

Council Meeting of
August 24, 2010

Honorable Mayor and Members
of the City Council
City Hall
Torrance, California

Members of the Council:

**SUBJECT: City Manager – Authorize Recognition and Attornment Agreements with
TW Holdings, Inc. dba Total Woman & Day Spa located at Torrance Towne Center.
Expenditure: None**

RECOMMENDATION

Recommendation of the City Manager that City Council approve Recognition and Attornment Agreements with TW Holdings, Inc, a California corporation, dba Total Woman Gym & Day Spa for City-owned property located at northeast corner of Pacific Coast Highway and Crenshaw known as Torrance Towne Center.

FUNDING

Funding is not required for this item.

BACKGROUND/ANALYSIS

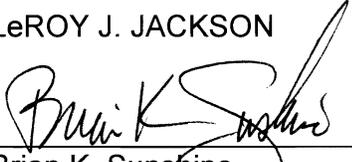
The space being leased is located at 2755 Pacific Coast Highway and is part of the shopping center known as "Torrance Towne Center." The space was previously occupied by TTC Cleaners and Boaters World.

The Sub-tenant has requested a Recognition and Attornment Agreement. The purpose of the Recognition and Attornment Agreement is to allow the sub-tenant to continue operating under the terms and conditions of their sub-lease should there be a default of the Master Tenant, Towne Center Associates LLC. The Agreement further re-states the term of the Master Lease and serves to verify certain attributes of the Master Lease with Towne Center Associates, LLC.

Recognition and Attornment Agreements are common instruments used to protect tenants and their investment in their business operation.

Respectfully submitted,

LeROY J. JACKSON

By: 
Brian K. Sunshine
Assistant to the City Manager

CONCUR:


LeRoy J. Jackson
City Manager

Attachment:

- A. Recognition and Attornment Agreement TW Holdings, Inc, a California corporation,
dba Total Woman Gym & Day Spa – LIMITED DISTRIBUTION

RECOGNITION AND ATTORNMENT AGREEMENT

THIS AGREEMENT made this _____ day of _____, 200____, by and among the CITY OF TORRANCE, a municipal corporation, having an office at 3031 Torrance Boulevard, Torrance, CA 90503 (hereinafter called "Owner"), TORRANCE TOWNE CENTER ASSOCIATES LLC, a California limited liability company having an office at 2601 Airport Drive, Suite 300, Torrance, California 90505 as (hereinafter called "Lessee") and TW HOLDINGS, INC., a California corporation, dba Total Woman Gym & Day Spa, having an office at 4530 E. Thousand Oaks Blvd., Suite 200, Westlake Village, CA 91362, (hereinafter called "Sublessee").

W I T N E S S E T H :

A. Owner is the owner in fee of the parcel of land more particularly described on Exhibit "A" attached hereto and made a part hereof, lying and being in the City of Torrance, Los Angeles County, California (hereinafter referred to as the "Shopping Center Land").

B. On or about September 23, 2003, Owner and Lessee entered into that certain Amended and Restated Lease dated (the "Ground Lease"), which was recorded on November 6, 2003 as Instrument No. 03-3336251 in the Official Records of Los Angeles County, California.

C. Lessee proposes to sublease, or has subleased to Sublessee a portion of the Shopping Center Land, together with improvements which are to be constructed thereon by Lessor pursuant to a certain lease dated August 2, 2010, between Lessee and Sublessee (the "Occupancy Lease").

NOW, THEREFORE, in consideration of the premises and to induce Lessee and Sublessee to enter into the Occupancy Lease, the parties hereto mutually covenant and agree as follows:

1. Owner warrants and represents that (a) Owner is the owner in fee of the Shopping Center Land and of the Lessor's interest in the Ground Lease; (b) Owner has full right and lawful authority to execute and deliver this Agreement; (c) the Ground Lease is in full force and effect and has not been amended, and no default exists thereunder either in payment of rent or in the performance of any other covenant of the Lessee thereunder and that all conditions precedent to the commencement of the term of the Ground Lease have been satisfied; (d) the execution and delivery by Lessee of the Occupancy Lease will not constitute a violation of any term, covenant or condition of the Ground Lease; (e) Owner has a copy of the Occupancy Lease and has reviewed and approved such Lease; and (f) the Ground Lease expires not sooner than March 31, 2053 and that Owner will not enter into any agreement or take any action that will cause the Ground Lease to expire earlier than March 31, 2053.

