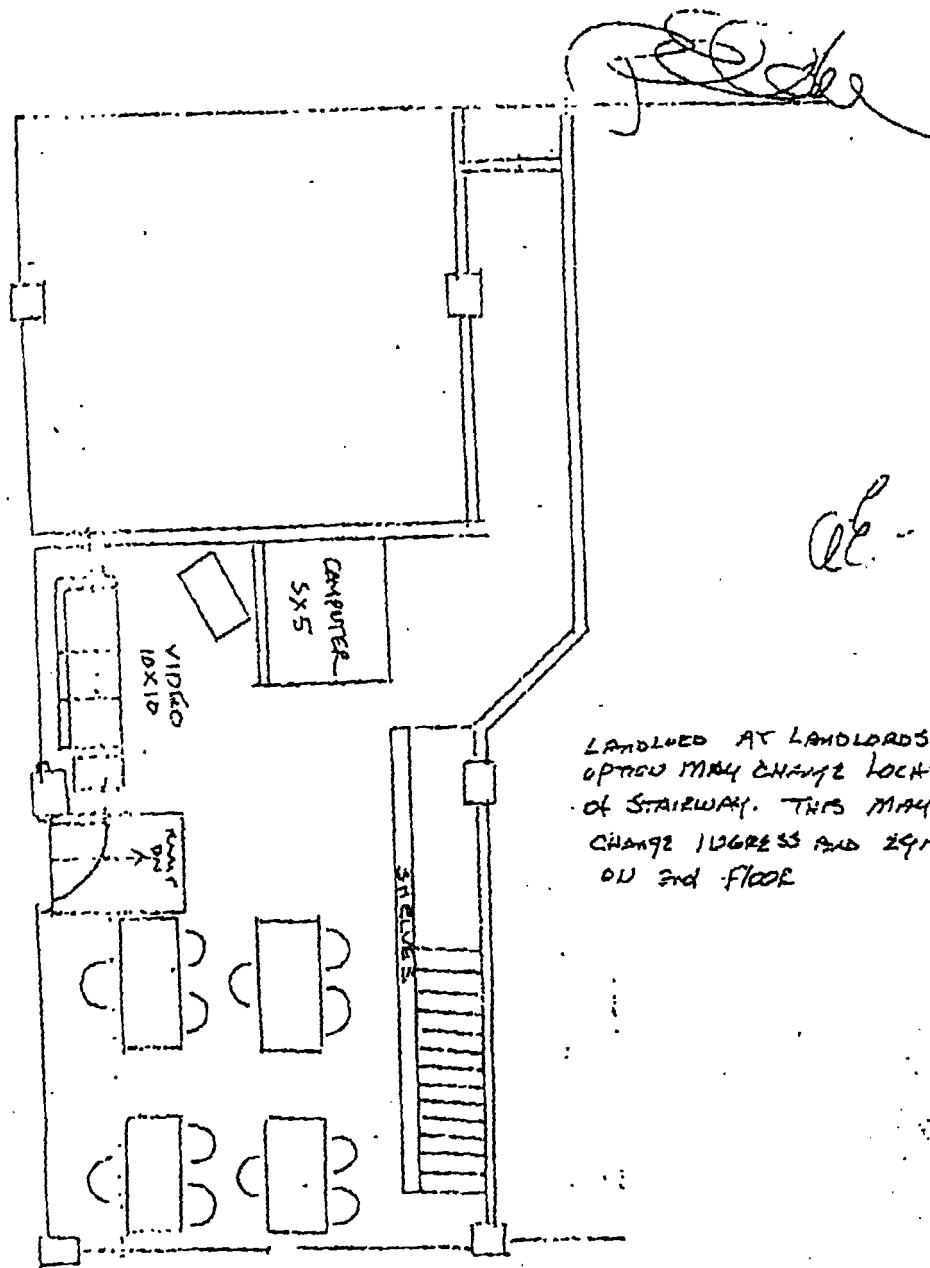
P. 01



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LANDLORD AT LANDLORDS  
 OPTION MAY CHANGE LOCATION  
 OF STAIRWAY. THIS MAY  
 CHANGE ADDRESS AND ACCESS  
 ON 2nd FLOOR

RIDER TO REAL ESTATE LEASE

1) Parking

Tenant shall be allowed access at no charge for a maximum of -25 car spaces in the underground parking facility each weekday after 5:30 p.m. and every weekend; however, Tenant has the right to use additional parking spaces if they are open, available, and such use does not interfere with others who are entitled to use the parking spaces. Tenant to be fully responsible and liable for utilization of underground parking facility including but not limited to, ingress, egress and security, in the same manner as other Tenants who shall utilize parking after 5:30 p. m.

