



LIC-4001-FORM

**Instructions:** Applicants seeking to engage in Retail Commercial Cannabis Activity in a Community Plan Area that has reached Undue Concentration must complete and submit this form to the Department of Cannabis Regulation in order to file a request that the City Council find that approval of the License application would serve a public convenience or necessity (PCN) supported by evidence in the record pursuant to LAMC Section 104.03(a)(4).

To: Office of the City Clerk  
City of Los Angeles  
City Hall, Room 395  
Los Angeles, CA 90012

*For City Clerk Use Only:*

Council File No. \_\_\_\_\_

Received On: \_\_\_\_\_

Expiration Date: \_\_\_\_\_

Business Premises Location: 1513 W. Sepulveda Boulevard

Community Plan Area: Harbor Gateway CD: 15

Applicant Entity Name: Torrance Healing Center

Contact Name: Kyle Ryan Phone No. (310) 977-3107

Applicant's Email: kyle@lakushsb.com

Total Floor Area of Business: 6,000 square feet

Proposed Hours of Operation: 9:00am - 10:00pm Days: Sunday - Saturday

\_\_\_\_\_ Days: \_\_\_\_\_

\_\_\_\_\_ Days: \_\_\_\_\_

The Cannabis Procedures Ordinance limits the number of Retail Commercial Cannabis Activity Licenses by Community Plan Area (CPA) based on the definition of Undue Concentration under Los Angeles Municipal Code (LAMC) Section 104.01(a)(48). An area is considered unduly concentrated when DCR issues the maximum number of these license types in that CPA.

Explain how the Commercial Cannabis Activity will serve the public convenience or necessity (attach and number additional pages if necessary):

See attached additional pages.

---

---

---

---

---

---

---

---

[illegible]


This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are approximately 20 lines visible. The paper has a slight shadow on its right side, suggesting it's resting on a surface.

Page 2 of 3



PCN Request Form

I declare under the penalty of perjury under the laws of the State of California that the information presented in this form and its attachments are true and correct to the best of my knowledge.

  
Applicant's Signature

12.17.2020  
Date

Signature of the property owner(s), or the property owner's authorized representative, if a tenant or lessee is filing this form:

See attached fully executed Lease Agreement (last 38 pages)

Name of Property Owner and/or Representative

See attached fully executed Lease Agreement (last 38 pages)

Signature of Property Owner and/or Representative

Date

See attached fully executed Lease Agreement (last 38 pages)

Title (i.e. Owner or Representative)

**Explain how the Commercial Cannabis Activity will serve the public convenience or necessity:**

In 2018, the Applicant was issued Cultivation, Distribution and Manufacturing Commercial Cannabis Activity Licenses at the Business Premises Location from the City and the State and is now requesting to be issued a Retail Commercial Cannabis Activity License. Retail Commercial Cannabis sales are permitted by all applicable land use plans and policies of the City and the sale of cannabis to law abiding consumers promotes the goals and objectives of the City such as enabling new businesses to employ local residents as well as generate tax revenue for the City (see Exhibit 1). Moreover, the City has adopted standards that it imposes on Commercial Cannabis retailers to ensure that cannabis sales will be carried out in a manner that does not adversely impact police resources nor create a law enforcement problem.

Applicant's Business Premises Location is located in a Community Plan Area with a level of undue concentration of Retail Commercial Cannabis Activity Licenses. Although the issuance of an additional license would further increase the level of undue concentration of licenses in the Community Plan Area, the market area can support the additional licensed activity due to its location on a busy commercial corridor with a large residential population in adjacent community plans and neighboring cities. In addition, there are no licensed retail commercial cannabis establishments within 700' of the Business Premises Location however; there are three (3) unlicensed establishments within a 1-mile radius (see Exhibit 2). Thus, consumers would find it convenient and would also benefit from the increased competitive environment of an additional licensed retail commercial cannabis establishment in the area.

Therefore, approval of Applicant's request for a License for Retail Commercial Cannabis Activity at the Business Premises Location will serve the public convenience or necessity by (1) satisfying a higher demand for retail locations in a commercial corridor of increased density and consumer traffic; (2) reducing patronage of unlicensed establishments in an area with a high number of unlicensed commercial cannabis retail establishments and; (3) reducing crime and nuisance activity in the surrounding area through clear specified public safety related features.

**Explain how this request meets one or more of the following standards to find that a commercial cannabis license application serves a public convenience or necessity:**

1. The existing commercial cannabis businesses in the requestor's Community Plan Area are concentrated in one area, such that the requestor's business, located in another area, would serve the public convenience or necessity; or

*Not applicable.*

2. The proposed business premises would serve an area of increased density or consumer traffic, including but not limited to an entertainment or commercial corridor, such that the proposed location would serve the public convenience or necessity by satisfying a higher demand for retail locations; or

*The Business Premises Location is located in a high-traffic area, along a major thoroughfare, Sepulveda Boulevard and less than a 1-mile from the 110 Freeway. Approximately 39,000 cars pass by the location daily and there are over 500,000 people within a 5-mile radius. The demand for retail in the area is made clear by the numerous retail stores located in seven (7) shopping centers within a 1/4-mile radius of the Business Premises Location.*

*In addition, the nearest licensed retail commercial cannabis establishments in the Community Plan Area are in hard-to-find industrial locations. The Applicant's proposed retail commercial cannabis establishment is located on a signalized corner, with excellent street visibility, in a heavily trafficked retail corridor.*

3. The proposed business premises would be located in an area with a high number of unlicensed commercial cannabis retail establishments, such that an additional licensed location would serve the public convenience or necessity by satisfying a higher demand for retail locations and reduce patronage of unlicensed establishments; or

*The demand for cannabis has significantly increased, while the number of licensed retail commercial cannabis businesses in Los Angeles has stayed the same. Accordingly, unlicensed retail commercial cannabis establishments have flourished across the City, including within a 1-mile radius of the Business Premises Location. These unlicensed businesses pay no taxes to the City and follow no prescribed rules or regulations. Until the number of licensed retail commercial cannabis establishments matches the demand, however, the unlicensed businesses will continue to proliferate.*

*Going into this year, the Bureau of Cannabis Control estimated California is expected to generate \$3.1 billion in licensed cannabis sales, though it was still smaller compared to the \$8.7 billion expected to be spent in the illicit market (<https://www.pressdemocrat.com/article/business/california-on-track-to-collect-1-billion-in-cannabis-taxes-in-2020/?sba=AAS>). The State of California is on track to collect \$1 billion in*

cannabis taxes in 2020, and the potential for local and state government revenues is substantially higher than that.

As previously noted, there are three (3) unlicensed establishments within a 1-mile radius of the Business Premises Location (see Exhibit 2). This is due to increasing consumer demand for cannabis and the prohibition of commercial cannabis sales in the surrounding cities (see Exhibit 3). By approving the Applicant's PCN request, the higher consumer demand will be further satisfied and sales at unlicensed establishments will be reduced. Moreover, the overall financial pie will be increased and bring benefits to everyone, including increased tax revenues and good jobs for the community.

4. The requestor's business would include clear specified public safety related features, such that the operation of the requestor's business would serve the public convenience or necessity by likely reducing crime or nuisance activity in the surrounding area.

The existing security features and improvements at the Business Premises Location have already served the public convenience by reducing crime and nuisance activity in the surrounding area. Prior to Applicant beginning operations and installing a sophisticated security system, the area typically had numerous motor homes, people sleeping in their cars and motor homes, drug paraphernalia, people making drug deals due to the seclusion, and beer bottles scattered throughout the property. A security wall, gate, fence, LED perimeter lighting and cameras were added to the property, as well as 24-hour armed security response.

Moreover, approval of Applicant's request for a license for Retail Commercial Cannabis Activity at the Business Premises Location will not increase crime or nuisance activity in the surrounding area. Although there will be retail windows, only 20% will be visible and the rest will be blacked out. Additionally, there is ample parking for the customers of the business and the parking will have no impact on the surrounding community. The parking lot is large and has 52 parking spaces. It is also secured with an iron gate surrounding the property. Therefore, there will be no overflow of customers onto surrounding properties or businesses. Also, the business operation will not create any foot traffic disrupting the neighborhood. The entrance and exit will be secured and located in a private lot. Therefore, foot traffic will not be visible to the public or, take place on public streets or sidewalks. Instead, all foot traffic will be secluded to the private property of the Business Premises Location.

Under the security plan in place, security guards will be licensed by BSIS, all over 21 years of age, and shared between the distribution, manufacturing, cultivation and retail aspects of the business. The video surveillance system at the site makes use of the latest technology available in the industry. There will be over eighty (80) cameras inside the facility, and twenty-five (25) cameras outside the facility. Some of these devices capture sidewalks and other public areas that are in the area of the cannabis business. All cameras and recording devices are high resolution and footage is kept 90 days or longer. Footage is also retained longer than that if requested by Los Angeles Police Department.

*The video surveillance system is an ultra-high definition system using 4-megapixel fixed cameras at 2240 x 1680 resolution and 6-megapixel Fisheye cameras at 3032 x 2008 resolution. The cameras cover the exterior building, parking lot, rooftop, and all spaces in the interior building, offices, storage areas and main floor areas. The camera system is backed up by battery power in case of power failure. The cameras will be day/night with infrared capability to see in the dark. All areas in the facility will be covered by security cameras except the bathrooms. There is coverage to the exterior of the bathrooms showing entry/exit to the bathrooms. There is a maintenance plan with emergency response security to maintain system cleaning, adjusting and replacing as needed. The video system will have remote CMS software over TCP as well as app for remote viewing. Alarm activity will be available upon request by the DCR or law enforcement. The Business Premises Location will apply and maintain in good standing an alarm system permit as required by LAMC section 103.206. The Applicant will maintain footage of any incidents of concern for police or the DCR to save as evidence per incident via thumb drives.*

*Emergency Response Security, LLC is the alarm company operator (#7149) that designed the security systems, and maintains and monitors the response to the alarms by Registered Agent Central Station, which is AAA rated. The Applicant is responsible for maintaining the security records and recordings, and contracting with the alarm and security guard companies.*

*Also, the Business Premises Location has a Kantech Access Control System on the doors with a combination of intercom and cameras to four (4) security guard offices (one each for distribution, manufacturing, retail, and cultivation) with Entra Pass Access Software stations open for guards and management to see who is accessing and moving through the facility. Authorized personnel will access readers with keyfobs.*

*A schedule as well as access areas will be defined for each person working at the facility. Only approved access will unlock authorized doors during authorized times. Only authorized employees, contractors, and suppliers, will be allowed access to "need access areas". Qualified customers who meet State and local guidelines will be allowed in the retail section of the premises. All exterior entry doors have access control Maglocks, readers, and intercom (except for emergency exit double door locations in manufacturing, retail, and cultivation, which will be 24-hour alarmed armed with door contacts and crash bar emergency exit). All interior spaces have access control readers and door strikes with door contacts, and door ajar sirens to maintain security. An unauthorized door ajar will notify all four security stations. The security guards and management will be able to see the camera access throughout the facility.*

*After hours, the facility will have exterior doors and glass breaks activated with DSC Neo Security Protection monitored by Central Station. There will be four (4) keypads at the security stations as well as integration into the access software to see any activity. Each area (distribution, manufacturing, retail, and cultivation) will have the capability to arm separately. Arming away will activate the motion sensors, along with doors (except emergency exits will be armed 24 hours) and glassbreaks. There will be interior sirens with strobes on the inside and exterior of building and each area will have siren strobe: distribution, manufacturing, retail and cultivation. The Security System will also have 24-hour flood sensors by the storage tanks and*

24-hour roof exterior motion sensors. The safe rooms will be zoned and armed when not occupied and each guard station and management office will have a holdup button.

As part of the basic security requirements from the City, the Applicant will have security patrols on the licensed property who will be trained to detect and report suspicious activity. In addition, the Applicant has entered into an agreement with a local community group to provide security patrols in the surrounding neighborhoods in order to ensure that the activities related to the presence of the Applicant's business do not create a public safety concern. These security patrols will make contact with local residents in order to respond to any complaints and will also be trained to detect and report suspicious activity that is not related to the Applicant's business.

All of these enhanced electronic security features, as well as, security personnel activities will increase public safety in the area by preventing crime and by providing investigative resources to the Los Angeles Police Department in areas where those can be used to solve crimes. In fact, the Applicant recently provided footage to the Los Angeles County Sheriff's Department that was helpful in an injury hit and run case off of the site. Apparently, the footage from the site was the only available record of the incident from the area businesses and this video was pivotal in the case. This is an example not only of how valuable the footage recorded by the Applicant's business can be to enhance local public safety but, also the willingness of the Applicant to work with Law Enforcement in order to be a value-add community member. This type of collaboration will continue and even increase, if the Business Premises Location can begin retail operations and hire additional security personnel.

As a final point, studies have shown that cannabis retailers are associated with a drop in localized crime. One study determined, "An additional dispensary in a neighborhood leads to a reduction of 17 crimes per month per 10,000 residents, which corresponds to roughly a 19 percent decline relative to the average crime rate over the sample period." See *Regional Science and Urban Economics, Not in my backyard? Not so fast. The effect of marijuana legalization on neighborhood crime*, Volume 78, September 2019, available at <https://www.sciencedirect.com/science/article/abs/pii/S016604621830293X#>. The majority of crime reduction was due to a decrease in non-violent criminal activity. The study's authors concluded: "Overall, our results suggest that dispensaries cause an overall reduction in crime in neighborhoods, with no evidence of spillovers to surrounding neighborhoods. ...Our results are consistent with theories that predict that marijuana legalization will displace illicit criminal organizations and decrease crime through changes in security behaviors or substitution toward more harmful substances. ...Lastly, there is no evidence that increased marijuana use itself results in additional crime."

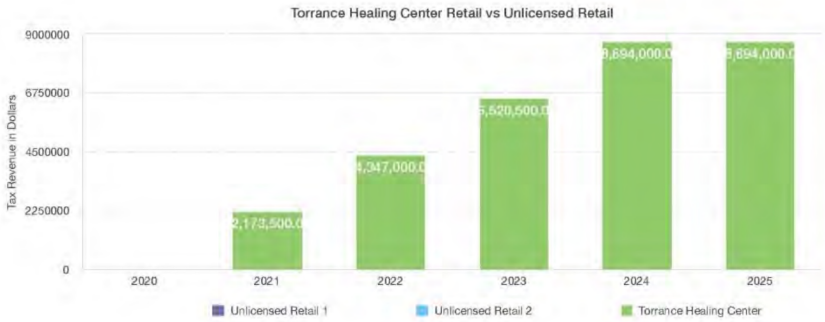
Studies have also shown that recreational cannabis access has led to a reduction in teen cannabis use. See *JAMA Pediatrics, Association of Marijuana Laws With Teen Marijuana Use: New Estimates From the Youth Risk Behavior Surveys*, July 8, 2019, available at <https://jamanetwork.com/journals/jamapediatrics/fullarticle/2737637> (finding recreational marijuana laws resulted in 8% reduction in odds of teen marijuana use and 9% reduction in odds of heaven teen marijuana use).