2. Lessee warrants and represents (a) that it is the owner of the Lessee's interest under the Ground Lease; (b) it has full right and lawful authority to execute the Occupancy Lease and this Agreement; and (c) the Ground Lease expires not sooner than March 31, 2053 and that Lessee shall not enter into any agreement or take any action that will cause the Ground Lease to expire sooner than March 31, 2053.

3. Owner hereby approves the Occupancy Lease. Owner acknowledges that Lessee has the full right and power to enter into the Occupancy Lease upon the terms, covenants and conditions set forth therein, it being agreed by Owner and Lessee that if the Sublessee shall execute the Occupancy Lease, the Ground Lease shall (notwithstanding anything to the contrary therein contained) be deemed amended to the extent, if any, required to permit the Lessee to assume the obligations and to grant to the Sublessee the rights, powers, privileges and immunities provided for in the Occupancy Lease.

4. Owner agrees that, so long as the Ground Lease has not expired, terminated or been canceled, Owner shall do nothing to disturb or otherwise affect in any manner the quiet possession of the Sublessee under the Occupancy Lease. Owner further agrees that Lessee and the Sublessee shall have the right to amend the Occupancy Lease from time to time.

5. Owner agrees with Sublessee that in the event, for any reason whatsoever, the Ground Lease terminates or is canceled during the term of the Occupancy Lease, including any extension thereof, whether as the result of a default by the Lessee thereunder, notice by Lessee of cancellation thereof or otherwise:

(a) The Occupancy Lease shall continue for the duration of its terms and any extensions thereof (subject, however, to the rights of the Landlord and Tenant under the Occupancy Lease to terminate the Occupancy Lease as therein set forth) as a direct lease between Owner and Sublessee with the same force and effect as if Owner had originally entered into such Occupancy Lease as Landlord thereunder;

(b) Sublessee shall not be named or joined in any action or proceeding by Owner under the Ground Lease to recover possession of the Shopping Center Land or any part thereof or for any other relief from Lessee;

(c) Sublessee shall perform all the covenants and agreements of the Occupancy Lease on its part to be performed for the direct benefit of Owner and Owner shall perform all the covenants and agreements of the Occupancy Lease to be performed on the part of the Landlord thereunder for the direct benefit of the Sublessee;

(d) Owner shall give Sublessee prompt notice in writing of such event (together with essential details and dates); and

(e) From and after receipt by Sublessee of such notice, the payment by Sublessee to Owner of rentals and other payments then due or thereafter becoming due to Lessee under the Occupancy Lease shall constitute full performance of all obligations with respect to such payments actually made by Sublessee but, prior to the receipt of such notice, Sublessee shall have no obligation to make any payment to Owner and shall be deemed to have fully performed in respect of any sums theretofore paid to Lessee in accordance with the provisions of the Occupancy Lease.

6. Owner and Lessee covenant and agree that the Ground Lease will not be modified or amended in any manner affecting Sublessee without the prior written consent of Sublessee.

7. Owner hereby waives any and all liens, claims, demands or rights including, but not limited to, rights of levy, execution, sale and distraint for unpaid rent, or any other rent, interest or lien which Owner now has or may hereafter acquire in any and all trade fixtures and equipment, signs, appliances, furniture and other personalty installed at any time by Sublessee on the Premises leased by Sublessee pursuant to the Occupancy Lease including, without limitation, lighting fixtures, projection and sound equipment and seats (all of the foregoing being collectively referred to as "Sublessee's Property"). In connection with the financing by Sublessee of "Sublessee's Property" (by granting a security interest therein or entering into an equipment lease therefore), Owner agrees to execute and deliver to Sublessee an Owner's waiver and all other documents reasonably required by such lessor or the holder of a security interest in Sublessee's Property.