2) Signage

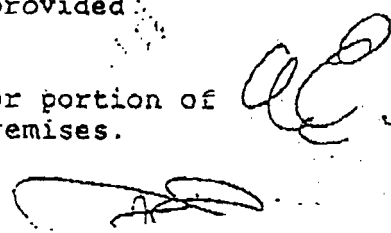
Tenant shall be allowed signage on the awings on the North and East sides of the building. Notwithstanding anything herein to the contrary, Tenant's signage shall not interfere with or cause the Landlord to breach its obligations to ESL which has dominate sign rights for the building. Tenant's signage shall be subject to Landlord's reasonable approval, and Tenant's signage must be in conformity with all governmental regulations.

3) Sidewalk Area

Fenced sidewalk area usage to be subject to Landlord approval, within Landlord's sole discretion and conformity with all applicable governmental regulations.

4) Tenant Improvements

Tenant accepts the premises in an "AS IS" condition except that Landlord shall be obligated to do the following:

- a) Clean all existing carpeting
  - b) Paint all walls
  - c) Lay new carpeting in first floor portion of premises
  - d) Build-out offices as per diagram/floor plan.
  - e) Build sauna room with tile floors, two (2) stall showers and electrical and plumbing for sauna; however, the sauna, lockers and related equipment shall be paid for, provided by and installed by Tenant.
  - f) Construct stairway from first floor portion of premises to second floor portion of premises.
- 

g) HVAC system to be in working order and properly distributed.

h) All electrical outlets and phone outlets where indicated on floor plan.

i) All lighting in place according to code and in proper working order.

5) Janitorial

Tenant shall pay for, provide, and supervise janitorial service at their cost.

6) Rent Abatement

Tenant shall be entitled to five (5) months free rent during the initial term hereof with the Tenant being provided this free rent in the specific months of June 1991, July 1991, August 1991, January 1992, January 1993.

7) Option to Renew

Landlord hereby grants to Tenant two separate three year options to extend the term of this lease for two separate three year option periods commencing when the initial term expires as to the first option and three (3) years thereafter as to the second option. Each option period shall be upon each and all of the following terms and conditions:

(1) Tenant gives to Landlord, and Landlord actually receives no later than ninety days and no earlier than one hundred and fifty days prior to expiration of the initial term (as to the first option period) and prior to the expiration of the first option period (as to the second option), a written notice of the exercise of the option to extend for said additional term, time being of the essence. If said notification of the exercise of said option is not given and received, this Lease shall automatically expire upon termination of the then current lease term; and

(2) Tenant is not in default of any of the terms and conditions of this lease as of the date of exercise; and

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

(4) The initial base monthly rent for each option period shall be established as set forth as follows:

(A) The initial base monthly rent during said option term for the premises shall be the fair market value monthly rental rate as agreed by the parties or as determined in subparagraph B herein as of the commencement date of the option term.

(B) In the event the parties hereto are unable to mutually agree as to the fair market value monthly rental rate, then either party may by written notice notify the other party of its intent to invoke the appraisal procedure hereunder in order to determine the fair market value rental rate. Within ten (10) days of the written notice from one party to the other, each party shall name an appraiser who is then a member of the American Institute of Real Estate Appraisers, and within ten (10) days thereafter, the appraisers so named shall name a third appraiser who shall also be a member of the American Institute of Real Estate Appraisers. The three appraisers so named shall independently determine the fair market value monthly rental rate by comparing the subject premises to other like premises in like areas within thirty (30) days of the date of appointment of the third appraiser. The three figures then obtained shall be compared and the two closest in value shall be mathematically averaged, with the third figure being disregarded. The result of such averaging shall be the fair market value monthly rental rate for purposes of establishing the initial Base Monthly Rent for the premises for the option period thereunder.