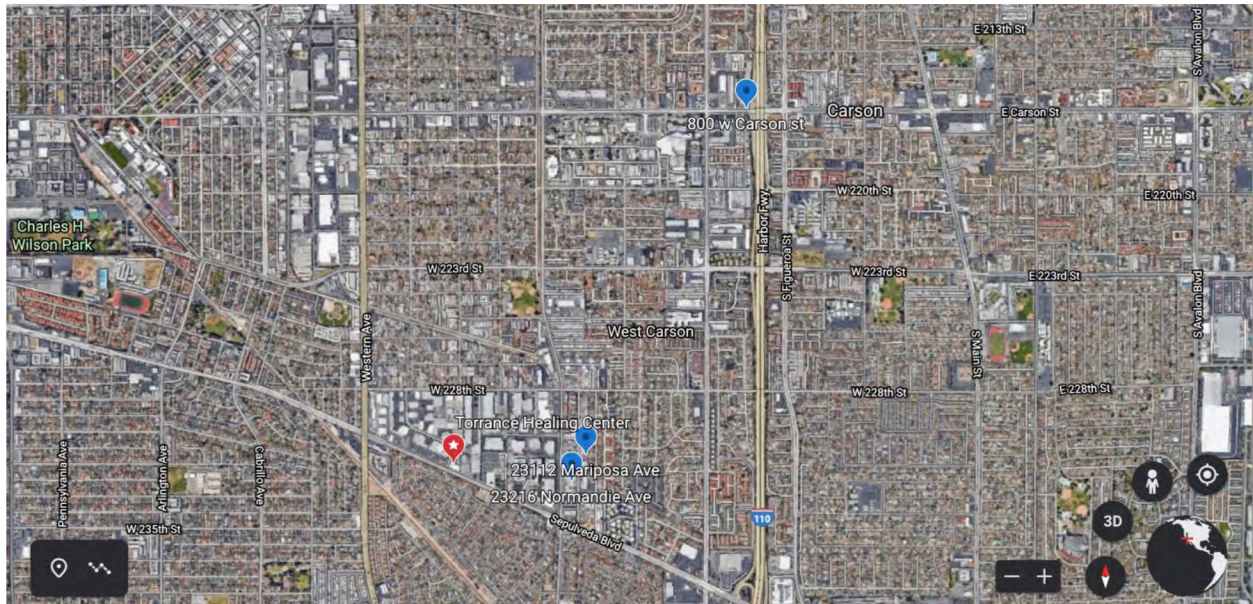
# EXHIBIT 1

Chart Shows Torrance Healing Center Retail compared to the 3 unlicensed Retails in a 1mile Radius

Los Angeles Cannabis Retail Tax Rate Annual						
DESCRIPTION	2020	2021	2022	2023	2024	2025
Unlicensed Retail 1	0	0	0	0	0	0
Unlicensed Retail 2	0	0	0	0	0	0
Unlicensed Retail 3	0	0	0	0	0	0
Torrance Healing Center	0	\$ 2,173,500.00	\$ 4,347,000.00	\$ 6,520,500.00	\$ 8,694,000.00	\$ 8,694,000.00
						\$ 30,429,000.00



## EXHIBIT 2



### Nearby Unlicensed Retail Commercial Cannabis Establishments:

- Establishment # 1: 23216 Normandie Avenue – 0.3 miles from Business Premises Location
- Establishment # 2: 23112 Mariposa Avenue – 0.3 miles from Business Premises Location
- Establishment # 3: 800 W. Carson Street – 1.0 miles from Business Premises Location

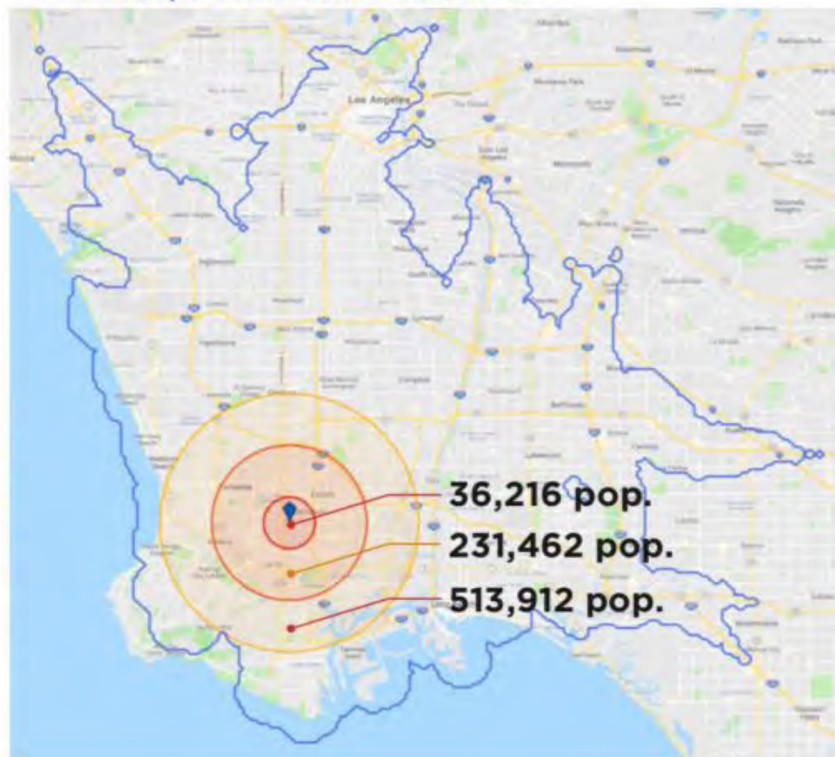
## EXHIBIT 3

**UNIQUELY  
POSITIONED  
TO SERVE  
SOUTHERN  
CALIFORNIA**

**Unique Location Provides Centralized Access  
to 500K+ People Within 5 Miles and Over  
4MM People Within a 30 Minute Drive**

**1 Mile** ■  
**3 Mile** ■  
**5 Mile** ■  
**30 Minute Drive** ■

• Torrance, Redondo Beach, Hermosa Beach, Rancho Palos Verdes, Manhattan Beach Residents Have to Travel to Harbor Gateway to Purchase Cannabis



### Nearby Prohibited Cannabis Sales Jurisdictions:

- Gardena
- Hermosa Beach
- Lawndale
- Lomita
- Manhattan Beach
- Palos Verdes Estates
- Redondo Beach
- Rolling Hills
- Torrance
- Unincorporated Los Angeles County

## **Background**

The Applicant, Torrance Healing Center, was founded by Kyle Ryan, who is intimately familiar with the community where this business will operate and the issues most important to the community. Having been born and raised in the South Bay, Kyle played baseball for both North Torrance and West Torrance High School and Harbor College, and has grown up to be a successful entrepreneur, as well as, a devoted husband and father to a beautiful boy and girl. Kyle founded one of the most successful cannabis brands in the industry, conducting all of its own cultivation, manufacturing and retail. He is an expert in the day-to-day management of cannabis businesses, from staffing, products, sales and community outreach. Kyle is a strong leader who surrounds himself with trustworthy and ethical professionals who have also thrived in the cannabis industry.

The Social Equity Partner and co-owner of Torrance Healing Center, Colt Lusby, also has substantial ties to the community. Colt went to El Segundo High School and received a degree from El Camino College in Studio Arts with an emphasis in Illustration. From 2002 to 2004, while working at PB Surf in Pacific Beach, CA and ZJ Boarding House in Santa Monica, Colt gave back to the community by giving free surf lessons to underprivileged children. Colt brings a steady hand and a wealth of experience to the operation, having had seven (7) years of experience in cannabis cultivation and retail.

The Applicant has partnered with the Teamsters Local 630, signing a Labor Peace Agreement with the Union with the hopes of ultimately creating numerous, good jobs that will improve the community. The Applicant is looking to employ approximately 20 - 50 people once it is fully operational. Under its employment policies, at least 50% of the work force will live within a 3-mile radius of the Business Premises Location.

Moreover, the Applicant has been in regular contact with the Office of Los Angeles City Council Member Joe Buscaino and, at the request of Councilman Buscaino's staff, reached out to the local neighborhood group Green Meadows Neighborhood Watch. After a series of discussions involving the Applicant, security consultants, the Teamsters and members of the Green Meadows Neighborhood Watch, the Applicant secured support from the Green Meadows Neighborhood Watch for the Retail Commercial Cannabis activity, including a list of specific commitments the Applicant will provide to improve the community.

Accordingly, the Applicant entered into a written agreement with the local neighborhood group Green Meadows Neighborhood Watch, pursuant to which the Applicant will arrange for security patrols in the area and provide neighborhood beautification (see the following pages). Already, the Applicant has coordinated with the City to provide additional street sweeping, pay for the fabrication and installation of a Harbor City sign and has fixed and maintained the trees along Sepulveda Boulevard.





Date: September 8th, 2019

**Written Agreement Between Torrance Healing Center and Green Meadows**

**Client: Kyle Ryan / Torrance Healing Center**

Dear Community of Green Meadows,

Thank you for your ongoing participation in our discussion regarding Torrance Healing Center at the proposed location of 1513-1515 Sepulveda Boulevard. We appreciate your assistance in providing ways that our clients, Kyle Ryan and Torrance Healing Center, can give back to the community. Outlined in this letter are the agreements we reached concerning our client and his engagement with the community during our meeting on September 7th, 2019.

- I. Clients will coordinate with the city to provide additional street sweeping.
- II. Clients will have a security officer take daily rounds in Green Meadows, at least three times per day, in order to monitor loitering and public consumption.
- III. Clients will coordinate with the city to pay for and facilitate the installation of a Harbor City sign.
- IV. Clients will fix and maintain trees that line Sepulveda.
- V. Clients will not use a green cross or similar signage on the storefront.
- VI. Clients will maintain a community liaison that can be contacted to coordinate between the facility and the community of Green Meadows.

We appreciate your involvement in this matter. If this letter meets with your approval, please sign and return the enclosed copy. Please let us know if you would like to discuss further or have any questions.

We look forward to working with you.

Very truly yours,

---

**Margolin & Lawrence**  
8484 Wilshire Blvd, Ste. 440  
Beverly Hills, CA 90211  
(323) 653-9700



Date: September 8th, 2019

Written Agreement Between Torrance Healing Center and Green Meadows

Clients: Kyle Ryan and Torrance Healing Center

BY SIGNING THIS LETTER, THE PARTIES AGREE THAT ALL ARTICLES OUTLINED ABOVE ARE AGREEMENTS REACHED BETWEEN TORRANCE HEALING CENTER AND THE COMMUNITY OF GREEN MEADOWS. THE COMMUNITY OF GREEN MEADOWS HEREBY REPRESENTS THAT IT HAS NO OBJECTION TO TORRANCE HEALING CENTER'S PROPOSED STOREFRONT CANNABIS LICENSE AT 1513-1515 SEPULVEDA BLVD.

Kyle Ryan, on behalf of Torrance Healing Center

Signature: [Handwritten Signature]  
Name: KYLE S RYAN  
Title: CEO  
Date: 9/12/19  
Phone Number: 310 977-3107  
Email Address: KR22310@yahoo.com

Green Meadows Community

Signature: [Handwritten Signature]  
Name: THOMAS A. HOUSTON  
Title: ON BEHALF OF GREEN MEADOWS  
Date: 9-11-19  
Phone Number: 310-257-1163  
Email Address: THOMAS@GMSN.COM



Proposed Signage

Sign Type:  
Community Identity  
Monument Sign

Single-sided

Color Palette:

White

Navy

Duranodic Bronze

LEI Dorado Stone - Lucera

Installation Notes:

Installation all signs on site / Thacher School  
Ojai

Job Number : 7234    Folder : 176

Project:    Penta Building Group / Thacher School

Location: 5025 Thacher Rd  
Ojai, CA 93023

Contact: John Chemmo 818.359.1807  
jchemmo@pentabldggroup.com

Sales: DT / Survey: NA

Project Manager: Joe Crowley (Ext 106)

Designer: TP

Orig. Draft: 12/02 /20

Proof Approved: 00/00/00

Projected Install : 00/00/00

Firm Due Date: Yes/No

This is an original unpublished drawing, submitted for the project being planned.  
This drawing is not to be copied or shown to persons outside of your organization  
without the written permission of Dave's Signs.



4773 Ortega St. Unit C / Ventura, CA 93003  
Ph. 805.641.1387   dave@davessigns.com  
Lic# C45 / 917812

OPTION A





Proposed Signage

Sign Type:  
Community Identity  
Monument Sign

Color Palette:

White

Navy

Duranodic Bronze

LEI Dorado Stone - Lucera

Installation Notes:  
Installation all signs on site / Thacher School  
Ojai

Job Number : 7234    Folder : 176  
Project:    Penta Building Group / Thacher School  
Location: 5025 Thacher Rd  
            Ojai, CA 93023  
Contact: John Chemmo 818.359.1807  
            jchemmo@pentabldggroup.com

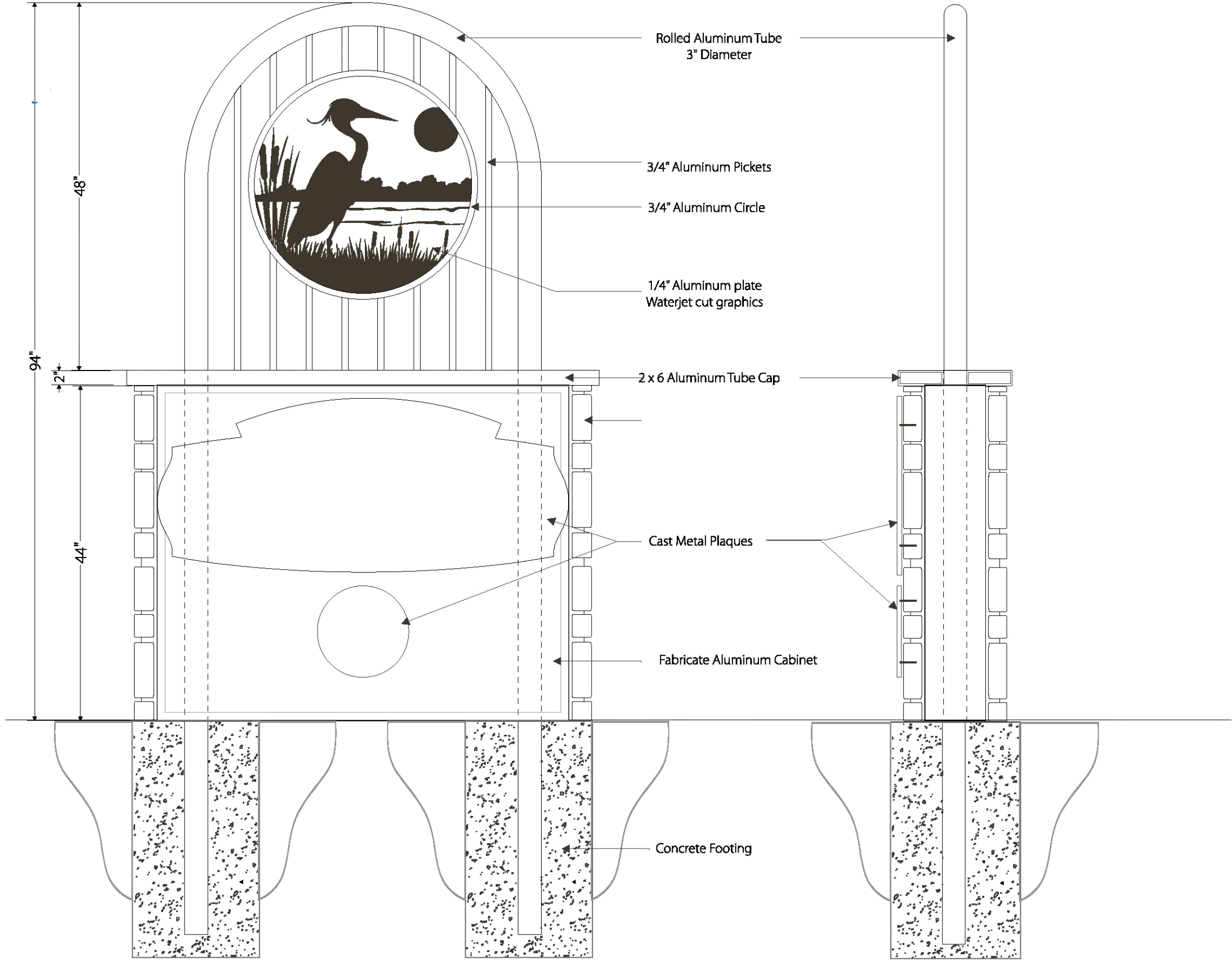
Sales: DT / Survey: NA  
Project Manager: Joe Crowley (Ext 106)  
Designer: TP  
Orig. Draft: 12/02 /20  
Proof Approved: 00/00/00  
Projected Install : 00/00/00  
Firm Due Date: Yes/No

This is an original unpublished drawing, submitted for the project being planned.  
This drawing is not to be copied or shown to persons outside of your organization  
without the written permission of Dave's Signs.

OPTION B



OPTION A SHOWN



Cast Metal Plaque



Stone Veneer Hillstone Lucera





EAST ELEVATION



WEST ELEVATION

Note: Landscaping is for representational purposes only, and not a part of project.





AIR COMMERCIAL REAL ESTATE ASSOCIATION  
STANDARD INDUSTRIAL/COMMERCIAL SINGLE-TENANT LEASE -- NET  
(DO NOT USE THIS FORM FOR MULTI-TENANT BUILDINGS)

1. Basic Provisions ("Basic Provisions").

1.1

**Parties:** This Lease ("Lease"), dated for reference purposes only JULY 18, 2018, is made by and between 1515 TORRANCE LLC ("Lessor") and COLD RIVER ENTERPRISES INC.