8. Owner hereby acknowledges and agrees that it will not cause or suffer the creation of a mortgage or other security interest affecting the Shopping Center Land (and any attempt to do so shall be deemed null and void) unless the rights and interests acquired under such mortgage or security interest ("Owner Mortgage") by the holder thereof is subject and subordinate to the rights and interests of the Lessee under the Ground Lease and the rights and interest of Sublessee pursuant to the Occupancy Lease and this Agreement; provided, however, an Owner Mortgage may be superior to the Ground Lease and Occupancy Lease if there shall be recorded in the appropriate real property records of Los Angeles County, California, an agreement, in form and substance satisfactory to Lessee and Sublessee, whereby the holder of the Owner Mortgage, its successors and assigns, agrees that the foreclosure of the Owner Mortgage shall not affect the right to possession of the Shopping Center Land of Lessee and Sublessee pursuant to the Ground Lease and Occupancy Lease, respectively, nor any of the rights, privileges, interests or easements granted to them under the Ground Lease, the Occupancy Lease and this Agreement.

9. Any notice or demand provided for in this Agreement shall be in writing and shall be sent by United States registered or certified mail, return receipt requested, postage prepaid to a party at its address first hereinabove given or to such other address as any such party may designate by notice to the other parties. Any such notice shall be deemed given on the third business day following the day on which the same is deposited in a regularly maintained post office box or Post Office of the United States Postal Service.

10. All parties to this Agreement agree to execute such further instruments as may be reasonably requested by another party hereto in order to carry out this Agreement in accordance with the tenor and purpose hereof.

11. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers or partners and their seals to be affixed and attested as of the day and year first above written.

"OWNER"

CITY OF TORRANCE,
a municipal corporation

ATTEST

CITY CLERK

By: _____

Printed Name: _____

APPROVED AS TO FORM

Its: _____

CITY ATTORNEY

By: _____

Print: _____

Its: _____

"LESSEE"

TORRANCE TOWNE CENTER ASSOCIATES LLC,
a California limited liability company

BY: TORRANCE VENTURE 2003 LLC,
a California limited liability
company

BY: AIRPORT VENTURE 2002 LLC,
a California limited liability
company

By: _____

Its: _____



"SUBLESSEE"

TW HOLDINGS, INC., a California corporation, dba Total
Woman Gym & Day Spa

By: Karen W

Its: PRESIDENT/CEO

Print Name: Karen Wischmann

TORRANCE TOWNE CENTER

LEASE

with

TW HOLDINGS, INC., a California corporation,
dba Total Woman Gym & Day Spa

TABLE OF CONTENTS

<u>SECTION</u>	<u>PAGE</u>
SECTION 1. PREMISES	3
SECTION 2. INITIAL CONSTRUCTION	4
SECTION 3. TERM	4
SECTION 4. RENT	5
SECTION 5. GROSS SALES AND RECORDS	6
SECTION 6. REAL PROPERTY TAXES	6
SECTION 7. PERSONAL PROPERTY TAXES AND ASSESSMENTS	8
SECTION 8. COMMON FACILITIES AND MAINTENANCE EXPENSES	8
SECTION 9. UTILITIES	12
SECTION 10. FIXTURES, SIGNS AND ALTERATIONS	12
SECTION 11. USE OF LEASED PREMISES--ASSIGNMENTS AND SUBLETTING	13
SECTION 12. SECURITY DEPOSIT	14
SECTION 13. FINANCING	15
SECTION 14. SUBORDINATION, ATTORNMEN AND NONDISTURBANCE,	15
TITLE OF LANDLORD	
SECTION 15. CONDUCT OF BUSINESS	16
SECTION 16. LANDLORD'S LIEN AND SUBORDINATION OF LANDLORD'S LIEN	18
SECTION 17. NO PARTNERSHIP	18
SECTION 18. INSURANCE AND HOLD HARMLESS	18
SECTION 19. REPAIRS AND MAINTENANCE	20
SECTION 20. MECHANICS LIENS.	22
SECTION 21. FIRE AND CASUALTY DAMAGE.	22
SECTION 22. CONDEMNATION.	23
SECTION 23. DEFAULT.	24
SECTION 24. SURRENDER OF LEASED PREMISES.	26
SECTION 25. FORCE MAJEURE.	27
SECTION 26. OFFSET STATEMENTS.	27
SECTION 27. RIGHTS RESERVED BY LANDLORD.	27
SECTION 28. LANDLORD COORDINATED ADVERTISING PROGRAM.	28
SECTION 29. INTENTIONALLY DELETED.	28
SECTION 30. RULES AND REGULATIONS.	28
SECTION 31. MASTER LEASE.	28
SECTION 32. RELOCATION OF PREMISES.	29
SECTION 33. MISCELLANEOUS.	30