Should either party fail to name an appraiser within the ten (10) day period after written notice from one party, the single appraiser so-named shall conduct his appraisal and said appraisal shall constitute the fair market value monthly rental rate for the premises.

Each party shall pay fees and expenses of the appraiser appointed by it and one-half of the fees and expenses of the third appraiser.

On each anniversary date of the applicable option period (i.e., the beginning of the second year and the beginning of the third year of the relevant option period) the fair market value monthly rental shall be increased by 5% above the rent being paid in the immediately preceding period.

The fair market value monthly rental rate shall never be less than the monthly rental rate in effect for the period immediately preceding the period for which the initial base monthly rent is being determined.

8) Right to Available Additional Space

With respect to any additional leasable space within the building which is not presently occupied and/or becomes available during the period commencing as of the commencement of this lease and continuing through the first 30 months of the initial term (i.e., November 1, 1993), Tenant shall be entitled to lease any or all of such available space at the then current rent and terms as provided in this lease. Any such lease must commence no later than 30 days subsequent to Tenant notifying Landlord of its intent to lease the same (but in no event later than December 1, 1993) and the term for any such additional space

shall terminate no later than on April 30, 1996. Notwithstanding anything set forth above to the contrary, the option(s) to renew provided by paragraph 7 above shall be inapplicable to said additional space and said right to space provided in this paragraph 8 shall also be inapplicable to any available space in the garage and/or on the first floor of the building. In the event the Tenant exercises any rights under this paragraph 8, Tenant shall be responsible for all costs to build-out the additional space, except that the Landlord shall be obligated in regard to said additional space to provide and pay for painting of existing walls and cleaning of existing carpeting. Additionally, the layout of any additional space Tenant exercises any rights hereunder in regard to, shall be within the reasonable discretion of Landlord who may expressly consider prejudice to and/or interference with other leasable space in the building in exercising said discretion.

9) Notice of the Available Additional Space

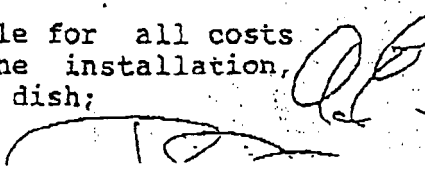
With respect to any leasable space which becomes available within the property, Landlord shall advise Tenant, in writing, that such space is available. The purpose of this Notice is to provide Tenant an opportunity to enforce its rights under paragraph 8 above as well as to enable Tenant to make a written offer to lease such additional space to Landlord with respect to additional space or circumstances which paragraph 8 above does not apply. With respect to such additional space and circumstances over which paragraph 8 above does not apply, Landlord may accept, reject and/or counter such written offer to lease for any reason at its sole discretion.

Section 4.03. Utilities

Landlord shall pay, directly to the appropriate supplier, the cost of all natural gas, heat, light, power, sewer service, and water, supplied to the Property. However, if all of the foregoing collectively exceeds the sum of \$1,395.00 per month (pursuant to Landlord's reasonable determination of Tenant's usage if the utilities are jointly metered), Tenant shall pay any such additional amount to Landlord within fifteen (15) days after receipt of Landlord's written statement.

10) Satellite Dish

Landlord grants permission to the Tenant to mount a Satellite Dish on the roof of the building subject to the following express conditions:

- (1) The mounting and/or placement does not interfere with the operation of the building in any manner;
  - (2) Tenant shall be solely responsible for all costs and expense of any nature concerning the installation, maintenance, and/or utilization of the dish;
- 

(3) Tenant shall be solely responsible to obtain any and all required licenses, permits and/or approvals from any governmental agency necessary in order to install, maintain and/or utilize said dish;

(4) Tenant shall indemnify and hold Landlord harmless from any cost, expense loss and/or liability of any nature whatsoever (including reasonable attorneys fees) arising from the installation, maintenance and/or utilization of said dish; and

(5) Upon termination of this lease, Tenant shall be fully responsible for removal of the dish and putting the roof back into the condition as existed prior to the installation of the dish, reasonable wear and tear excepted.

Handwritten signature and initials, possibly "J.P." and "J.C.", with a large scribble below.