("Lessee"), (collectively the "Parties," or individually a "Party").

1.2 **Premises:** That certain real property, including all improvements therein or to be provided by Lessor under the terms of this Lease, and commonly known as 1513-1515 W. SEPULVEDA BLVD., TORRANCE, CA 90501, located in the County of LOS ANGELES, State of CA, and generally described as (describe briefly the nature of the property and, if applicable, the "Project", if the property is located within a Project) AN APPROXIMATELY 17,692 SQUARE FOOT RETAIL CENTER

("Premises"). (See also Paragraph 2)

1.3 **Term:** 5 years and        months ("Original Term") commencing SEPTEMBER 1, 2018 ("Commencement Date") and ending AUGUST 31, 2023 ("Expiration Date"). (See also Paragraph 3)

1.4 ~~**Early Possession:** If the Premises are available Lessee may have non-exclusive possession of the Premises commencing~~ ("Early Possession Date"). (See also Paragraphs 3.2 and 3.3)

1.5 **Base Rent:** \$35,384.00 per month ("Base Rent"), payable on the 1ST day of each month commencing SEPTEMBER 1, 2018. (See also Paragraph 4,

AND 53 AND 56)

☒ If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted. See Paragraph 53 AND 56

1.6 **Base Rent and Other Monies Paid Upon Execution:**

- (a) **Base Rent:** \$        for the period       .
- (b) **Security Deposit:** \$35,384.00 ("Security Deposit"). (See also Paragraph 5)
- (c) **Association Fees:** \$        for the period
- (d) **Other:** \$3,538.40 for COMMON AREA OPERATING EXPENSES (DUE MONTHLY WITH BASE RENT).

(e) **Total Due Upon Execution of this Lease:** \$SEE PARAGRAPH 53.

1.7 **Agreed Use:** RECREATIONAL AND MEDICAL MARIJUANA CULTIVATION, DISTRIBUTION, MANUFACTURING, AND RETAIL STOREFRONT/NON-STOREFRONT. (See also Paragraph 6)

1.8 **Insuring Party:** Lessor is the "Insuring Party" unless otherwise stated herein. (See also Paragraph 8)

1.9 **Real Estate Brokers:** (See also Paragraph 15 and 25)

(a) **Representation:** The following real estate brokers (the "Brokers") and brokerage relationships exist in this transaction (check applicable boxes):

- ☒ TRIMAX REALTY, INC. AND PAUL REALTY GROUP represents Lessor exclusively ("Lessor's Broker");
- ☒ STEVEN A. WILLIAMS II represents Lessee exclusively ("Lessee's Broker"); or
- ☐        represents both Lessor and Lessee ("Dual Agency").

(b) **Payment to Brokers:** Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Brokers the brokerage fee agreed to in a separate written agreement (or if there is no such agreement, the sum of        or 5 % of the total Base Rent) for the brokerage services rendered by the Brokers. NO FEE SHALL BE DUE TO THE BROKERS FOR ANY LEASE OPTIONS EXERCISED BY THE LESSEE.

THE 5% FEE SHALL BE SPLIT AS FOLLOWS:

TRIMAX REALTY, INC. - 33.34%

PAUL REALTY GROUP - 33.33%

STEVEN A WILLIAMS II - 33.33%

1.10 **Guarantor.** The obligations of the Lessee under this Lease are to be guaranteed by KYLE STEPHAN RYAN ("Guarantor"). (See also Paragraph 37)

1.11 **Attachments.** Attached hereto are the following, all of which constitute a part of this Lease:

- ☒ an Addendum consisting of Paragraphs 51 through 60 ;
- ☐ a plot plan depicting the Premises;
- ☐ a current set of the Rules and Regulations;
- ☐ a Work Letter;
- ☒ other (specify): GUARANTOR FORM, OPTION FORM

SN  
INITIALS

DS  
KP  
INITIALS

2. Premises.

2.1 **Letting.** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. While the approximate square footage of the Premises may have been used in the marketing of the Premises for purposes of comparison, the Base Rent stated herein is NOT tied to square footage and is not subject to adjustment should the actual size be determined to be different. **Note: Lessee is advised to verify the actual size prior to executing this Lease.**

2.2 **Condition.** Lessor shall deliver the Premises to Lessee broom clean and free of debris on the Commencement Date or the Early Possession Date, whichever first occurs ("**Start Date**"), and, so long as the required service contracts described in Paragraph 7.1(b) below are obtained by Lessee and in effect within thirty days following the Start Date, warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems ("**HVAC**"), loading doors, sump pumps, if any, and all other such elements in the Premises, other than those constructed by Lessee, shall be in good operating condition on said date, that the structural elements of the roof, bearing walls and foundation of any buildings on the Premises (the "**Building**") shall be free of material defects, and that the Premises do not contain hazardous levels of any mold or fungi defined as toxic under applicable state or federal law. If a non-compliance with said warranty exists as of the Start Date, or if one of such systems or elements should malfunction or fail within the appropriate warranty period, Lessor shall, as Lessor's sole obligation with respect to such matter, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, malfunction or failure, rectify same at Lessor's expense. The warranty periods shall be as follows: (i) 6 months FROM UNIT DELIVERY TO LESSEE BY LESSOR as to the HVAC systems, and (ii) ~~30~~ 60 days FROM UNIT DELIVERY TO LESSEE BY LESSOR as to the remaining systems and other elements of the Building. If Lessee does not give Lessor the required notice within the appropriate warranty period, correction of any such non-compliance, malfunction or failure shall be the obligation of Lessee at Lessee's sole cost and expense. Lessor also warrants, that unless otherwise specified in writing, Lessor is unaware of (i) any recorded Notices of Default affecting the Premise; (ii) any delinquent amounts due under any loan secured by the Premises; and (iii) any bankruptcy proceeding affecting the Premises.


2.3 **Compliance.** Lessor warrants that to the best of its knowledge the improvements on the Premises comply with the building codes, applicable laws, covenants or restrictions of record, regulations, and ordinances ("**Applicable Requirements**") that were in effect at the time that each improvement, or portion thereof, was constructed. Said warranty does not apply to the use to which Lessee will put the Premises, modifications which may be required by the Americans with Disabilities Act or any similar laws as a result of Lessee's use (see Paragraph 50), or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a)) made or to be made by Lessee. **NOTE: Lessee is responsible for determining whether or not the Applicable Requirements, and especially the zoning, are appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed.** If the Premises do not comply with said warranty, Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within 6 months following the ~~Start~~ DELIVERY Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense. If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Premises and/or Building, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Unit, Premises and/or Building ("**Capital Expenditure**"), Lessor and Lessee shall allocate the cost of such work as follows:


(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof, provided, however that if such Capital Expenditure is required during the last 2 years of this Lease and the cost thereof exceeds 6 months' Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within 10 days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and an amount equal to 6 months' Base Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least 90 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor shall pay for such Capital Expenditure and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease or any extension thereof, on the date that on which the Base Rent is due, an amount equal to 1/144th of the portion of such costs reasonably attributable to the Premises. Lessee shall pay Interest on the balance but may prepay its obligation at any time. If, however, such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with Interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor.

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to non-voluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall either: (i) immediately cease such changed use or intensity of use and/or take such other steps as may be necessary to eliminate the requirement for such Capital Expenditure, or (ii) complete such Capital Expenditure at its own expense. Lessee shall not, however, have any right to terminate this Lease.

2.4 **Acknowledgements.** Lessee acknowledges that: (a) it has been given an opportunity to inspect and measure the Premises, (b) it has been advised by Lessor and/or Brokers to satisfy itself with respect to the size and condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler systems, security, environmental aspects, and compliance with Applicable Requirements and the Americans with Disabilities Act), and their suitability for Lessee's intended use, (c) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefor as the same relate to its occupancy of the Premises, (d) it is not relying on any representation as to the size of the Premises made by Brokers or Lessor, (e) the square footage of the Premises was not material to Lessee's decision to lease the Premises

  
INITIALS

  
INITIALS



and pay the Rent stated herein, and (f) neither Lessor, Lessor's agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (ii) it is Lessor's sole responsibility to investigate the financial capability and/or suitability of all proposed tenants.

2.5 **Lessee as Prior Owner/Occupant.** The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the Start Date Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.

3. **Term.**

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

3.2 **Early Possession.** Any provision herein granting Lessee Early Possession of the Premises is subject to and conditioned upon the Premises being available for such possession prior to the Commencement Date. Any grant of Early Possession only conveys a non-exclusive right to occupy the Premises. If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such Early Possession. All other terms of this Lease (including but not limited to the obligations to pay Real Property Taxes and insurance premiums and to maintain the Premises) shall be in effect during such period. Any such Early Possession shall not affect the Expiration Date.

3.3 **Delay In Possession.** Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession by such date, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease or change the Expiration Date. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until Lessor delivers possession of the Premises and any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession is not delivered within 60 days after the Commencement Date, as the same may be extended under the terms of any Work Letter executed by Parties, Lessee may, at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10 day period, Lessee's right to cancel shall terminate. If possession of the Premises is not delivered within 120 days after the Commencement Date, this Lease shall terminate unless other agreements are reached between Lessor and Lessee, in writing.

3.4 **Lessee Compliance.** Lessor shall not be required to deliver possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of insurance (Paragraph 8.5). Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.


4. **Rent.**


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

4.2 **Payment.** Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States <sup>VIA BUSINESS</sup> CHECK, CASHIERS CHECK, OR WIRE TRANSFER (NO CASH), without offset or deduction (except as specifically permitted in this Lease), on or before the day on which it is due. ~~All monetary amounts shall be rounded to the nearest whole dollar.~~ In the event that any invoice prepared by Lessor is inaccurate such inaccuracy shall not constitute a waiver and Lessee shall be obligated to pay the amount set forth in this Lease. Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating. In the event that any check, draft, or other instrument of payment given by Lessee to Lessor is dishonored for any reason, Lessee agrees to pay to Lessor the sum of \$50 25 in addition to ~~any~~ A Late Charge OF 5% and Lessor, at its option, may require all future Rent be paid by cashier's check. Payments will be applied first to accrued late charges and attorney's fees, second to accrued interest, then to Base Rent, Insurance and Real Property Taxes, and any remaining amount to any other outstanding charges or costs.

4.3 **Association Fees.** In addition to the Base Rent, Lessee shall pay to Lessor each month an amount equal to any owner's association or condominium fees levied or assessed against the Premises. Said monies shall be paid at the same time and in the same manner as the Base Rent.

5. **Security Deposit.** Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease, Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount already due Lessor, for Rents which will be due in the future, and/ or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of the Security Deposit, Lessee shall within 10 days after written request therefor deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sublessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, in Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within 90 days after the expiration or termination of this Lease, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. Lessor shall upon written request provide Lessee with an accounting showing how that portion of the Security Deposit that was not returned was applied. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be

  
INITIALS

  
INITIALS



paid by Lessee under this Lease. THE SECURITY DEPOSIT SHALL NOT BE USED BY LESSEE IN LIEU OF PAYMENT OF THE LAST MONTH'S RENT. -- SEE PARAGRAPH 55 --

6. Use.

6.1 Use. Lessee shall ONLY USE THE PREMISES FOR THE AGREED USE AND NOT use OR PERMIT THE USE ~~and occupy~~ OF the Premises IN A MANNER THAT IS UNLAWFUL UNDER ANY STATE, CITY, AND LOCAL ORDINANCES, LAWS, AND REGULATIONS. ~~only for the Agreed Use, or any other legal use UNDER which is reasonably comparable thereto, and for no other purpose.~~ Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties. Other than guide, signal and seeing eye dogs, Lessee shall not keep or allow in the Premises any pets, animals, birds, fish, or reptiles. Lessor shall not unreasonably withhold or delay its consent to any request for a modification of the Agreed Use, so long as the same will not impair the structural integrity of the improvements on the Premises or the mechanical or electrical systems therein, and/or is not significantly more burdensome to the Premises. If Lessor elects to withhold consent, Lessor shall within 7 days after such request give written notification of same, which notice shall include an explanation of Lessor's objections to the change in the Agreed Use.

6.2 Hazardous Substances.

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

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

(c) Lessee Remediation. Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, comply with all Applicable Requirements and take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

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

(e) Lessor Indemnification. Except as otherwise provided in paragraph 8.7, Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which result from Hazardous Substances which existed on the Premises prior to Lessee's occupancy or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

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

(g) Lessor Termination Option. If a Hazardous Substance Condition (see Paragraph 9.1(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(d) and Paragraph 13), Lessor

DS  
SN  
INITIALS

DS  
KP  
INITIALS



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

6.3 **Lessee's Compliance with Applicable Requirements.** Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the Premises, without regard to whether said Applicable Requirements are now in effect or become effective after the Start Date. Lessee shall, within 10 days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements. Likewise, Lessee shall immediately give written notice to Lessor of: (i) any water damage to the Premises and any suspected seepage, pooling, dampness or other condition conducive to the production of mold; or (ii) any mustiness or other odors that might indicate the presence of mold in the Premises. In addition, Lessee shall provide copies of all relevant material safety data sheets (**MSDS**) to Lessor within 10 days of the receipt of a written request therefor. In addition, Lessee shall provide Lessor with copies of its business license, certificate of occupancy and/or any similar document within 10 days of the receipt of a written request therefor.

6.4 **Inspection; Compliance.** Lessor and Lessor's "**Lender**" (as defined in Paragraph 30) and consultants authorized by Lessor shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times after reasonable notice, for the purpose of inspecting and/or testing the condition of the Premises and/or for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a Hazardous Substance Condition (see paragraph 9.1) is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination. In addition, Lessee shall provide copies of all relevant material safety data sheets (**MSDS**) to Lessor within 10 days of the receipt of a written request therefore. Lessee acknowledges that any failure on its part to allow such inspections or testing will expose Lessor to risks and potentially cause Lessor to incur costs not contemplated by this Lease, the extent of which will be extremely difficult to ascertain. Accordingly, should the Lessee fail to allow such inspections and/or testing in a timely fashion the Base Rent shall be automatically increased, without any requirement for notice to Lessee, by an amount equal to 10% of the then existing Base Rent or \$100, whichever is greater for the remainder to the Lease. The Parties agree that such increase in Base Rent represents fair and reasonable compensation for the additional risk/costs that Lessor will incur by reason of Lessee's failure to allow such inspection and/or testing. Such increase in Base Rent shall in no event constitute a waiver of Lessee's Default or Breach with respect to such failure nor prevent the exercise of any of the other rights and remedies granted hereunder.

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

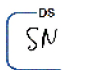
7.1 **Lessee's Obligations.**

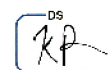
(a) **In General.** Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance), 6.3 (Lessee's Compliance with Applicable Requirements), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole expense, keep the Premises, Utility Installations (intended for Lessee's exclusive use, no matter where located), and Alterations in good order, condition and repair (whether or not the portion of the Premises requiring repairs, or the means of repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, but not limited to, all equipment or facilities, such as plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fire protection system, fixtures, walls (interior and exterior), foundations, ceilings, roofs, roof drainage systems, floors, windows, doors, plate glass, skylights, landscaping, driveways, parking lots, fences, retaining walls, signs, sidewalks and parkways located in, on, or adjacent to the Premises. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Paragraph 7.1(b) below. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair. Lessee shall, during the term of this Lease, keep the exterior appearance of the Building in a first-class condition (including, e.g. graffiti removal) consistent with the exterior appearance of other similar facilities of comparable age and size in the vicinity, including, when necessary, the exterior repainting of the Building.

(b) **Service Contracts.** Lessee shall, at Lessee's sole expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in the maintenance of the following equipment and improvements, if any, if and when installed on the Premises: (i) HVAC equipment, (ii) boiler, and pressure vessels, (iii) fire extinguishing systems, including fire alarm and/or smoke detection, (iv) landscaping and irrigation systems, (v) roof covering and drains, and (vi) clarifiers. However, Lessor reserves the right, upon notice to Lessee, to procure and maintain any or all of such service contracts, and Lessee shall reimburse Lessor, upon demand, for the cost thereof.

(c) **Failure to Perform.** If Lessee fails to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after 10 days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, and Lessee shall promptly pay to Lessor a sum equal to 115% of the cost thereof.