TABLE OF CONTENTS

<u>SECTION</u>		<u>PAGE</u>
 <u>EXHIBITS:</u>		
EXHIBIT "A"	-	LEGAL DESCRIPTION OF SHOPPING CENTER
EXHIBIT "B"	-	PLOT PLAN OF SHOPPING CENTER WITH LOCATION OF PREMISES
EXHIBIT "C"	-	CONSTRUCTION OF LEASED PREMISES
EXHIBIT "D"	-	SIGN CRITERIA
EXHIBIT "E"	-	CERTIFICATE OF TENANT
EXHIBIT "F"	-	RULES AND REGULATIONS
EXHIBIT "G"	-	EXCLUSIVE USES IN THE SHOPPING CENTER
Exhibit "H"	-	Subordination, Non-Disturbance and Attornment Agreement
Exhibit "I"	-	Recognition and Attornment Agreement
 ADDENDUM		

SHOPPING CENTER LEASE AGREEMENT

Landlord leases to Tenant, and Tenant rents from Landlord, the following described premises on the terms and conditions set forth in this Shopping Center Lease Agreement, hereinafter referred to as "Lease".

FUNDAMENTAL LEASE PROVISIONS

Date of Lease: August 2, 2010

Shopping Center: The real property depicted on the plot plan attached hereto as Exhibit "B".

Name: Torrance Towne Center

Located At: Crenshaw Boulevard and Pacific Coast Highway

City of: Torrance

State of: California, all as more fully described in Exhibit "A" as attached hereto.

Premises: The area generally crosshatched on the plot plan attached hereto as Exhibit "B", containing the following approximate measurements:
Approximately 10,000 square feet of Floor Area. (Section 1.A.)

Landlord: TORRANCE TOWNE CENTER ASSOCIATES LLC, a California limited liability company

Tenant: TW HOLDINGS, INC., a California corporation, dba Total Woman Gym & Day Spa

Lease Term: One hundred and twenty (120) full calendar months from the Rent Commencement Date, plus three (3) options to extend the Lease Term for sixty (60) months each as set forth herein. (Section 3.A.)

Minimum Monthly/Annual Rent:

10,000	1-6	\$1.30	\$13,000.00	\$156,000.00	
	7-12	\$1.60	\$16,000.00	\$192,000.00	
	13-24	\$2.00	\$20,000.00	\$240,000.00	
	25-60	\$2.25	\$22,500.00	\$270,000.00	
	61-120	\$2.45	\$24,500.00	\$294,000.00	
	First Extended Term	\$2.76	\$27,562.50	\$330,750.00	if applicable
	Second Extended Term	\$3.10	\$31,007.81	\$372,093.75	if applicable
	Third Extended Term	\$3.49	\$34,883.79	\$418,605.47	if applicable

*subject to adjustment based on final determination of the Floor Area of the Premises in accordance with Section 1.B hereof. (Section 4.B.)

Percentage Rent: None. Tenant to report annual gross sales to Landlord.

Prepaid Rent: Upon execution of this Lease, Tenant shall pay to Landlord that amount of prepaid rent of \$13,000.00, which prepaid rent is to be applied to Tenant's first month's rent.

Radius Restriction: One (1) Mile (Section 4.G.)