ADDENDUM 11

Tenant has requested additional space to be used for record storage. Landlord will provide such storage as follows: approximately 550 square feet on the fourth floor of 635 C Street, same rate as space occupied by Church on the second floor (.80 sq. ft) and to be rented on a month-to-month basis commencing June 1, 1991. Rental amount will be \$440.00 per month. See attached Exhibit A

For SGEFS ASSOCIATES

Church of Scientology



by:

Date

Date

3 APR 92

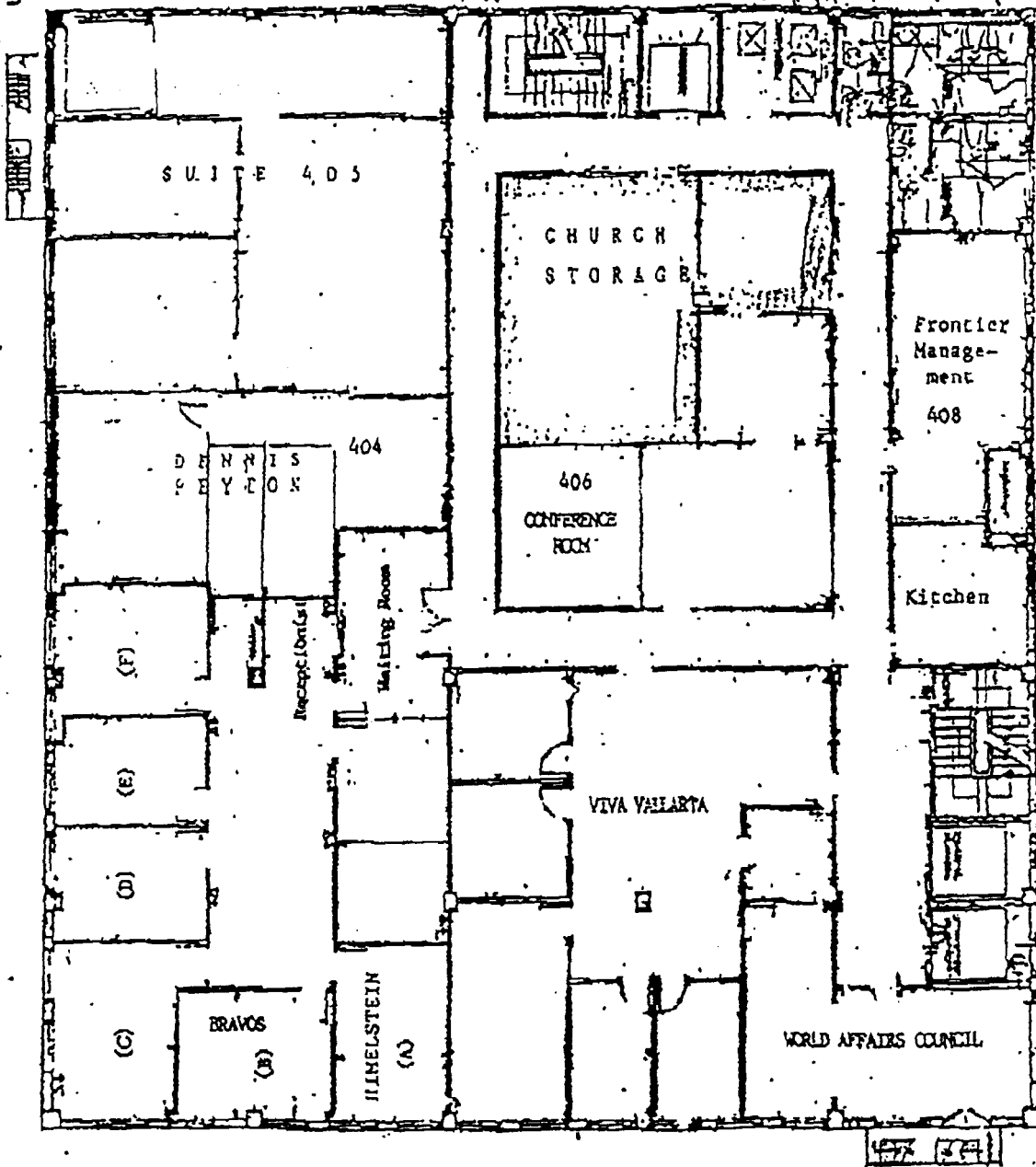
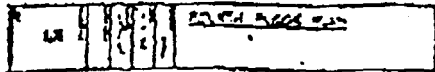