(d) **Replacement.** Subject to Lessee's indemnification of Lessor as set forth in Paragraph 8.7 below, and without relieving Lessee of liability resulting from Lessee's failure to exercise and perform good maintenance practices, if an item described in Paragraph 7.1(b) cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such item, then such item shall be replaced by Lessor, and the cost

  
INITIALS

  
INITIALS



thereof shall be prorated between the Parties and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease, on the date on which Base Rent is due, an amount equal to the product of multiplying the cost of such replacement by a fraction, the numerator of which is one, and the denominator of which is 144 (ie. 1/144th of the cost per month). Lessee shall pay Interest on the unamortized balance but may prepay its obligation at any time.

7.2 **Lessor's Obligations.** Subject to the provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 9 (Damage or Destruction) and 14 (Condemnation), it is intended by the Parties hereto that Lessor have no obligation, in any manner whatsoever, to repair and maintain the Premises, or the equipment therein, all of which obligations are intended to be that of the Lessee. It is the intention of the Parties that the terms of this Lease govern the respective obligations of the Parties as to maintenance and repair of the Premises, and they expressly waive the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease.

7.3 **Utility Installations; Trade Fixtures; Alterations.**  
(a) **Definitions.** The term "Utility Installations" refers to all floor and window coverings, air and/or vacuum lines, power panels, electrical distribution, security and fire protection systems, communication cabling, lighting fixtures, HVAC equipment, plumbing, and fencing in or on the Premises. The term "Trade Fixtures" shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term "Alterations" shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. "Lessee Owned Alterations and/or Utility Installations" are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a).

(b) **Consent.** Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Alterations or Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, will not affect the electrical, plumbing, HVAC, and/or life safety systems, do not trigger the requirement for additional modifications and/or improvements to the Premises resulting from Applicable Requirements, such as compliance with Title 24, and the cumulative cost thereof during this Lease as extended does not exceed a sum equal to 3 month's Base Rent in the aggregate or a sum equal to one month's Base Rent in any one year. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor.

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


7.4 **Ownership; Removal; Surrender; and Restoration.**  
(a) **Ownership.** Subject to Lessor's right to require removal or elect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. ~~Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations.~~ Unless otherwise instructed per paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.


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

(c) **Surrender; Restoration.** Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing, if the Lessee occupies the Premises for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures, Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Premises) to the level specified in Applicable Requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. Any personal property of Lessee not removed on or before the Expiration Date or any earlier termination date shall be deemed to have been abandoned by Lessee and may be disposed of or retained by Lessor as Lessor may desire. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below.

8. **Insurance; Indemnity.**

8.1 **Payment For Insurance.** Lessee shall pay for all insurance required under Paragraph 8 except to the extent of the cost attributable to liability insurance carried by Lessor under Paragraph 8.2(b) in excess of \$2,000,000 per occurrence. Premiums for policy periods

  
INITIALS

  
INITIALS



commencing prior to or extending beyond the Lease term shall be prorated to correspond to the Lease term. Payment shall be made by Lessee to Lessor within 10 days following receipt of an invoice.

8.2 Liability Insurance.

(a) **Carried by Lessee.** Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than \$1,000,000 per occurrence with an annual aggregate of not less than \$2,000,000. Lessee shall add Lessor as an additional insured by means of an endorsement at least as broad as the Insurance Service Organization's "Additional Insured-Managers or Lessors of Premises" Endorsement. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an **"insured contract"** for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. Lessee shall provide an endorsement on its liability policy(ies) which provides that its insurance shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only.

(b) **Carried by Lessor.** Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 Property Insurance - Building, Improvements and Rental Value.

(a) **Building and Improvements.** ~~THE LESSEE SHALL BE THE~~ Insuring Party shall obtain and keep in force a policy or policies in the name of Lessor, with loss payable to Lessor, any ground-lessor, and to any Lender insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full insurable replacement cost of the Premises, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available insurable value thereof. Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee not by Lessor. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed \$5,000 per occurrence, and Lessee shall be liable for such deductible amount in the event of an Insured Loss.

(b) **Rental Value.** The Insuring Party shall obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one year with an extended period of indemnity for an additional 180 days ("Rental Value insurance"). Said insurance shall contain an agreed valuation provision in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next 12 month period. Lessee shall be liable for any deductible amount in the event of such loss.

(c) **Adjacent Premises.** If the Premises are part of a larger building, or of a group of buildings owned by Lessor which are adjacent to the Premises, the Lessee shall pay for any increase in the premiums for the property insurance of such building or buildings if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

8.4 Lessee's Property; Business Interruption Insurance; Worker's Compensation Insurance.

(a) **Property Damage.** Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures, and Lessee Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed \$1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of personal property, Trade Fixtures and Lessee Owned Alterations and Utility Installations.

(b) **Business Interruption.** Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all perils commonly insured against by prudent lessees in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.


(c) **Worker's Compensation Insurance.** Lessee shall obtain and maintain Worker's Compensation Insurance in such amount as may be required by Applicable Requirements. Such policy shall include a ~~Waiver of Subrogation~~ endorsement. Lessee shall provide Lessor with a copy of such endorsement along with the certificate of insurance or copy of the policy required by paragraph 8.5.

(d) **No Representation of Adequate Coverage.** Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.

8.5 **Insurance Policies.** Insurance required herein shall be by companies maintaining during the policy term a "General Policyholders Rating" of at least A-, VII, as set forth in the most current issue of "Best's Insurance Guide", or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates with copies of the required endorsements evidencing the existence and amounts of the required insurance. No such policy shall be cancelable or subject to modification except after 30 days prior written notice to Lessor. Lessee shall, at least 10 days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may increase his liability insurance coverage and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same.

8.6 **Waiver of Subrogation.** Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 **Indemnity.** Except for Lessor's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with the use

  
INITIALS

  
INITIALS



and/or occupancy of the Premises by Lessee. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified.

8.8 **Exemption of Lessor and its Agents from Liability.** Notwithstanding the negligence or breach of this Lease by Lessor or its agents, neither Lessor nor its agents shall be liable under any circumstances for: (i) injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, indoor air quality, the presence of mold or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the building of which the Premises are a part, or from other sources or places, (ii) any damages arising from any act or neglect of any other tenant of Lessor or from the failure of Lessor or its agents to enforce the provisions of any other lease in the Project, or (iii) injury to Lessee's business or for any loss of income or profit therefrom. Instead, it is intended that Lessee's sole recourse in the event of such damages or injury be to file a claim on the insurance policy(ies) that Lessee is required to maintain pursuant to the provisions of paragraph 8.

8.9 **Failure to Provide Insurance.** Lessee acknowledges that any failure on its part to obtain or maintain the insurance required herein will expose Lessor to risks and potentially cause Lessor to incur costs not contemplated by this Lease, the extent of which will be extremely difficult to ascertain. Accordingly, for any month or portion thereof that Lessee does not maintain the required insurance and/or does not provide Lessor with the required binders or certificates evidencing the existence of the required insurance, the Base Rent shall be automatically increased, without any requirement for notice to Lessee, by an amount equal to 10% of the then existing Base Rent or \$100, whichever is greater. The parties agree that such increase in Base Rent represents fair and reasonable compensation for the additional risk/costs that Lessor will incur by reason of Lessee's failure to maintain the required insurance. Such increase in Base Rent shall in no event constitute a waiver of Lessee's Default or Breach with respect to the failure to maintain such insurance, prevent the exercise of any of the other rights and remedies granted hereunder, nor relieve Lessee of its obligation to maintain the insurance specified in this Lease.

9. **Damage or Destruction.**

9.1 **Definitions.**

(a) **"Premises Partial Damage"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which can reasonably be repaired in 6 months or less from the date of the damage or destruction. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(b) **"Premises Total Destruction"** shall mean damage or destruction to the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which cannot reasonably be repaired in 6 months or less from the date of the damage or destruction. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) **"Insured Loss"** shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

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

(e) **"Hazardous Substance Condition"** shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance, in, on, or under the Premises which requires remediation.

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

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

9.4 **Total Destruction.** Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate

DS  
SN  
INITIALS

DS  
KP  
INITIALS



60 days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6.

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

9.6 **Abatement of Rent; Lessee's Remedies.** (SEE PARAGRAPH 53B & 54)  
(a) **Abatement.** In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from the Rental Value insurance. All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

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

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

10. **Real Property Taxes.**

10.1 **Definition.** As used herein, the term "Real Property Taxes" shall include any form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Premises or the Project, Lessor's right to other income therefrom, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Building address. Real Property Taxes shall also include any tax, fee, levy, assessment or charge, or any increase therein: (i) imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Premises, and (ii) levied or assessed on machinery or equipment provided by Lessor to Lessee pursuant to this Lease.

10.2 **Payment of Taxes.** In addition to Base Rent, Lessee shall pay to Lessor an amount equal to the Real Property Tax installment due at least 20 days prior to the applicable delinquency date. If any such installment shall cover any period of time prior to or after the expiration or termination of this Lease, Lessee's share of such installment shall be prorated. In the event Lessee incurs a late charge on any Rent payment, Lessor may estimate the current Real Property Taxes, and require that such taxes be paid in advance to Lessor by Lessee monthly in advance with the payment of the Base Rent. Such monthly payments shall be an amount equal to the amount of the estimated installment of taxes divided by the number of months remaining before the month in which said installment becomes delinquent. When the actual amount of the applicable tax bill is known, the amount of such equal monthly advance payments shall be adjusted as required to provide the funds needed to pay the applicable taxes. If the amount collected by Lessor is insufficient to pay such Real Property Taxes when due, Lessee shall pay Lessor, upon demand, such additional sum as is necessary. Advance payments may be intermingled with other moneys of Lessor and shall not bear interest. In the event of a Breach by Lessee in the performance of its obligations under this Lease, then any such advance payments may be treated by Lessor as an additional Security Deposit.

10.3 **Joint Assessment.** If the Premises are not separately assessed, Lessee's liability shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be conclusively determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available.

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

11. **Utilities and Services.** Lessee shall pay for all water, gas, heat, light, power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. If any such services are not separately metered or billed to Lessee, Lessee shall pay a reasonable proportion, to be determined by Lessor, of all charges jointly metered or billed. There shall be no abatement of rent and Lessor shall not be liable in any respect whatsoever for the inadequacy, stoppage, interruption or discontinuance of any utility or service due to riot, strike, labor dispute, breakdown, accident, repair or other cause beyond Lessor's reasonable control or in cooperation with governmental request or directions.

12. **Assignment and Subletting.**

12.1 **Lessor's Consent Required.**  
(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, "assign or assignment") or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent.  
(b) Unless Lessee is a corporation and its stock is publicly traded on a national stock exchange, a change in the control of Lessee

DS  
SN  
INITIALS

DS  
KP  
INITIALS



shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of 25% or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than 25% of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. **"Net Worth of Lessee"** shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.

(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(d), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a noncurable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, (i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to 110% of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.

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

f) Lessor may reasonably withhold consent to a proposed assignment or subletting if Lessee is in Default at the time consent is requested.

(g) Notwithstanding the foregoing, allowing a de minimis portion of the Premises, ie. 20 square feet or less, to be used by a third party vendor in connection with the installation of a vending machine or payphone shall not constitute a subletting.

12.2     **Terms and Conditions Applicable to Assignment and Subletting.**

(a) Regardless of Lessor's consent, no assignment or subletting shall: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) alter the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

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

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

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

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of \$500 as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested. (See also Paragraph 36)

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

(g) Lessor's consent to any assignment or subletting shall not transfer to the assignee or sublessee any Option granted to the original Lessee by this Lease unless such transfer is specifically consented to by Lessor in writing. (See Paragraph 39.2)

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

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

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


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


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

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

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

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

  
INITIALS

  
INITIALS



failure of Lessee to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of 3 business days following written notice to Lessee. THE ACCEPTANCE BY LESSOR OF A PARTIAL PAYMENT OF RENT OR SECURITY DEPOSIT SHALL NOT CONSTITUTE A WAIVER OF ANY OF LESSOR'S RIGHTS, INCLUDING LESSOR'S RIGHT TO RECOVER POSSESSION OF THE PREMISES.

(c) The failure of Lessee to allow Lessor and/or its agents access to the Premises or the commission of waste, act or acts constituting public or private nuisance, and/or an illegal activity on the Premises by Lessee, where such actions continue for a period of 3 business days following written notice to Lessee. In the event that Lessee commits waste, a nuisance or an illegal activity a second time then, the Lessor may elect to treat such conduct as a non-curable Breach rather than a Default.

(d) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate or financial statements, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 42, (viii) material safety data sheets (MSDS), or (ix) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Lessee.

(e) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 40 hereof, other than those described in subparagraphs 13.1(a), (b), (c) or (d), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

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

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


(h) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.


**13.2 Remedies.** If Lessee fails to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. Lessee shall pay to Lessor an amount equal to 115% of the costs and expenses incurred by Lessor in such performance upon receipt of an invoice therefor. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover any damages to which Lessor is otherwise entitled. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

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

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under

  
INITIALS

  
INITIALS



any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

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

13.4 **Late Charges.** Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within 5 days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall immediately pay to Lessor a one-time late charge equal to 10% of each such overdue amount or \$100, whichever is greater. The Parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for 3 consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 **Interest.** Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due shall bear interest from the 31st day after it was due. The interest ("**Interest**") charged shall be computed at the rate of 10% per annum but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

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

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

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

15. **Brokerage Fees.**  
15.1 **Additional Commission.** In addition to the payments owed pursuant to Paragraph 1.9 above, Lessor agrees that: (a) if Lessee exercises any Option, (b) if Lessee or anyone affiliated with Lessee acquires any rights to the Premises or other premises owned by Lessor and located within the same Project, if any, within which the Premises is located, (c) if Lessee remains in possession of the Premises, with the consent of Lessor, after the expiration of this Lease, or (d) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then, Lessor shall pay Brokers a fee in accordance with the fee schedule of the Brokers in effect at the time the Lease was executed.

15.2 **Assumption of Obligations.** Any buyer or transferee of Lessor's interest in this Lease shall be deemed to have assumed Lessor's obligation hereunder. Brokers shall be third party beneficiaries of the provisions of Paragraphs 1.9, 15, 22 and 31. If Lessor fails to pay to Brokers any amounts due as and for brokerage fees pertaining to this Lease when due, then such amounts shall accrue Interest. In addition, if Lessor fails to pay any amounts to Lessee's Broker when due, Lessee's Broker may send written notice to Lessor and Lessee of such failure and if Lessor fails to pay such amounts within 10 days after said notice, Lessee shall pay said monies to its Broker and offset such amounts against Rent. In addition, Lessee's Broker shall be deemed to be a third party beneficiary of any commission agreement entered into by and/or between Lessor and Lessor's Broker for the limited purpose of collecting any brokerage fee owed.

15.3 **Representations and Indemnities of Broker Relationships.** Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any) in connection with this Lease, and that no one other than said named Brokers is entitled to any commission or finder's fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder

DS  
SN  
INITIALS

DS  
KP  
INITIALS



or other similar party by reason of any dealings or actions of the indemnifying Party, including any costs, expenses, attorneys' fees reasonably incurred with respect thereto. LESSEE CONFIRMS THAT TRIMAX REALTY, INC. AND PAUL REALTY GROUP ONLY REPRESENTS LESSOR.

16. **Estoppel Certificates.**

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

(b) If the Responding Party shall fail to execute or deliver the Estoppel Certificate within such 10 day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance. Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate. In addition, Lessee acknowledges that any failure on its part to provide such an Estoppel Certificate will expose Lessor to risks and potentially cause Lessor to incur costs not contemplated by this Lease, the extent of which will be extremely difficult to ascertain. Accordingly, should the Lessee fail to execute and/or deliver a requested Estoppel Certificate in a timely fashion the monthly Base Rent shall be automatically increased, without any requirement for notice to Lessee, by an amount equal to 10% of the then existing Base Rent or \$100, whichever is greater for remainder of the Lease. The Parties agree that such increase in Base Rent represents fair and reasonable compensation for the additional risk/costs that Lessor will incur by reason of Lessee's failure to provide the Estoppel Certificate. Such increase in Base Rent shall in no event constitute a waiver of Lessee's Default or Breach with respect to the failure to provide the Estoppel Certificate nor prevent the exercise of any of the other rights and remedies granted hereunder.

(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall within 10 days after written notice from Lessor deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past 3 years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. **Definition of Lessor.** The term **"Lessor"** as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined.