Security Deposit: Twenty Thousand and no/100 Dollars (\$20,000.00) (Section 12)

Annual Contribution to Promotional Service: None

(Section 28)

**Permitted Use
of Premises:**

Tenant shall only use the Premises for the operation of a "for women only" full service health club and day spa, which primary use shall include, but not be limited to, aerobics, yoga, Pilates, free weights, group exercise classes (step aerobics, spinning, yoga, etc.), individual use of exercise equipment and personal training, nutritional counseling, physical therapy, whirlpool, wet steam and dry sauna, therapeutic massage, skincare, weight loss advice, tanning and child care (not as a stand alone service). However, Tenant shall have the option to sub-lease a portion(s) of the Premises (up to 20% of the Premises) to third parties at its own discretion for gym related uses upon Landlord reasonable approval that shall not be unreasonably withheld, conditioned or delayed; provided however, in no event shall such sublease either alone or in conjunction with this Lease, conflict with or violate any pre-existing exclusive uses within the Shopping Center attached as Exhibit G. In no event, unless mutually agreed upon between the parties, shall the group fitness area and Pilates room exceed 20% of the floor area dedicated to these uses, likewise massage, facial and related services shall be limited to six (6) treatment rooms (initially limited use to four (4) for the initial 18 months following Rent Commencement Date. Tenant's use shall not be in conflict with or violate any pre-existing exclusive uses within the Center attached as Exhibit "G".

(Section 11.A.)

Tenant's Trade Name: Total Woman Gym & Day Spa

(Section 11.A.)

Broker: CBRE

(Section 33.Q.)

Address for Notices:

Landlord: Torrance Towne Center Associates, LLC
c/o La Caze Development Company
2601 Airport Drive, Suite 300
Torrance, CA 90505

Tenant: With copies to the Premises and to:
TW Holdings, Inc.
c/o Chief Financial Officer
4530 E. Thousand Oaks Blvd., Suite 200
Westlake Village, CA 91362

(Section 33.E.)

Exhibits: The following exhibits are attached hereto and made a part of the Lease:

- Exhibit "A" - Legal Description of Shopping Center
- Exhibit "B" - Plot Plan of Shopping Center with Location of Premises
- Exhibit "C" - Construction of Leased Premises
- Exhibit "D" - Sign Criteria
- Exhibit "E" - Certificate of Tenant
- Exhibit "F" - Rules and Regulations
- Exhibit "G" - Pre-Existing Exclusive Uses
- Exhibit "H" - Subordination, Non-Disturbance and Attornment Agreement
- Exhibit "I" - Recognition and Attornment Agreement

The Fundamental Lease Provisions are an integral part of this Lease and each reference in this Lease to any of the Fundamental Lease Provisions shall be construed to incorporate all of the terms provided under each such Fundamental Lease Provision. In the event of any conflict between any Fundamental Lease Provision and the balance of this Lease, the balance of this Lease shall control.

THE BALANCE OF THIS PAGE IS LEFT INTENTIONALLY BLANK

SECTION 1. PREMISES

A. Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, space within a building, now in the Shopping Center more fully described in Exhibit "A" hereto (the "Shopping Center"), which space (the "Premises") consists of a leased area having an approximate frontage and depth and square footage of Floor Area as set forth in the Fundamental Lease Provisions. The approximate location of the Premises is crosshatched on the plot plan of the Shopping Center attached hereto as Exhibit "B".

B. The term "Floor Area" as used throughout this Lease shall be deemed to mean and include all areas for the exclusive use and occupancy by a tenant of Landlord, measured from the exterior surface of exterior walls (and from the extensions thereof, in the case of openings) and from the center of interior demising partitions, and shall include, but not be limited to, restrooms, mezzanines, warehousing or storage areas, clerical or office areas and employee areas. Irrespective of the actual Floor Area, the Parties acknowledge that for all purposes, the agreed upon Square Footage of the Premises for all purposes shall conclusively be deemed to be 10,000.

SECTION 2. INITIAL CONSTRUCTION

If Landlord or Tenant is to perform construction with respect to the Premises, the responsibility for the performance of such construction and payment therefor is set forth in Exhibit "C" attached hereto and made a part hereof.