EXHIBIT A





LEASE

THIS LEASE made this 1st day of January, 198~~8~~<sup>9</sup>, by and between BUILDING MANAGEMENT SERVICES, a California non-profit religious corporation ("the Owner") and CHURCH OF SCIENTOLOGY Western United States, a California non-profit religious corporation ("the Tenant"),

WITNESSETH:

A. The Owner is the Owner of the premises described in Exhibit A attached hereto ("the Premises").

B. The Tenant occupies and uses the Premises for religious purposes, and desires to continue to do so.

NOW, THEREFORE, the Owner leases the Premises to the Tenant and the Tenant rents the Premises, upon and subject to the following terms and conditions:

Section 1. The Tenant shall occupy and use the Premises exclusively for religious purposes and activities which accomplish or are substantially related to the accomplishment and furtherance of Scientology religious purposes.

Section 2. The Tenant shall pay rent to the Owner for the Premises in the amount of \$ 8,085 per week, weekly in advance, net of and in addition to all other amounts payable by the Tenant pursuant to any other provision

of this lease.

The weekly rental amount set forth above shall apply during the first calendar year of the term of this lease. No later than 30 days prior to the end of said calendar year, and prior to the end of each subsequent calendar year, the parties shall determine the weekly rental to be paid by the Tenant during the next calendar year. Such rental for each such year shall equal the fair rental value of the Premises; and if the parties are unable to agree upon the rental for any such year, then the same shall be determined by arbitration as hereinafter provided.

Section 3. The Tenant shall pay as additional rent all costs attributable to the ownership, operation, maintenance and improvement of the Premises (including land and fixtures), whether incurred by the Owner or by the Tenant, and including but not limited to (a) real and personal property taxes and assessments, (b) insurance premiums, including but not limited to premiums for casualty, public liability and property damage insurance, (c) any taxes measured by and incident to the Owner's receipt of rent and other amounts pursuant to this lease, (d) costs of the maintenance, operation and improvement of the Premises, and of additions thereto, (e) costs of the occupancy of the Premises and the enforcement and administration of this lease, and (f) utility costs.

It is the intention of the parties that the foregoing

shall be construed to the end and with the result that the rental paid by the Tenant to the Owner pursuant to section 2 above shall be received by the Owner net of all costs relating to the Premises, excepting only (a) the Owner's costs of acquisition of the Premises (including debt service with respect to debts incurred by the Owner and secured by the Premises), (b) the Owner's depreciation and amortization expenses, (c) any taxes imposed on the Owner with respect to and measured by the Owner's net income (if any), and (c) the Owner's overhead and operating expenses other than those which are attributable to the Premises, the Tenant's occupancy thereof or the administration of this lease.

Section 4. If any cost payable by the Tenant pursuant to section 3 shall have been incurred with respect to Premises occupied by the Tenant and also with respect to other premises, then the amount payable by the Tenant shall be the portion of such cost which is fairly attributable to the Premises occupied by the Tenant, as determined by agreement of the parties, or, failing such agreement, by arbitration as hereinafter provided.

Section 5. The Tenant shall comply with all laws concerning the Premises and the Tenant's use thereof, and shall maintain and keep the Premises in good order and repair and in clean, healthy and safe condition and shall make all repairs, additions, improvements, alterations and replacements as shall be required by law (including but not

limited to all applicable zoning, health, sanitation, building and fire codes), all at the Tenant's sole cost and expense.

The Tenant shall not (a) do, bring or keep anything in or about the Premises that will cause a cancellation or increase in premiums for any insurance covering the Premises, (b) use the Premises in any manner that will constitute waste, nuisance or unreasonable annoyance.

The Tenant shall not make any alterations to the Premises without the Owner's consent and approval. All alterations made by either the Tenant or the Owner shall remain on and be surrendered with the Premises on expiration or termination of this lease, except that the Owner may elect within 30 days before expiration or within 10 days after termination to require the Tenant to remove any alterations made by the Tenant. If the Owner so elects, the Tenant shall at its sole cost and expense restore the Premises to the condition designated by the Owner within 30 days after the Owner's notice of election is given.

The Tenant shall not make any alterations to the Premises until 10 days after the Tenant has received the Owner's consent and approval pursuant to the foregoing provision, so that the Owner may post and record an appropriate notice of non-responsibility.