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

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

20. **Limitation on Liability.** The obligations of Lessor under this Lease shall not constitute personal obligations of Lessor or its partners, members, directors, officers or shareholders, and Lessee shall look to the Premises, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with respect to this Lease, and shall not seek recourse against Lessor's partners, members, directors, officers or shareholders, or any of their personal assets for such satisfaction.

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

22. **No Prior or Other Agreements; Broker Disclaimer.** This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the use, nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party.

23. **Notices.**


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


23.2 **Date of Notice.** Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 72 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantees next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices delivered by hand, or transmitted by facsimile transmission or by email shall be deemed delivered upon actual receipt. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

24. **Waivers.**

(a) No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent.

(b) The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of moneys or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by

  
INITIALS

  
INITIALS



Lessor at or before the time of deposit of such payment.

(c) THE PARTIES AGREE THAT THE TERMS OF THIS LEASE SHALL GOVERN WITH REGARD TO ALL MATTERS RELATED THERETO AND HEREBY WAIVE THE PROVISIONS OF ANY PRESENT OR FUTURE STATUTE TO THE EXTENT THAT SUCH STATUTE IS INCONSISTENT WITH THIS LEASE.

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

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

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

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

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

(b) Brokers have no responsibility with respect to any default or breach hereof by either Party. The Parties agree that no lawsuit or other legal proceeding involving any breach of duty, error or omission relating to this Lease may be brought against Broker more than one year after the Start Date and that the liability (including court costs and attorneys' fees), of any Broker with respect to any such lawsuit and/or legal proceeding shall not exceed the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

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

26. **No Right To Holdover.** Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 150% of the Base Rent applicable immediately preceding the expiration or termination. Holdover Base Rent shall be calculated on monthly basis. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

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

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

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

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

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

30.2 **Attornment.** In the event that Lessor transfers title to the Premises, or the Premises are acquired by another upon the foreclosure or termination of a Security Device to which this Lease is subordinated (i) Lessee shall, subject to the non-disturbance provisions of Paragraph 30.3, attorn to such new owner, and upon request, enter into a new lease, containing all of the terms and provisions of this Lease, with such new owner for the remainder of the term hereof, or, at the election of the new owner, this Lease will automatically become a new lease between Lessee and such new owner, and (ii) Lessor shall thereafter be relieved of any further obligations hereunder and such new owner shall assume all of Lessor's obligations, except that such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (b) be subject to any offsets or defenses which Lessee might have against any prior lessor, (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor which was not paid or credited to such new owner.

DS  
SN  
INITIALS

DS  
KP  
INITIALS



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

30.4 **Self-Executing.** The agreements contained in this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

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

32. **Lessor's Access; Showing Premises; Repairs.** Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times after reasonable prior notice for the purpose of showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary or desirable and the erecting, using and maintaining of utilities, services, pipes and conduits through the Premises and/or other premises as long as there is no material adverse effect to Lessee's use of the Premises. All such activities shall be without abatement of rent or liability to Lessee.

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

34. **Signs.** Lessor may place on the Premises ordinary **"For Sale"** signs at any time and ordinary **"For Lease"** signs during the last 6 months of the term hereof. Except for ordinary "for sublease" signs, Lessee shall not place any sign upon the Premises without Lessor's prior written consent. All signs must comply with all Applicable Requirements.

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

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

37. **Guarantor.**

37.1 **Execution.** The Guarantors, if any, shall each execute a guaranty in the form most recently published by the AIR Commercial Real Estate Association, and each such Guarantor shall have the same obligations as Lessee under this Lease.

37.2 **Default.** It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantor's behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect.

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

39. **Options.** If Lessee is granted any Option, as defined below, then the following provisions shall apply:

39.1 **Definition.** **"Option"** shall mean: (a) the right to extend or reduce the term of or renew this Lease or to extend or reduce the term of or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Premises or other property of Lessor; (c) the right to purchase, the right of first offer to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 **Options Personal To Original Lessee.** Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting. - SEE PARAGRAPH 60A -

39.3 **Multiple Options.** In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be

DS  
SN  
INITIALS

DS  
KP  
INITIALS



exercised unless the prior Options have been validly exercised.

39.4 **Effect of Default on Options.**

(a) Lessee shall have no right to exercise an Option: (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term or completion of the purchase, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), or (ii) if Lessee commits a Breach of this Lease.

40. **Multiple Buildings.** If the Premises are a part of a group of buildings controlled by Lessor, Lessee agrees that it will abide by and conform to all reasonable rules and regulations which Lessor may make from time to time for the management, safety, and care of said properties, including the care and cleanliness of the grounds and including the parking, loading and unloading of vehicles, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessee also agrees to pay its fair share of common expenses incurred in connection with such rules and regulations.

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

42. **Reservations.** Lessor reserves to itself the right, from time to time, to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, and to cause the recordation of parcel maps and restrictions, so long as such easements, rights, dedications, maps and restrictions do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate any such easement rights, dedication, map or restrictions.

43. **Performance Under Protest.** If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay. A Party who does not initiate suit for the recovery of sums paid "under protest" with 6 months shall be deemed to have waived its right to protest such payment.

44. **Authority; Multiple Parties; Execution.**

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

(b) If this Lease is executed by more than one person or entity as "Lessee", each such person or entity shall be jointly and severally liable hereunder. It is agreed that any one of the named Lessees shall be empowered to execute any amendment to this Lease, or other document ancillary thereto and bind all of the named Lessees, and Lessor may rely on the same as if all of the named Lessees had executed such document.

(c) This Lease may be executed by the Parties in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

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

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

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

48. **Waiver of Jury Trial.** THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING INVOLVING THE PROPERTY OR ARISING OUT OF THIS AGREEMENT.

49. **Arbitration of Disputes.** An Addendum requiring the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease

☒ is ☐ is not attached to this Lease.


50. **Accessibility; Americans with Disabilities Act.**


(a) The Premises: ☒ have not undergone an inspection by a Certified Access Specialist (CASp). ☐ have undergone an inspection by a Certified Access Specialist (CASp) and it was determined that the Premises met all applicable construction-related accessibility standards pursuant to California Civil Code §55.51 et seq. ☐ have undergone an inspection by a Certified Access Specialist (CASp) and it was determined that the Premises did not meet all applicable construction-related accessibility standards pursuant to California Civil Code §55.51 et seq.

(b) Since compliance with the Americans with Disabilities Act (ADA) is dependent upon Lessee's specific use of the Premises, Lessor makes no warranty or representation as to whether or not the Premises comply with ADA or any similar legislation. In the event that Lessee's use of the Premises requires modifications or additions to the Premises in order to be in ADA compliance, Lessee agrees to make any such necessary modifications and/or additions at Lessee's expense.

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

**ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AIR COMMERCIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH**

  
INITIALS

  
INITIALS

IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE.

2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

**WARNING:** IF THE PREMISES IS LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES IS LOCATED.

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

Executed at: LOS ANGELES, CA  
On: 7/23/2018 | 11:31:13 AM PDT

Executed at: LOS ANGELES, CA  
On: 7/20/2018 | 11:45:17 AM PDT

By LESSOR:

1515 TORRANCE LLC

DocuSigned by:  
SOLEYMAN NABATI

By: 2C7BA53338FE4DD...  
Name Printed: SOLEYMAN NABATI  
Title: OWNER  
By:  
Name Printed:  
Title:  
Address: PO BOX 11347  
BEVERLY HILLS, CA 90213  
Telephone: XXXXXXXXXX 310-592-1818  
Facsimile: (310) 954-1370  
Email: SOL@DANACO26.COM  
Email:  
Federal ID No. 68-0567523

BY LESSEE:

COLD RIVER ENTERPRISES INC.

DocuSigned by:  
Kyle Stephan Ryan

By: 4A149E15801E486...  
Name Printed: KYLE STEPHAN RYAN  
Title: President  
By:  
Name Printed:  
Title: 13778 Hawthorne blvd  
Address: Hawthorne ca 90250  
Telephone: (310) 9773107  
Facsimile: (  
Email: KR22310@YAHOO.COM  
Email:  
Federal ID No. 45-4188238

BROKER:

TRIMAX REALTY, INC.

DocuSigned by:  
Fred Nabati

Attn: FRED NABATI  
Title: BROKER  
Address: 8370 WILSHIRE BLVD., SUITE 230  
BEVERLY HILLS, CA 90211  
Telephone: (310) 388-8100  
Facsimile: (310) 954-1370  
Email: FRED@TRIMAXLA.COM  
Federal ID No. 80-0657800  
Broker/Agent BRE License #: 01896723/01276914

BROKER:

STEVEN A. WILLIAMS II

DocuSigned by:  
STEVEN A. WILLIAMS II

Attn: STEVEN A. WILLIAMS II  
Title: BROKER  
Address: 318 AVE I., SUITE 724  
REDONDO BEACH, CA 90277  
Telephone: (424) 224-4424  
Facsimile: (424) 224-4425  
Email: STVEN@AVENUEIREALESTATE.COM  
Federal ID No. 564-47-0755  
Broker/Agent BRE License #: 01460826

BROKER:

PAUL REALTY GROUP

DocuSigned by:  
PARVIZ IJADI

ATTN: PARVIZ IJADI  
TITLE: BROKER  
ADDRESS: 19562 VENTURA BLVD., SUITE 220, TARZANA, CA 91356  
TELEPHONE: OFFICE: (818) 343-3030 / MOBILE: (310) 261-8224 / FAX: (818) 343-3090  
EMAIL: PAULREALTY@SBCGLOBAL.NET  
FEDERAL ID NO.: 95-4129853  
BROKER/AGENT BRE LICENSE #: 00676593

7/20/2018 | 4:36:29 PM PDT

**NOTICE:** These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AIR Commercial Real Estate Association, 500 N Brand Blvd, Suite 900, Glendale, CA 91203. Telephone No. (213) 687-8777. Fax No.: (213) 687-8616.

© Copyright 2001 - By AIR Commercial Real Estate Association. All rights reserved.  
No part of these works may be reproduced in any form without permission in writing.

DS  
SN

INITIALS

DS  
KR

INITIALS





# ADDENDUM

**Date:** JULY 18, 2018

**By and Between (Lessor)** 1515 TORRANCE LLC  
**(Lessee)** COLD RIVER ENTERPRISES INC.

**Address of Premises:** 1513-1515 W. SEPULVEDA BLVD.  
TORRANCE, CA 90501

Paragraph 51-58

In the event of any conflict between the provisions of this Addendum and the printed provisions of the Lease, this Addendum shall control.

51. ARBITRATION DISPUTES FORM ATTACHED HEREIN SHALL BE SAID PARAGRAPH

52. LESSEE CONFIRMS AND UNDERSTANDS THAT PROPERTY HAS A TORRANCE MAILING ADDRESS BUT IS INCORPORATED IN THE CITY OF LOS ANGELES.

53.

A. LESSEE SHALL GET DELIVERY OF SUITE B2, C, & D, APPROXIMATELY CONSISTING OF 12,046 SQ. FT., ON SEPTEMBER 1, 2018 AND SHALL PAY \$24,092.00/MONTH + \$2,409.20 NNN/MONTH FOR A TOTAL MONTHLY OBLIGATION OF \$26,501.20 DUE AT LEASE COMMENCEMENT (SHALL BE APPLIED TOWARD'S SEPTMBER 1, 2018 RENT AND NNN) + FULL PROPERTY SECURITY DEPOSIT OF \$35,384 FOR A TOTAL BALANCE DUE OF \$61,885.20. TOTAL DUE AT LEASE COMMENCEMENT: \$61,885.20 + \$2,500 LEGAL RESERVE FUND CONTRIBUTION = \$64,385.20. IN ADDITION TO FIVE (5) MONTHS ADVANCED RENT AT \$120,460.00 (\$24,092 X 5) + FIVE (5) MONTHS ADVANCED NNN AT \$12,046.00 (\$2409.20 X 5) FOR A FINAL TOTAL DUE AT LEASE COMMENCEMENT: \$196,891.20

B. UPON LESSEE'S EXECUTION OF LEASE AND PAYMENT OUTLINED IN PARAGRAPH 53A LANDLORD SHALL YACATE SUITE A & B. LESSOR SHALL HAVE 180 DAYS TO YACATE EXISTING TENANT AND DELIVER TO LESSEE. UPON DELIVERING SUITE A & B, APPROXIMATELY CONSISTING OF 5,646 SQ. FT. LESSEE SHALL PAY \$11,292.00/MONTH + \$1,129.20 NNN/MONTH. TOTAL MONTHLY OBLIGATION UPON DELIVERY OF SUITE A & B FOR ENTIRE CENTER SHALL BE \$12,421.20 (INCLUDES NNN). IF LANDLORD IS NOT ABLE TO DELIVER POSSESION OF SUITE A & B WITHIN THE 180 DAYS THEN THE RENTS FOR THOSE UNITS WILL BE ABATED UNTIL LESSOR CAN DELIVER LESSEE POSSESSION. IN ADDITION TO SIX (6) MONTHS ADVANCED RENT AT \$67,752 (\$11,292 X 6) + SIX (6) MONTHS ADVANCED NNN AT \$6,775.20 (\$1129.20 X 6) FOR A FINAL TOTAL DUE AT DELIVERY: \$86,948.40

54. TENANT IMPROVEMENT:

LESSEE SHALL NOT PAY FOR MONTHS 2, 3, 4 OF EACH SUITE UPON DELIVERY BY LESSOR TO LESSEE OF EACH SUITE.

A. ALL IMPROVEMENTS MADE BY LESSEE SHALL BE COMPLETED WITH LA CITY PERMITS WITH A COPY DELIVERABLE TO LESSOR AND PROPERTY MANAGER VIA EMAIL WITHIN 5 BUSINESS DAYS OF PERMIT DATE.

DS  
SN

INITIALS

DS  
KP

INITIALS

B. LESSEE SHALL ONLY HIRE VENDORS THAT ARE LICENSED AND INSURED TO CONDUCT ANY TENANT IMPROVEMENTS ON THE PREMISES. PRIOR TO WORK COMMENCEMENT BY ANY VENDOR HIRED BY LESSEE A COPY OF THE EVIDENCE OF INSURANCE SHALL BE PROVIDED TO LESSOR AND PROPERTY MANAGER VIA E-MAIL SHOWING 1515 TORRANCE LLC AND TRIMAX REALTY, INC. HAVE BEEN ADDED AS AN ADDITIONAL INSURED TO THE POLICY.

55. SEE OPTION TO EXTEND ADDENDUM

56. RENTAL INCREASE: BASE RENT SHALL INCREASE 3% (THREE PERCENT) PER YEAR STARTING SEPTEMBER 1, 2019.

57. SEE LEASE ADDENDUM FOR RECREATIONAL/MEDICAL MARIJUANA BUSINESS

58. SEE GUARANTY OF LEASE ADDENDUM

59. SEE OPTION TO PURCHASE ADDENDUM

60.  
A. LESSEE SHALL HAVE THE RIGHT TO ASSIGN THE LEASE TO NORTHRIDGE CAREGIVERS CO-OP, INC. (OR AN ALTERNATE BUSINESS ENTITY THAT IS LEGALLY LICENSED BY STATE, COUNTY, AND CITY GOVERNMENTS) WITHIN 1 YEAR OF COMMENCEMENT DATE. SUCH ASSIGNMENT SHALL ALSO ASSIGN THE OPTION TO PURCHASE AND PURCHASE CONTRACT TO NORTHRIDGE CAREGIVERS CO-OP, INC.

B. LESSEE SHALL NOT CONDUCT ANY MARIJUANA ACTIVITY ON/IN THE PREMISES, BEYOND TENANT IMPROVEMENT, UNTIL TENANT HAS SUCCSSFULLY ACQUIRED NORTHRIDGE CAREGIVERS CO-OP, INC. (OR AN ALTERNATE BUSINESS ENTITY THAT IS LEGALLY LICENSED BY STATE, COUNTY, AND CITY GOVERNMENTS) AND TRANSFERRED THE LEGAL LICENSES REQUIRED BY STATE, COUNTY, AND CITY GOVERNMENTS TO OPERATE AND CONDUCT BUSINESS. LESSEE SHALL DELIVER TO LEESOR WITHIN 3 BUSINESS DAYS OF RECEIPT BY LESSEE THE FOLLOWING ITEMS:

- 1. ARTICLES OF INCORPORATION AND STATEMENT OF INFORMATION (FILED WITHIN 30 DAYS OF ACQUISITION) FOR NORTHRIDGE CAREGIVERS CO-OP, INC. (OR AN ALTERNATE BUSINESS ENTITY THAT IS LEGALLY LICENSED BY STATE, COUNTY, AND CITY GOVERNMENTS)
- 2. ALL COPIES OF STATE, COUNTY, AND CITY LICENSES OBTAINED BY LESSEE FOR ANY MARJIUANA BUSINESS ACTIVITY.