Section 6. The Tenant shall not permit any lien to attach to any interest in the Premises for labor, service or

materials furnished thereto pursuant to any contract, express or implied, with the Tenant; and in the event any such lien does attach, the Tenant agrees to pay and discharge the same forthwith.

Section 7. The Owner reserves the right and option at the Owner's sole discretion (a) to undertake and perform any obligation of the Tenant hereunder which the Tenant has not performed, (b) to incur and pay any costs for which the Tenant is responsible pursuant to any provision of this lease and which the Tenant has not paid, (c) to make such repairs, improvements, alterations, replacements and additions to the Premises as the Owner shall deem necessary or appropriate. In any such event, the Owner may bill the Tenant for all of the related costs incurred or paid by the Owner, subject only to the provisions of section 4 above with respect to the allocation of costs relating in part to the Premises occupied by the Tenant and in part to other premises; and the Tenant hereby agrees to pay all such bills within 15 days after receipt thereof, as additional rent.

Section 8. The Tenant shall not voluntarily or by operation of law assign, transfer, mortgage, sublet or otherwise transfer or encumber all or any part of the Tenant's interest in this lease or in the Premises without the Owner's prior written consent, which consent may be granted or withheld in the Owner's sole discretion.

Section 9. The Tenant shall at the Tenant's sole cost

and expense obtain and keep in force a policy of public liability and property damage insurance indemnifying the Owner against all claims of all persons for personal injuries or property damage, or both, arising out of or incident to the Tenant's use or occupancy of the Premises. The Owner shall be named as an insured under said policy, and the Tenant shall at the request of the Owner at any time deliver to the Owner a certificate evidencing coverage in amounts of not less than \$100,000 for property damage, \$1,000,000 for personal injuries, and \$500,000 for injuries to any one person, from any one incident of loss. All such insurance shall be issued by companies authorized to do business in California, with financial ratings in the most recent edition of Best's Insurance Reports of not less than A+3A. All such insurance shall be issued as primary policies and shall include endorsements requiring 30 days' written notice from the insurer to the Owner of cancellation or change in coverage, scope or face amount.

Section 10. The Owner shall maintain such policy or policies of fire, theft and extended coverage insurance, which may include vandalism and malicious mischief endorsements, as the Owner shall in its discretion deem advisable and prudent, up to the full replacement value of the insured property. Such insurance may at the election of the Owner include fixtures and personal property on the premises. The Owner shall notify the Tenant in writing of

the insurance so carried, and in the absence of objection by the Tenant within ten days thereafter it shall be considered for all purposes that the Owner has caused the Premises to be insured for its full insurable value. The Tenant shall notify the Owner in writing of all property to be covered by insurance hereunder, not covered by insurance obtained by the Owner. The Owner will advance and make payment of the premiums on policies maintained by the Owner, when due. All such premiums and other costs of all insurance shall be paid by the Tenant pursuant to section 3 and, if applicable, section 4 of this lease.

Section 11. If the Premises are totally or partially destroyed by casualty, whether or not insured, so as to be substantially unusable, the Owner shall have the right and option in its discretion to terminate this lease or to continue this lease in effect and restore the Premises. The Owner shall give written notice of its election to the Tenant within 15 days after any such loss. If the Owner elects to terminate this lease then this lease shall terminate effective as of the date of such notice. If the Owner elects to restore the Premises and continue this lease in effect, then rental shall be equitably reduced until such time as the Premises shall have been restored.

Section 12. The Tenant hereby waives the provisions of sections 1932 and 1933, subdivision (4) of the California Civil Code, any amendments thereto and any other laws which

may hereafter become in force which authorize the termination of this lease by the Tenant upon the partial or complete destruction of the Premises.

The Tenant hereby waives the provisions of sections 1941 and 1942 of the California Civil Code permitting the Tenant to make repairs at the Owner's expense.

Section 13. The Tenant shall defend, indemnify and hold the Owner harmless from and against any and all losses, damages, claims, demands and expenses, including reasonable attorneys' fees and whether or not covered by or within the limits of liability under any policy or policies of insurance, arising out of any claim asserted against the Owner for any loss, damage or injury of or to any person or property caused by any act, fault, omission or neglect of the Tenant or any person on or about the Premises with the Tenant's consent, actual or implied, including but not limited to any officer, employee, agent, contractor or invitee of the Tenant. The Owner shall not be liable to the Tenant, or any such person, for any property damage or personal injury unless the Owner's active negligence is the exclusive cause of the loss or injury and, with respect to injury or damage caused by any defect in the Premises, unless the Owner shall have received written notice thereof and shall have had a reasonable time in which to correct the defect.

Section 14. The Tenant shall permit the Owner and the



Owner's agents to enter the Premises at any time for the purposes of inspecting the Premises, preventing waste thereto, performing maintenance, making repairs, and taking such other actions as the Owner shall deem necessary or desirable for the protection or betterment of the Premises and to assure compliance by the Tenant with the provisions of this lease.

Section 15. If the Premises constitute a portion of a property which is also occupied by other Tenants, then the Tenant shall have the nonexclusive right to use the common areas of the property, subject to such restrictions and limitations as may be established by the Owner from time to time by written notice to the Tenant. Such common areas may include, but need not be limited to, halls, lobbies, elevators, lavatories and parking facilities. All such common areas shall be subject to the Owner's exclusive control, and shall be operated and maintained in such manner and by such means as the Owner shall in its sole discretion determine. The provisions of sections 3 and 4 above shall apply to all costs and expenses incurred in respect of any such common areas.

Section 16. The Tenant agrees to comply with and observe all reasonable rules and regulations not inconsistent with any express provision of this lease which the Owner may from time to time adopt with respect to the use and occupancy of the Premises and the common areas referred to in the

preceding section.

Section 17. The Tenant shall be deemed in default of its obligations under this lease upon the occurrence of any of the following:

(a) Failure of the Tenant to pay any rental or other amount due hereunder within 5 days of the date the payment was due;

(b) Continued failure of the Tenant to perform any other agreement, promise or obligation of the Tenant under this lease for a period of more than 10 days after written notice of such failure;

(c) The commencement with respect to the Tenant of voluntary or involuntary proceedings pursuant to any bankruptcy, reorganization or insolvency law, or the making by the Tenant of any general assignment for the benefit of creditors;

(d) The sale of the Tenant's interest under this lease by execution or other legal process;

(e) Abandonment or vacation of the Premises by the Tenant, including but not limited to non-occupation of the Premises for a period of 15 days or more;

(f) The seizure, sequestration or impounding by virtue or under authority of any legal proceeding of any of the personal property or fixtures of the Tenant which are used in or incident to occupancy of the Premises.

(g) The receipt by the Owner of written notice

issued by Church of Scientology International (the California non-profit religious corporation which is the Mother Church of the religion of Scienology) to the effect that the Tenant is not in good standing.

Section 18. The Owner shall have the following remedies in the event of a default described in the preceding section. These remedies are not exclusive -- they are cumulative in addition to any remedies now or hereafter allowed by law.

(a) The Owner may continue this lease in full force and effect, and this lease will continue in full force and effect as long as the Owner does not terminate the Tenant's right to possession, and the Owner shall have the right to collect rent when due. During the period the Tenant is in default, the Owner may enter the Premises and relet them, or any part of them, to third parties for the Tenant's account. The Tenant shall be liable immediately to the Owner for all costs the Owner incurs in reletting the Premises, including, without limitation, broker's commissions, expenses of remodelling the Premises required by the reletting, and like costs. Reletting may be for a period longer or shorter than, or equal to, the remaining term of this lease. The Tenant shall pay to the Owner the rent due, less the rent the Owner receives from any reletting. No act by the Owner allowed by this paragraph shall terminate this lease unless the Owner notifies the

Tenant in writing that the Owner elects to terminate this lease.

(b) The Owner may terminate the Tenant's right to possession of the Premises. No act by the Owner other than giving written notice to the Tenant shall terminate this lease. Without limitation, acts of maintenance and efforts to relet the Premises shall not constitute a termination of the Tenant's right to possession unless the Owner so elects in writing. On termination, the Owner shall have the right to recover from the Tenant:

(1) The worth at the time of the award of the unpaid rent earned at the time of termination;

(2) The worth at the time of the award of the amount by which the unpaid rent that would have been earned after the date of termination until the time of the award exceeds the amount of the loss of rent that the Tenant proves could have been reasonably avoided;

(3) The worth at the time of the award of the amount by which the unpaid rent for the balance of the term after the time of the award exceeds the amount of the loss of rent that the Tenant proves could have been reasonably avoided; and

(4) Any other amount necessary to

compensate the Owner for all detriment

proximately caused by the Tenant's default.