LESSEE AUTHORIZED SIGNATURE:  DATE: 7/20/2018 | 11:45:17 AM PDT  
COLD RIVER ENTERPRISES INC. - KYLE STEPHAN RYAN

LESSOR AUTHORIZED SIGNATURE:  DATE: 7/23/2018 | 11:31:13 AM PDT  
1515 TORRANCE LLC - SOLEYMAN NABATI





ARBITRATION AGREEMENT  
Standard Lease Addendum

Dated JULY 18, 2018

By and Between (Lessor) 1515 TORRANCE LLC

(Lessee) COLD RIVER ENTERPRISES INC.

Address of Premises: 1513-1515 W. SEPULVEDA BLVD.  
TORRANCE, CA 90501

Paragraph 51

A. ARBITRATION OF DISPUTES:

Except as provided in Paragraph B below, the Parties agree to resolve any and all claims, disputes or disagreements arising under this Lease, including, but not limited to any matter relating to Lessor's failure to approve an assignment, sublease or other transfer of Lessee's interest in the Lease under Paragraph 12 of this Lease, any other defaults by Lessor, or any defaults by Lessee by and through arbitration as provided below and irrevocably waive any and all rights to the contrary. The Parties agree to at all times conduct themselves in strict, full, complete and timely accordance with the terms hereof and that any attempt to circumvent the terms of this Arbitration Agreement shall be absolutely null and void and of no force or effect whatsoever.

B. DISPUTES EXCLUDED FROM ARBITRATION:

The following claims, disputes or disagreements under this Lease are expressly excluded from the arbitration procedures set forth herein: 1. Disputes for which a different resolution determination is specifically set forth in this Lease, 2. All claims by either party which (a) seek anything other than enforcement or determination of rights under this Lease, or (b) are primarily founded upon matters of fraud, willful misconduct, bad faith or any other allegations of tortious action, and seek the award of punitive or exemplary damages, 3. Claims relating to (a) Lessor's exercise of any unlawful detainer rights pursuant to applicable law or (b) rights or remedies used by Lessor to gain possession of the Premises or terminate Lessee's right of possession to the Premises, all of which disputes shall be resolved by suit filed in the applicable court of jurisdiction, the decision of which court shall be subject to appeal pursuant to applicable law 4. Any claim or dispute that is within the jurisdiction of the Small Claims Court and 5. All claims arising under Paragraph 39 of this Lease.

C. APPOINTMENT OF AN ARBITRATOR:

All disputes subject to this Arbitration Agreement, shall be determined by binding arbitration before : ☐ a retired judge of the applicable court of jurisdiction (e.g., the Superior Court of the State of California) affiliated with Judicial Arbitration & Mediation Services, Inc. ("JAMS"), ☐ the American Arbitration Association ("AAA") under its commercial arbitration rules, ☒ BY THE CHOICE OF THE LANDLORD

or as may be otherwise mutually agreed by Lessor and Lessee (the "Arbitrator"). In the event that the parties elect to use an arbitrator other than one affiliated with JAMS or AAA then such arbitrator shall be obligated to comply with the Code of Ethics for Arbitrators in Commercial Disputes (see: [http://www.adr.org/aaa/ShowProperty?nodeId=/UCM/ADRSTG\\_003867](http://www.adr.org/aaa/ShowProperty?nodeId=/UCM/ADRSTG_003867)). Such arbitration shall be initiated by the Parties, or either of them, within ten (10) days after either party sends written notice (the "Arbitration Notice") of a demand to arbitrate by registered or certified mail to the other party and to the Arbitrator. The Arbitration Notice shall contain a description of the subject matter of the arbitration, the dispute with respect thereto, the amount involved, if any, and the remedy or determination sought. If the Parties have agreed to use JAMS they may agree on a retired judge from the JAMS panel. If they are unable to agree within ten days, JAMS will provide a list of three available judges and each party may strike one. The remaining judge (or if there are two, the one selected by JAMS) will serve as the Arbitrator. If the Parties have elected to utilize AAA or some other organization, the Arbitrator shall be selected in accordance with said organization's rules. In the event the Arbitrator is not selected as provided for above for any reason, the party initiating arbitration shall apply to the appropriate Court for the appointment of a qualified retired judge to act as the Arbitrator.

D. ARBITRATION PROCEDURE:

1. PRE-HEARING ACTIONS. The Arbitrator shall schedule a pre-hearing conference to resolve procedural matters, arrange for the exchange of information, obtain stipulations, and narrow the issues. The Parties will submit proposed discovery schedules to the Arbitrator at the pre-hearing conference. The scope and duration of discovery will be within the sole discretion of the Arbitrator. The Arbitrator shall have the discretion to order a pre-hearing exchange of information by the Parties, including, without limitation, production of requested documents, exchange of summaries of testimony of proposed witnesses, and examination by deposition of parties and third-party witnesses. This discretion shall be exercised in favor of discovery reasonable under the circumstances. The Arbitrator shall issue subpoenas and subpoenas duces tecum as provided for in the applicable statutory or case law (e.g., in California Code of Civil Procedure Section 1282.6).

2. THE DECISION. The arbitration shall be conducted in the city or county within which the Premises are located at a reasonably convenient site. Any Party may be represented by counsel or other authorized representative. In rendering a decision(s), the Arbitrator shall determine the rights and obligations of the Parties according to the substantive laws and the terms and provisions of this Lease. The Arbitrator's decision shall be based on the evidence introduced at the hearing, including all logical and reasonable inferences therefrom. The Arbitrator may make any determination and/or grant any remedy or relief that is just and equitable. The decision must be based on, and accompanied by, a written statement of decision explaining the factual and legal basis for the decision as to each of the principal controverted issues. The decision shall be conclusive and binding, and it may thereafter be confirmed as a judgment by the court of applicable jurisdiction, subject only to challenge on the grounds set forth in the applicable statutory or case law (e.g., in California Code of Civil Procedure Section 1286.2). The validity and enforceability of the Arbitrator's decision is to be determined exclusively by the court of appropriate jurisdiction pursuant to the provisions of this Lease. The Arbitrator may award costs, including without limitation, Arbitrator's fees and costs, attorneys' fees, and expert and witness costs, to the prevailing party, if any, as determined by the Arbitrator in his discretion.

SN  
INITIALS

KP  
INITIALS

Whenever a matter which has been submitted to arbitration involves a dispute as to whether or not a particular act or omission (other than a failure to pay money) constitutes a Default, the time to commence or cease such action shall be tolled from the date that the Notice of Arbitration is served through and until the date the Arbitrator renders his or her decision. Provided, however, that this provision shall NOT apply in the event that the Arbitrator determines that the Arbitration Notice was prepared in bad faith.

Whenever a dispute arises between the Parties concerning whether or not the failure to make a payment of money constitutes a default, the service of an Arbitration Notice shall NOT toll the time period in which to pay the money. The Party allegedly obligated to pay the money may, however, elect to pay the money "under protest" by accompanying said payment with a written statement setting forth the reasons for such protest. If thereafter, the Arbitrator determines that the Party who received said money was not entitled to such payment, said money shall be promptly returned to the Party who paid such money under protest together with Interest thereon as defined in Paragraph 13.5. If a Party makes a payment "under protest" but no Notice of Arbitration is filed within thirty days, then such protest shall be deemed waived. (See also Paragraph 42 or 43)

**NOTICE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AIR Commercial Real Estate Association, 500 N Brand Blvd, Suite 900, Glendale, CA 91203. Telephone No. (213) 687-8777. Fax No.: (213) 687-8616.**

LESSEE AUTHORIZED SIGNATURE:  DATE: 7/20/2018 | 11:45:17 AM PDT  
COLD RIVER ENTERPRISES INC. - KYLE STEPHAN RYAN

LESSEE AUTHORIZED SIGNATURE:  DATE: 7/23/2018 | 11:31:13 AM PDT  
1515 TORRANCE LLC - SOLEYMAN NABATI



OPTION(S) TO EXTEND  
STANDARD LEASE ADDENDUM

Dated JULY 18, 2018

By and Between (Lessor) 1515 TORRANCE LLC

By and Between (Lessee) COLD RIVER ENTERPRISES INC.

Address of Premises: 1513-1515 W. SEPULVEDA BLVD.  
TORRANCE, CA 90501

Paragraph 55

A. OPTION(S) TO EXTEND:

Lessor hereby grants to Lessee the option to extend the term of this Lease for 3 FIVE YEAR additional month period(s) commencing when the prior term expires upon each and all of the following terms and conditions:

(i) In order to exercise an option to extend, Lessee must give written notice of such election to Lessor and Lessor must receive the same at least 4 but not more than 7 months prior to the date that the option period would commence, time being of the essence. If proper notification of the exercise of an option is not given and/or received, such option shall automatically expire. Options (if there are more than one) may only be exercised consecutively.

(ii) The provisions of paragraph 39, including those relating to Lessee's Default set forth in paragraph 39.4 of this Lease, are conditions of this Option.

(iii) Except for the provisions of this Lease granting an option or options to extend the term, all of the terms and conditions of this Lease except where specifically modified by this option shall apply.

(iv) This Option is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and without the intention of thereafter assigning or subletting.

(v) The monthly rent for each month of the option period shall be calculated as follows, using the method(s) indicated below:  
(Check Method(s) to be Used and Fill in Appropriately)

☒ I. Cost of Living Adjustment(s) (COLA)

a. On (Fill in COLA Dates):

the Base Rent shall be adjusted by the change, if any, from the Base Month specified below, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for (select one): ☐ CPI W (Urban Wage Earners and Clerical Workers) or ☐ CPI U (All Urban Consumers); for (Fill in Urban Area): -

All Items (1982-1984 = 100), herein referred to as "CPI".

b. The monthly Base Rent payable in accordance with paragraph A.I.a. of this Addendum shall be calculated as follows: the Base Rent set forth in paragraph 1.5 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the CPI of the calendar month 2 months prior to the month(s) specified in paragraph A.I.a. above during which the adjustment is to take effect, and the denominator of which shall be the CPI of the calendar month which is 2 months prior to (select one): ☐ the first month of the term of this Lease as set forth in paragraph 1.3 ("Base Month") or ☐ (Fill in Other "Base Month"):-

The sum so calculated shall constitute the new monthly Base Rent hereunder, but in no event, shall any such new monthly Base Rent be less than the Base Rent payable for the month immediately preceding the rent adjustment.

c. In the event the compilation and/or publication of the CPI shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the CPI shall be used to make such calculation. In the event that the Parties cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said Association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitration shall be paid equally by the Parties.

☐ II. Market Rental Value Adjustment(s) (MRV)

a. On (Fill in MRV Adjustment Date(s))

DS  
SN  
INITIALS

DS  
KP  
INITIALS



the Base Rent shall be adjusted to the "Market Rental Value" of the property as follows:

~~1) Four months prior to each Market Rental Value Adjustment Date described above, the Parties shall attempt to agree upon what the new MRV will be on the adjustment date. If agreement cannot be reached, within thirty days, then:~~

~~(a) Lessor and Lessee shall immediately appoint a mutually acceptable appraiser or broker to establish the new MRV within the next 30 days. Any associated costs will be split equally between the Parties, or~~

~~(b) Both Lessor and Lessee shall each immediately make a reasonable determination of the MRV and submit such determination, in writing, to arbitration in accordance with the following provisions:~~

~~(i) Within 15 days thereafter, Lessor and Lessee shall each select an independent third party ☐ appraiser or ☐ broker ("Consultant" check one) of their choice to act as an arbitrator (Note: the parties may not select either of the Brokers that was involved in negotiating the Lease). The two arbitrators so appointed shall immediately select a third mutually acceptable Consultant to act as a third arbitrator.~~

~~(ii) The 3 arbitrators shall within 30 days of the appointment of the third arbitrator reach a decision as to what the actual MRV for the Premises is, and whether Lessor's or Lessee's submitted MRV is the closest thereto. The decision of a majority of the arbitrators shall be binding on the Parties. The submitted MRV which is determined to be the closest to the actual MRV shall thereafter be used by the Parties.~~

~~(iii) If either of the Parties fails to appoint an arbitrator within the specified 15 days, the arbitrator timely appointed by one of them shall reach a decision on his or her own, and said decision shall be binding on the Parties.~~

~~(iv) The entire cost of such arbitration shall be paid by the party whose submitted MRV is not selected, ie. the one that is NOT the closest to the actual MRV.~~

~~2) When determining MRV, the Lessor, Lessee and Consultants shall consider the terms of comparable market transactions which shall include, but not limited to, rent, rental adjustments, abated rent, lease term and financial condition of tenants. -~~

~~3) Notwithstanding the foregoing, the new Base Rent shall not be less than the rent payable for the month immediately preceding the rent adjustment.~~

~~b. Upon the establishment of each New Market Rental Value:~~

~~1) the new MRV will become the new "Base Rent" for the purpose of calculating any further Adjustments, and -~~

~~2) the first month of each Market Rental Value term shall become the new "Base Month" for the purpose of calculating any further Adjustments.~~


☒ **III. Fixed Rental Adjustment(s) (FRA)**  
The Base Rent shall be increased to the following amounts on the dates set forth below:

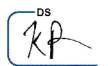
On (Fill in FRA Adjustment Date(s)):	The New Base Rent
se Rent shall be:	
SEPTEMBER 1, 2019 (3%)	\$35,384.00
SEPTEMBER 1, 2020 (3%)	\$36,445.52
SEPTEMBER 1, 2021 (3%)	\$37,538.89
SEPTEMBER 1, 2022 (3%)	\$38,665.05
SEPTEMBER 1, 2023 (3%)	\$39,825.00
SEPTEMBER 1, 2024 (3%)	\$41,019.75
SEPTEMBER 1, 2025 (3%)	\$42,250.35
SEPTEMBER 1, 2026 (3%)	\$43,517.86
SEPTEMBER 1, 2027 (3%)	\$44,823.39
SEPTEMBER 1, 2028 (3%)	\$46,168.09
SEPTEMBER 1, 2029 (3%)	\$47,553.14 (YR 2029)
SEPTEMBER 1, 2030 (3%)	\$48,979.73 (YR 2030)
SEPTEMBER 1, 2031 (3%)	\$50,449.12 (YR 2031)
SEPTEMBER 1, 2032 (3%)	\$51,962.60 (YR 2032)
SEPTEMBER 1, 2033 (3%)	\$53,521.47 (YR 2033)
SEPTEMBER 1, 2034 (3%)	\$55,780.93 (YR 2034)
SEPTEMBER 1, 2035 (3%)	\$56,780.93(YR 2035)
SEPTEMBER 1, 2036 (3%)	\$58,484.36 (YR 2036)
SEPTEMBER 1, 2037 (3%)	\$60,238.89 (YR 2037)
SEPTEMBER 1, 2038 (3%)	\$62,046.06(YR 2038)

LESSEE SHALL INCREASE THE SECURITY DEPOSIT  
3% YEARLY.

☐ **IV. Initial Term Adjustments.**  
The formula used to calculate adjustments to the Base Rate during the original Term of the Lease shall continue to be used during the extended term.

**B. NOTICE:**  
~~Unless specified otherwise herein, notice of any rental adjustments, other than Fixed Rental Adjustments, shall be made as specified in paragraph 23 of the Lease.~~

  
INITIALS


  
INITIALS


C. ~~BROKER'S FEE:~~  
~~The Brokers shall be paid a Brokerage Fee for each adjustment specified above in accordance with paragraph 15 of the Lease or if applicable, paragraph 9 of the Sublease.~~

NOTICE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AIR Commercial Real Estate Association, 500 N Brand Blvd, Suite 900, Glendale, CA 91203.  
Telephone No. (213) 687-8777. Fax No.: (213) 687-8616.

LESSEE AUTHORIZED SIGNATURE:  DATE: 7/20/2018 | 11:45:17 AM PDT  
COLD RIVER ENTERPRISES INC. - KYLE STEPHAN RYAN

LESSOR AUTHORIZED SIGNATURE:  DATE: 7/23/2018 | 11:31:13 AM PDT  
1515 TORRANCE LLC - SOLEYMAN NABATI

  
INITIALS

  
INITIALS



**LEASE ADDENDUM FOR RECREATIONAL/MEDICAL MARIJUANA BUSINESS**  
**PARAGRAPH 57**

**PROPERTY ADDRESS: 1513-1515 W. SEPULVEDA BLVD., TORRANCE, CA 90501**

**1. Early Termination by LESSOR**

1515 TORRANCE LLC ("LESSOR") shall have the right upon LESSOR's sole election, upon five days prior written notice to LESSEE or, if sooner, upon the effective date of any court order, to terminate this Lease in the event any of these causes ("Early Termination Causes") for any of the below subsections except 1c and 1e shall arise. If any instance under subsection 1c and 1e shall arise Lessor shall provide Lessee with thirty (30) days written notice together with a thirty (30) day cure period

a. The seizure by any governmental authority seeking forfeiture of the building housing the Premises, whether or not the court proceeding has actually commenced;

b. The entry of judgment (whether final or not) that has the effect (whether by restraining order, injunction, declaration, or otherwise) of establishing the LESSEE's use of the Premises or Common Areas constitutes a public or private nuisance;

c. The commencement of an action under any federal, state, or local law or regulation (ordinance) seeking remediation of the Premises or any portion of the building housing the Premises as a result of a violation by the LESSEE of any mandate pertaining to environmental sensitivity or commission of waste, irrespective of LESSEE's intent and course of action following its commencement;

d. A judgment having the effect of establishing that LESSEE's operation violates LESSOR's contractual obligations (i) pursuant to any private covenants of record restricting LESSOR's building housing the Premises, (ii) good faith and fair dealing to any third party, including other LESSEES of the building housing the Premises or occupants or LESSORS of any other building within the Project, or (iii) pursuant to its obligations under its mortgage agreement with LESSOR's bank;

e. The LESSEE's activities in the Premises creates an unreasonable nuisance that causes other LESSEES of the Premises to withhold rent or vacate or threaten to vacate; and

f. An event that is created by LESSEE's use of the Premises that (i) requires closure of the building for more than 180 consecutive days or for more than 210 nonconsecutive calendar days within a 360 consecutive day period for remediation of materially adverse circumstances \*\*(See Exceptions for f.(i) below), or (ii) causes LESSOR's insurance carrier to cancel all coverage on the building housing the Premises (the "Building") unless the LESSEE procures coverage for the spacing covered by the Lease any portion of the coverage voided by Landlord's carrier within thirty calendar days thereafter, and commences and thereafter continues to pay any premium cost in excess of the premium (pre-cancellation) paid by LESSOR without credit or offset against the rent reserved under this Lease. This shall not include fire and other natural calamity events, unless the source of any such event is directly related to LESSEE's operation, such as a heat lamp-related fire in any cannabis cultivation site. Any premium increase caused by Landlords other properties or claims unrelated to the Tenants shall not be assessed to Tenant.

g. A Notice from the Lender of Lessor that the Lease is in violation of the terms of the loan.

INITIAL: SN<sup>DS</sup>

INITIAL: KP<sup>DS</sup>

## 2. Termination by LESSEE

Lessee shall have the right to terminate the lease if any of the following occur:

- A. In the event there is any interference by any of the Federal Governmental, Regulatory, or Law Enforcement Authorities than Lessee shall provide Landlord 90 days' notice to vacate. The notice shall be USPS Certified Mail to LESSOR. Date of delivery by USPS shall institute the 1<sup>st</sup> day of notice.
- B. In the event there is any interference by any of the State or Local Governmental, Regulatory, or Law Enforcement Authorities than Lessee shall provide Landlord 180 days' notice to vacate. The notice shall be USPS Certified Mail to LESSOR. Date of delivery by USPS shall institute the 1<sup>st</sup> day of notice.

## 3. Use of Premises

The Premises shall be used by LESSEE to carry out a lawful cannabis business in accordance with California Recreational and Medical marijuana law and regulations for the following uses and for no other purposes: Recreational/Medical Marijuana Cultivation, Manufacturing, Distribution, and retail storefront. LESSEE shall not operate its business on the Premises before securing and receiving all required license for operation.

## 4. Improvements

The parties acknowledge that the Premises are not currently fit for the permitted use and that alterations listed in Attachment A will have to be implemented to render the Premises fit and that:

- a. LESSEE shall, at its sole expense but with the good faith and reasonable cooperation of LESSOR, make such alterations;
- b. All improvements, including electrical, plumbing, and build out, shall be performed by Licensed and Insured California Contractor and LESSOR shall be named as an additional insured. LESSEE shall obtain and pay for all the permits required for any of the alterations. LESSOR reserves the right to inspect the alterations by LESSOR's license contractor and any improvements that are deemed to be substandard or that do not meet current building codes will be removed and replaced at the expense of the LESSEE regardless of the governmental agencies approval of the final alterations work;
  - i. LESSEE shall be required to furnish a copy of all permits to LESSOR within 5 business days of being pulled and an additional copy within 5 business days of being 'FINALED' by the city.
- c. LESSEE is not entitled to reimbursement from LESSOR for making any alterations or improvements that are unique to the operation of a Cannabis business and provide no residual value to a subsequent LESSEE; and
- d. LESSEE must remove, at its sole expense, any and all alterations that LESSOR designates for removal at the end of the Lease term.

## 5. Inspection of Premises

LESSOR shall have the right, following 24 hours' notice if not in emergent circumstances, at any time to physically inspect any portion of the Premises is occupied by LESSEE's principals, agents, or contractors, including at times when the Premises is not open for business to the public, to enter the Premises for the purposes of ensuring compliance with the covenants, warranties, and representations of LESSEE under this Lease. LESSOR may photograph or video-record in any medium the activities of LESSEE, subject to privacy restrictions under HIPAA and state laws and so long as such visual records are not provided to anyone with an interest in possessing LESSEE's trade secrets.

INITIAL: DS  
SN

INITIAL: DS  
KP



### 5.1. Compliance with Laws

The parties acknowledge the myriad of regulations and local, state, and federal laws that govern the operation of LESSEE's use and that LESSEE alone will be responsible for compliance with all mandates and requirements of any nature.

### 5.2. LESSEE's Duty to Comply

LESSEE's foregoing obligation shall encompass (i) all state and local laws and regulations from any governmental authority with jurisdiction over LESSEE's use, including but not limited to California medical marijuana laws and local zoning ordinances; and (ii) all federal laws to the extent those laws are not inconsistent with state and local laws allowing the LESSEE to use the Premises for the permitted uses specified in Section 2 above. The covenant to comply encompasses all applicable laws that become effective before and during the Lease term, as may be extended (collectively, the "Mandates"), regardless of the cost of such compliance. LESSEE's inability to comply with the Mandates shall be grounds for termination of this Lease.

### 6. Utilities

Any consumption of water or electricity by LESSEE shall be LESSEE's obligation.

### 7. Other Extraordinary Operating Expenses

LESSEE shall reimburse LESSOR for any other extraordinary expense for building or premises operations resulting from LESSEE's permitted use, including without limitation, the cost of evening security guards, supplementary janitorial services, trash services, gardening, lighting, signage, or HVAC system service and periodic maintenance, etc.

### 8.1. Surrender

LESSEE's covenant to comply with all applicable Mandates shall apply equally to dismantling LESSEE's operations at the end of the term and surrender of the Premises.

### 8.2. Disposal

LESSEE hereby covenants to dispose, according to Mandates, all unused inventory, refuse, and scrap materials and thereafter to clean to commercially acceptable standards (including sterilization of impermeable surfaces, wall to wall and ceiling to floor) all floors, walls, immovable fixtures, and air ducts serving the Premises.

### 8.3. Removal of Alterations

LESSOR shall not return the Security Deposit to LESSEE until an inspection of the Premises discloses that the above cleaning and disposal and removal of alterations required by Section 3(c) above have been satisfactorily completed.

### 9. Indemnity

In addition to the indemnity obligation of the lease to the fullest extent permitted by law, LESSE shall defend, indemnify and hold harmless LESSOR and LESSOR'S agents, officers, directors, shareholder, and employees from claims, demands, causes of actions and liabilities of every kind and nature whatsoever including attorneys' fees and defense cost arising out of or in connection with LESSE's violation under any federal, state, or local law or regulation (ordinance), Leasing the Premises to LESSEE, or Early Termination. This defense and indemnification shall extend to claims occurring after this Lease is terminated as well as while it is in force. The indemnity shall apply regardless of any active and/or passive negligent act or omission of LESSOR, or their agents,

INITIAL: DS  
SN

INITIAL: DS  
KP

officers, directors, shareholder or employees. The indemnity set forth in this Section shall not be limited by insurance requirements or by any other provision of this Lease.

**10. Legal Reserve Fund**

LESSEE agrees to deposit with LESSOR \$100,000 as an additional deposit to be held by LESSOR in a separate non-interest-bearing reserve account that shall be specifically collected in reserve towards potential future costs, attorney's fees, and damages to LESSOR due to LESSEE's violation of the lease, this Addendum, and/or any Federal, State or City government violations, lawsuits, etc. as it relates to LESSEE's use of Premises. LESSEE shall deposit \$2,500 a month with LESSOR from lease commencement until \$100,000 deposited funds have been accumulated in the fund. Any use of the fund by LESSOR shall be disclosed to LESSEE within 30 days with an itemized invoice.

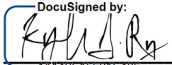
Upon lease termination, if no pending costs, then LESSOR shall refund LESSEE within the timing outlined in lease for SECURITY DEPOSIT reimbursement.

- 11.** In reference to Paragraph 8 of said lease Tenant shall be required to obtain insurance to cover the use of Marijuana Retail Sales and Marijuana Cultivation with a minimum coverage of \$4,000,000 (Four-Million) prior to occupancy and shall have 1515 Torrance LLC listed as an additional insured.

1515 TORRANCE LLC – LESSOR

BY:  DATE 7/23/2018 | 11:31:13 AM PDT  
DocuSigned by: 2C7BA5338FE4DD...

COLD RIVER ENTERPRISES INC. – LESSEE

BY:  DATE 7/20/2018 | 11:45:17 AM PDT  
DocuSigned by: 4A149E15601E486...  
KYLE STEPHAN RYAN

INITIAL: 

INITIAL: 





## AIR COMMERCIAL REAL ESTATE ASSOCIATION GUARANTY OF LEASE

### PARAGRAPH 58

WHEREAS, 1515 TORRANCE LLC, hereinafter "Lessor",  
and \_\_\_\_\_, hereinafter "Lessee",  
are about to execute a document entitled "Lease" dated JUNE 18, 2018 concerning the premises commonly known  
as 1513-1515 W. SEPULVEDA BLVD., TORRANCE, CA 90501  
wherein Lessor will lease the premises to Lessee, and  
WHEREAS, KYLE STEPHAN RYAN

hereinafter "Guarantors" have a financial interest in Lessee, and

WHEREAS, Lessor would not execute the Lease if Guarantors did not execute and deliver to Lessor this Guaranty of Lease.

NOW THEREFORE, in consideration of the execution of said Lease by Lessor and as a material inducement to Lessor to execute said Lease, Guarantors hereby jointly, severally, unconditionally and irrevocably guarantee the prompt payment by Lessee of all rents and all other sums payable by Lessee under said Lease and the faithful and prompt performance by Lessee of each and every one of the terms, conditions and covenants of said Lease to be kept and performed by Lessee.

It is specifically agreed by Lessor and Guarantors that: (i) the terms of the foregoing Lease may be modified by agreement between Lessor and Lessee, or by a course of conduct, and (ii) said Lease may be assigned by Lessor or any assignee of Lessor without consent or notice to Guarantors and that this Guaranty shall guarantee the performance of said Lease as so modified.

This Guaranty shall not be released, modified or affected by the failure or delay on the part of Lessor to enforce any of the rights or remedies of the Lessor under said Lease.

No notice of default by Lessee under the Lease need be given by Lessor to Guarantors, it being specifically agreed that the guarantee of the undersigned is a continuing guarantee under which Lessor may proceed immediately against Lessee and/or against Guarantors following any breach or default by Lessee or for the enforcement of any rights which Lessor may have as against Lessee under the terms of the Lease or at law or in equity.

Lessor shall have the right to proceed against Guarantors following any breach or default by Lessee under the Lease without first proceeding against Lessee and without previous notice to or demand upon either Lessee or Guarantors.

Guarantors hereby waive (a) notice of acceptance of this Guaranty, (b) demand of payment, presentation and protest, (c) all right to assert or plead any statute of limitations relating to this Guaranty or the Lease, (d) any right to require the Lessor to proceed against the Lessee or any other Guarantor or any other person or entity liable to Lessor, (e) any right to require Lessor to apply to any default any security deposit or other security it may hold under the Lease, (f) any right to require Lessor to proceed under any other remedy Lessor may have before proceeding against Guarantors, (g) any right of subrogation that Guarantors may have against Lessee.

Guarantors do hereby subordinate all existing or future indebtedness of Lessee to Guarantors to the obligations owed to Lessor under the Lease and this Guaranty.

If a Guarantor is married, such Guarantor expressly agrees that recourse may be had against his or her separate property for all of the obligations hereunder.

The obligations of Lessee under the Lease to execute and deliver estoppel statements and financial statements, as therein provided, shall be deemed to also require the Guarantors to do and provide the same to Lessor. The failure of the Guarantors to provide the same to Lessor shall constitute a default under the Lease.

The term "Lessor" refers to and means the Lessor named in the Lease and also Lessor's successors and assigns. So long as Lessor's interest in the Lease, the leased premises or the rents, issues and profits therefrom, are subject to any mortgage or deed of trust or assignment for security, no acquisition by Guarantors of the Lessor's interest shall affect the continuing obligation of Guarantors under this Guaranty which shall nevertheless continue in full force and effect for the benefit of the mortgagee, beneficiary, trustee or assignee under such mortgage, deed of trust or assignment and their successors and assigns.

The term "Lessee" refers to and means the Lessee named in the Lease and also Lessee's successors and assigns.

Any recovery by Lessor from any other guarantor or insurer shall first be credited to the portion of Lessee's indebtedness to Lessor which exceeds the maximum liability of Guarantors under this Guaranty.

No provision of this Guaranty or right of the Lessor can be waived, nor can the Guarantors be released from their obligations except in writing signed by the Lessor.

Any litigation concerning this Guaranty shall be initiated in a state court of competent jurisdiction in the county in which the leased premises are located and the Guarantors consent to the jurisdiction of such court. This Guaranty shall be governed by the laws of the State in which the leased premises are located and for the purposes of any rules regarding conflicts of law the parties shall be treated as if they were all residents or domiciles of such State.

In the event any action be brought by said Lessor against Guarantors hereunder to enforce the obligation of Guarantors hereunder, the unsuccessful party in such action shall pay to the prevailing party therein a reasonable attorney's fee. The attorney's fee award shall not be computed in accordance with any court fee schedule, but shall be such as to full reimburse all attorney's fees reasonably incurred.

If any Guarantor is a corporation, partnership, or limited liability company, each individual executing this Guaranty on said entity's behalf represents and warrants that he or she is duly authorized to execute this Guaranty on behalf of such entity.

LESSOR HAS THE RIGHT TO REQUEST FROM GUARANTORS FOR A YEARLY UPDATED DOCUMENTAITON ON THE FOLLOWING ITEMS:

- A. BUSINESS TAX RETURNS
- B. PERSONAL TAX RETURNS
- C. IIRS FORM 4506-T
- D. SCHEDULE OF REAL ESTATE OWNED
- E. COPIES OF ASSETS
- F. TO PULL CREDIT REPORT AT LANDLORD'S EXPENSE

- PAGE 1 OF 2 -

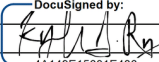
INITIAL: SN

PAGE 1 OF 2

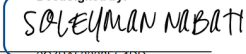
INITIAL: RP

If this Form has been filled in, it has been prepared for submission to your attorney for his approval. No representation or recommendation is made by the AIR Commercial Real Estate Association, the real estate broker or its agents or employees as to the legal sufficiency, legal effect, or tax consequences of this Form or the transaction relating thereto.