"The time of the award" as used in this section shall mean the date upon which an award is made by a court of competent jurisdiction or by arbitration as hereinafter provided. "The worth at the time of the award", as used in (1) and (2) above, shall be computed by allowing interest at the rate of 10% per annum; and, as used in (3) shall be computed by discounting the amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus one percent.

Section 19. Any controversy, dispute or claim arising out of or relating to this lease shall be settled by arbitration in Los Angeles County in accordance with the following; provided, however, that nothing herein shall be construed as precluding the Owner from commencing an action for unlawful detainer in any court of competent jurisdiction:

(a) Either party may initiate arbitration by delivering a written demand for arbitration to the other party, stating the matter in dispute and naming an arbitrator.

(b) The party receiving the demand for arbitration shall either accept the arbitrator named by the other party as the sole arbitrator or shall designate a second arbitrator by written notice to the other party.

Failure to so designate a second arbitrator within 15.

days of receiving the demand shall constitute an irrevocable waiver of the right to name a second arbitrator.

(c) The arbitrator or arbitrators shall determine the matter in dispute. If there are two arbitrators and they are unable to agree, then they shall select a third arbitrator, and if they are unable to agree upon a third arbitrator then either party may request any court of competent jurisdiction to designate a third arbitrator. If there shall be three arbitrators, their decisions shall be by majority vote.

(d) All determinations of the arbitrator or arbitrators shall be binding upon the parties, and may be enforced by either party by application to any court of competent jurisdiction.

(e) Neither party shall bring any action or other proceeding in any court arising out of any dispute under this lease, excepting only with respect to injunctive relief, specific performance or an action for unlawful detainer, unless such party shall have given written notice to the other party of intent to bring such action or proceeding and such other party shall not have demanded arbitration in accordance with the foregoing within 15 days thereafter.

Section 20. The term of this lease shall commence on 1 January 1989 and shall end on 31 December 2003 unless sooner

terminated in accordance with any of the foregoing provisions.

If the Tenant shall remain in possession of the Premises or any part thereof after the expiration of the term hereof with the consent of the Owner, express or implied, such holding over shall be construed to be only a tenancy from month to month at the rental specified above and upon and subject to all of the terms, conditions and obligations of this lease.

Section 21. If the Tenant shall fail to pay any amount due to the Owner pursuant to this lease within five days after such amount shall be due, the Tenant shall pay to the Owner a late charge equal to 1% of the amount overdue multiplied by the number of weeks (including any fractional week as a full week) that the delinquency continues, to a maximum of 4% thereof. In addition to such late charge, the Tenant shall pay the Owner interest at a rate equal to 4% in excess of Bank of America's prime rate from time to time, on the unpaid balance of any such amount which shall not have been paid within 28 days after it became due.

Section 22. Any notice or demand by the Owner to the Tenant shall be effective as of the date of mailing thereof by first class mail, postage prepaid, addressed to the Tenant at the Premises or at such other address as the Tenant may specify by written notice to the Owner. Any notice or demand by the Tenant to the Owner shall be effective as of the date

of mailing thereof by first class mail, postage prepaid,  
addressed to the Owner at the following address or at such  
other address as the Owner may specify by written notice to  
the Tenant:

6331 Hollywood Boulevard  
Los Angeles, California 90028

Section 23. This lease contains all agreements of the  
parties with respect to the Premises and all matters  
mentioned herein during the term of this lease, without  
prejudice, however, to any rights, obligations, duties and  
debts arising or accruing prior to the date of commencement  
of the term hereof.

IN WITNESS WHEREOF, the Owner and the Tenant have executed  
this lease the day and year first above written.

BUILDING MANAGEMENT SERVICES

By

Its

*Nicholas McPherson*  
Secretary

CoFS Western US

By

Its

*[Signature]*  
President



EXHIBIT A

That property located at 5165 Fountain Avenue, Los Angeles, California and known as the "Anthony Building".