Executed at: Home  
On: 7/20/2018 | 11:45:17 AM PDT  
Address: 29113 Doverridge Dr  
Rncho pv 90275

PRINT NAME: KYLE STEPHAN RYAN  
DocuSigned by:   
SIGN: 4A149E15601E486...  
"GUARANTORS"

7/20/2018 | 11:45:17 AM PDT

PAGE 2 OF 2 OF GUARANTY OF LEASE  
DocuSigned by:   
CONFIRMED BY LESSOR: 2C7BA53338FE40D...  
1515 TORRANCE LLC - SOLEYMAN NABATI

DATE: 7/23/2018 | 11:31:13 AM PDT





AIR COMMERCIAL REAL ESTATE ASSOCIATION  
**OPTION TO PURCHASE**  
Standard Lease Addendum

**Dated** JULY 18, 2018

**By and Between (Lessor)** 1515 TORRANCE LLC

**(Lessee)** COLD RIVER ENTERPRISES INC.

**Address of Premises:** 1513-1515 W. SEPULVEDA BLVD.  
TORRANCE, CA 90501

Paragraph 59

(a) Lessor hereby grants to Lessee an option to purchase the Premises upon the terms and conditions herein set forth.

(b) In order to exercise this option to purchase, Lessee must give written notice of the exercise of the option to Lessor during the period from SEPTEMBER 1, 2018 to JUNE 30, 2020 (the "**Option Period**"), time being of the essence. If such notice is not so given, this option shall automatically expire. At the same time the option is exercised, Lessee must deliver to Lessor a cashier's check in the amount of \$375,000.00 payable to OVERLAND AVENUE ESCROW, as and for the Deposit referred to in paragraph 4.1 of the Standard Offer, Agreement and Escrow Instructions for the Purchase of Real Estate.

(c) The provisions of paragraph 39, including those relating to Lessee's Default set forth in paragraph 39.4 of this Lease are conditions of this Option.

(d) If Lessee elects to exercise this option to purchase as provided above, the transfer of title to Lessee shall occur on the close of escrow and until that time the terms of this Lease shall remain in full force and effect.

(e) If Lessee elects to exercise this option to purchase, the purchase price to be paid by Lessee shall be \$7,500,000.00  
NO PORTION OF THE LEASE PAYMENT SHALL BE APPLIED TOWARDS THE PURCHASE PRICE.

(f) Within 10 days after this option to purchase is exercised, Lessor and Lessee shall give instructions to consummate the sale to OVERLAND AVENUE ESCROW, located at 3348 OVERLAND AVENUE, LOS ANGELES, CA 90034, who shall act as escrow holder, on the normal and usual escrow forms then used by such escrow holder, as follows:

- (i) Escrow shall close 40 or \_\_\_\_\_ days after the exercise of the option to purchase by Lessee;
- (ii) Lessor shall deposit the check referred to in paragraph (b) into escrow upon opening thereof, with the balance of the purchase price to be deposited BY LESSEE/BUYER into escrow no later than 2:00 P.M. on the last business day prior to the expected closing date;
- (iii) The parties agree to execute any additional instructions as are normal and usual;
- (iv) The balance of the terms and conditions of sale shall be as set forth in the AIR Commercial Real Estate Association "STANDARD OFFER, AGREEMENT AND ESCROW INSTRUCTIONS FOR THE PURCHASE OF REAL ESTATE", a copy of which is attached hereto, except for the following: \_\_\_\_\_

and paragraphs 4.2; 5; 6; 9.1 a,b,c,d,e,h,j,k and l; and 20, which do not apply.

(g) Either Lessor or Lessee shall, upon request of the other, execute, acknowledge and deliver to the other a short form memorandum of this Lease for recording purposes. The Party requesting recordation shall be responsible for payment of any fees applicable thereto.

(h) In the event that this option to purchase is not exercised by Lessee in a timely fashion, the Lessee shall, upon request of Lessor, execute, acknowledge and deliver to Lessor a quit claim deed releasing Lessee's interest in such option. Lessor shall be responsible for the preparation of such deed and the payment of any fees applicable to the recording thereof.

(i) IF THE LEASE IS TERMINATED, THEN THE OPTION TO PURCHASE SHALL BE CONSIDERED NULL AND VOID.

**WARNING:**

**LESSEE SHOULD NOT EXERCISE THIS OPTION UNTIL LESSEE HAS COMPLETED SUCH INVESTIGATION AS MAY BE APPROPRIATE, OBTAINED ANY NECESSARY FINANCING, AND IS OTHERWISE IN A POSITION TO COMPLETE SUCH PURCHASE.**

DS  
SN

INITIALS

DS  
KP

INITIALS

NOTICE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AIR Commercial Real Estate Association, 500 N Brand Blvd, Suite 900, Glendale, CA 91203. Telephone No. (213) 687-8777. Fax No.: (213) 687-8616.

DS

SN

INITIALS

DS

KP

INITIALS





## ADDENDUM

Date: DECEMBER 6, 2018

By and Between (Lessor) 1515 TORRANCE LLC

(Lessee) COLD RIVER ENTERPRISES INC.

Address of Premises: 1513-1515 W. SEPULVEDA BLVD.  
TORRANCE, CA 90501

Paragraph 62

In the event of any conflict between the provisions of this Addendum and the printed provisions of the Lease, this Addendum shall control.

1. KYLE RYAN IS ADDED TO THE LEASE AS AN ADDITIONAL TENANT.

LESSEE: 1515 TORRANCE LLC

DocuSigned by:  
BY: SOLEYMAN NABATI  
207BA3333AFE4DD...  
SOLEYMAN NABATI

DATE: 12/6/2018 | 1:28:25 PM PST

LESSEE: COLD RIVER ENTERPRISES, INC.

DocuSigned by:  
BY: KYLE RYAN  
E906BCC30B0542D...  
KYLE RYAN

DATE: 12/6/2018 | 12:08:10 PM PST

LESSEE: KYLE RYAN

DocuSigned by:  
BY: KYLE RYAN  
E906BCC30B0542D...  
KYLE RYAN

DATE: 12/6/2018 | 12:08:10 PM PST

DS  
SN  
INITIALS

DS  
KSR  
DS  
KSR  
INITIALS



# ADDENDUM

**Date:** AUGUST 30, 2019

**By and Between (Lessor)** 1515 TORRANCE LLC  
**(Lessee)** COLD RIVER ENTERPRISES INC.

**Address of Premises:** 113-1515 W. SEPULVEDA BLVD.  
TORRANCE, CA 90501

Paragraph 63

In the event of any conflict between the provisions of this Addendum and the printed provisions of the Lease, this Addendum shall control.

1. TORRANCE HEALING CENTER IS ADDED TO THE LEASE AS AN ADDITIONAL TENANT.

DocuSigned by:  
SALEHMAN NABATI  
2C7BA5338FE4DD...

DocuSigned by:  
KYLE STEPHAN RYAN  
E996BCC30B0542D...

**DATE:** 9/2/2019 | 8:11:16 PM PDT

**DATE:** 9/2/2019 | 8:32:45 PM PDT

**GUARANTOR: KYLE STEPHAN RYAN**

BY: DocuSigned by:  
KYLE STEPHAN RYAN  
E996BCC30B0542D...

**KYLE STEPHAN RYAN**

**DATE:** 9/2/2019 | 8:32:45 PM PDT

**LESSEE: TORRANCE HEALING CENTER**

BY: DocuSigned by:  
KYLE STEPHAN RYAN  
E996BCC30B0542D...

**KYLE STEPHAN RYAN**

**DATE:** 9/2/2019 | 8:32:45 PM PDT

DS  
SN

DS  
KS



## Certificate of Completion

Envelope Id: 7214F158201A436A91DBFD7A70688C79  
 Subject: ADDENDUM 63 - 1513-1515 W. SEPULVEDA BLVD., TORRANCE, CA 90501  
 Source Envelope:  
 Document Pages: 1  
 Certificate Pages: 5  
 AutoNav: Enabled  
 Enveloped Stamping: Disabled  
 Time Zone: (UTC-08:00) Pacific Time (US & Canada)

Status: Completed

Envelope Originator:  
 Trimax  
 PO BOX 7632  
 BEVERLY HILLS, CA 90212  
 docusign@trimaxla.com  
 IP Address: 23.241.28.201

## Record Tracking

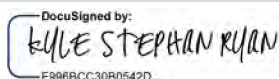
Status: Original  
 9/2/2019 8:08:56 PM  
 Holder: Trimax  
 docusign@trimaxla.com  
 Location: DocuSign

## Signer Events

KYLE STEPHAN RYAN  
 kr22310@yahoo.com  
 Owner

Security Level: Email, Account Authentication  
 (None)

## Signature

DocuSigned by:  
  
 E996BCC30B0542D...

Signature Adoption: Pre-selected Style  
 Using IP Address: 107.77.231.98  
 Signed using mobile

## Timestamp

Sent: 9/2/2019 8:10:31 PM  
 Viewed: 9/2/2019 8:32:16 PM  
 Signed: 9/2/2019 8:32:45 PM

**Electronic Record and Signature Disclosure:**  
 Accepted: 9/2/2019 8:32:16 PM  
 ID: 748263de-54c0-43b6-bb6e-53a029dc73e4

SOLEYMAN NABATI  
 sol@danaco26.com

Security Level: Email, Account Authentication  
 (None)

DocuSigned by:  
  
 2C7BA5338FE4DD...

Signature Adoption: Pre-selected Style  
 Using IP Address: 172.58.21.113  
 Signed using mobile

Sent: 9/2/2019 8:10:31 PM  
 Viewed: 9/2/2019 8:11:07 PM  
 Signed: 9/2/2019 8:11:16 PM

**Electronic Record and Signature Disclosure:**  
 Accepted: 3/25/2015 2:14:43 PM  
 ID: 0475b013-ad9c-4787-b3ec-3b789ef31c57

In Person Signer Events	Signature	Timestamp
Editor Delivery Events	Status	Timestamp
Agent Delivery Events	Status	Timestamp
Intermediary Delivery Events	Status	Timestamp
Certified Delivery Events	Status	Timestamp
Carbon Copy Events	Status	Timestamp
Witness Events	Signature	Timestamp
Notary Events	Signature	Timestamp
Envelope Summary Events	Status	Timestamps
Envelope Sent	Hashed/Encrypted	9/2/2019 8:10:31 PM

Envelope Summary Events	Status	Timestamps
Certified Delivered	Security Checked	9/2/2019 8:32:16 PM
Signing Complete	Security Checked	9/2/2019 8:32:45 PM
Completed	Security Checked	9/2/2019 8:32:45 PM
Payment Events	Status	Timestamps
Electronic Record and Signature Disclosure		



## **CONSUMER DISCLOSURE**

From time to time, "SENDER" (we, us or Company) may be required by law to provide to you certain written notices or disclosures. Described below are the terms and conditions for providing to you such notices and disclosures electronically through your DocuSign, Inc. (DocuSign) user account. Please read the information below carefully and thoroughly, and if you can access this information electronically to your satisfaction and agree to these terms and conditions, please confirm your agreement by clicking the "I agree"™ button at the bottom of this document.

### **Getting paper copies**

At any time, you may request from us a paper copy of any record provided or made available electronically to you by us. For such copies, as long as you are an authorized user of the DocuSign system you will have the ability to download and print any documents we send to you through your DocuSign user account for a limited period of time (usually 30 days) after such documents are first sent to you. After such time, if you wish for us to send you paper copies of any such documents from our office to you, you will be charged a \$0.00 per-page fee. You may request delivery of such paper copies from us by following the procedure described below.

### **Withdrawing your consent**

If you decide to receive notices and disclosures from us electronically, you may at any time change your mind and tell us that thereafter you want to receive required notices and disclosures only in paper format. How you must inform us of your decision to receive future notices and disclosure in paper format and withdraw your consent to receive notices and disclosures electronically is described below.

### **Consequences of changing your mind**

If you elect to receive required notices and disclosures only in paper format, it will slow the speed at which we can complete certain steps in transactions with you and delivering services to you because we will need first to send the required notices or disclosures to you in paper format, and then wait until we receive back from you your acknowledgment of your receipt of such paper notices or disclosures. To indicate to us that you are changing your mind, you must withdraw your consent using the DocuSign "Withdraw Consent" form on the signing page of your DocuSign account. This will indicate to us that you have withdrawn your consent to receive required notices and disclosures electronically from us and you will no longer be able to use your DocuSign user account to receive required notices and consents electronically from us or to sign electronically documents from us.

### **All notices and disclosures will be sent to you electronically**

Unless you tell us otherwise in accordance with the procedures described herein, we will provide electronically to you through your DocuSign user account all required notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to you during the course of our relationship with you. To reduce the chance of you inadvertently not receiving any notice or disclosure, we prefer to provide all of the required notices and disclosures to you by the same method and to the same address that you have given us. Thus, you can receive all the disclosures and notices electronically or in paper format through the paper mail delivery system. If you do not agree with this process, please let us know as described below. Please also see the paragraph immediately above that describes the consequences of your electing not to receive delivery of the notices and disclosures electronically from us.

**How to contact "SENDER":**

You may contact us to let us know of your changes as to how we may contact you electronically, to request paper copies of certain information from us, and to withdraw your prior consent to receive notices and disclosures electronically as follows:

To contact us by paper mail, please send correspondence to:

"SENDER"

PO BOX 7632

BEVERLY HILLS, CA 90212

**To advise "SENDER" of your new e-mail address**

To let us know of a change in your e-mail address where we should send notices and disclosures electronically to you, you must send an email message to us at [joseph.parker@docusign.com](mailto:joseph.parker@docusign.com) and in the body of such request you must state: your previous e-mail address, your new e-mail address. We do not require any other information from you to change your email address..

In addition, you must notify DocuSign, Inc to arrange for your new email address to be reflected in your DocuSign account by following the process for changing e-mail in DocuSign.

**To request paper copies from "SENDER"**

To request delivery from us of paper copies of the notices and disclosures previously provided by us to you electronically, you must send us an e-mail to

[DOCUSIGNPAPERCOPY@ADERFY.COM](mailto:DOCUSIGNPAPERCOPY@ADERFY.COM) and in the body of such request you must state your e-mail address, full name, US Postal address, and telephone number. We will bill you for any fees at that time, if any.

**To withdraw your consent with "SENDER"**

To inform us that you no longer want to receive future notices and disclosures in electronic format you may:

- i. decline to sign a document from within your DocuSign account, and on the subsequent page, select the check-box indicating you wish to withdraw your consent, or you may;
- ii. send us an e-mail to [joseph.parker@docusign.com](mailto:joseph.parker@docusign.com) and in the body of such request you must state your e-mail, full name, US Postal Address, telephone number, and account number. We do not need any other information from you to withdraw consent.. The consequences of your withdrawing consent for online documents will be that transactions may take a longer time to process..

**Required hardware and software**

Operating Systems:	Windows 2000®/Windows XP®/Windows Vista®; Mac OS X
Browsers:	Final release versions of Internet Explorer 6.0® or above (Windows only); Mozilla Firefox 2.0 or above (Windows and Mac); Safari 3.0 or above (Mac only)
Email:	Access to a valid email account
Screen Resolution:	800 x 600 minimum
Enabled Security Settings:	Allow per session cookies

\*\* These minimum requirements are subject to change. If these requirements change, you will be asked to re-accept the disclosure. Pre-release (e.g. beta) versions of operating systems and browsers are not supported.

**Acknowledging your access and consent to receive materials electronically**

To confirm to us that you can access this information electronically, which will be similar to other electronic notices and disclosures that we will provide to you, please verify that you were able to read this electronic disclosure and that you also were able to print on paper or electronically save this page for your future reference and access or that you were able to e-mail this disclosure and consent to an address where you will be able to print on paper or save it for your future reference and access. Further, if you consent to receiving notices and disclosures exclusively in electronic format on the terms and conditions described above, please let us know by clicking the "I agree" button below.

By checking the "I Agree" box, I confirm that:

- I can access and read this Electronic CONSENT TO ELECTRONIC RECEIPT OF ELECTRONIC CONSUMER DISCLOSURES document; and
- I can print on paper the disclosure or save or send the disclosure to a place where I can print it, for future reference and access; and
- Until or unless I notify "SENDER" as described above, I consent to receive from exclusively through electronic means all notices, disclosures, authorizations, acknowledgements, and other documents that are required to be provided or made available to me by "SENDER" during the course of my relationship with you.