SECTION 3. TERM

A. The term of this Lease shall commence on the date hereof and continue through the Lease Term. The Lease Term shall commence on the date Landlord tenders possession of the Premises to Tenant (the "Term Commencement Date"), and shall continue for the number of months ("Lease Term") specified in the Fundamental Lease Provisions. Landlord shall tender possession by way of a written notice to Tenant. For the purposes of this paragraph only, "Landlord" shall include Landlord's supervising architect or other agent authorized in writing by Landlord to tender possession of the Premises to Tenant.

Tenant is hereby given three (3) options to extend the Term of this Lease for successive periods of sixty (60) months each commencing at the expiration of the initial Term or immediately preceding Extended Term(s), as the case may be ("Extended Term(s)") on all the provisions contained in this Lease except Minimum Annual Rent which shall be as set forth in the Fundamental Lease Provisions and Section 4.F hereof. Tenant may exercise each of said options by giving written notice to Landlord ("Option Notice") at least six (6) months but not more than one (1) year before the expiration of the initial Term, First Extended Term, Second Extended Term, or Third Extended Term, as the case may be. It is an express condition of the foregoing options to extend that if Tenant shall be in default beyond all applicable notice and cure periods at the time of giving the Option Notice, and/or on the date when the applicable Extended Term would otherwise commence, the Option Notice shall be null, void and totally ineffective and in such case the applicable Extended Term shall not commence and this Lease shall expire at the end of the initial Term, First Extended Term, Second Extended Term, or Second Extended Term as the case may be. Tenant shall have no other option to extend the Term except as set forth herein.

B. Subject to force majeure, if the Lease Term has not commenced within one hundred twenty (120), days after the later of the date of this Lease or the Use Approval Date as defined herein, Landlord and Tenant may terminate this Lease at any time thereafter prior to the date Landlord tenders possession of the Premises to Tenant upon ten (10) days prior written notice to Tenant. If Tenant elects to terminate the Lease under this section, Landlord shall have the right, but not the obligation, to cure by delivering the Premises within twenty (20) business days of such notice and if obtained, this Lease shall remain in full force and effect. If for any

reason the term of this Lease has not commenced within three (3) years after the date of this Lease, this Lease shall be automatically deemed cancelled and shall have no further force or effect.

C. **Tenant's Use Approval.** Landlord shall have a period of not more than ninety (90) days (unless extended as provided below) from execution of the Lease to obtain approval, as may be required by the City of Torrance, for Tenant's use (the "Use Approval Contingency Period"). Provided Landlord is diligently pursuing obtaining Tenant's use approval, and Tenant has submitted all applicable plans, applications etc, to the applicable governing authorities, Landlord shall have a one-time right to extend the Use Approval Contingency Period by an additional thirty (30) days. The date that Tenant's use has been approved by the city of Torrance shall be the use approval date ("Use Approval Date"). If at the end of the Use Approval Contingency Period or the extension thereof, Landlord has not obtained Tenant's respective use approval from the City of Torrance, either party shall have the right to terminate this lease by provide written notice to the other. If Landlord elects to terminate the Lease under this section, Tenant shall have the right within ten (10) days following Landlord's delivery of such notice, to waive the obligation herein for any use approval requirement and this section shall be deemed satisfied and this Lease shall be in full force and effect. If Tenant elects to terminate the Lease under this section, Landlord will have the right but not the obligation to cure within twenty (20) business days following Tenant's election to terminate by obtaining approvals for Tenant's use. Tenant shall cooperate and assist in a commercially reasonable manner with Landlord's efforts.

SECTION 4. RENT

A. **RENT COMMENCEMENT DATE.** All obligations of Tenant under this Lease, other than the obligation of Tenant to pay those charges designated as rent and additional rent hereunder, shall commence on the date of this Lease. The obligation of Tenant to pay those charges designated as rent and as additional rent hereunder shall commence on the Rent Commencement Date which shall be the earlier of (i) one hundred and fifty (150) days subsequent to the date Tenant's building permit has been approved by the appropriate governing agencies (the "Building Permit Approval Date") or (ii) the date on which Tenant shall commence to do business in the Premises, whichever first occurs.

Tenant shall be entitled to a period of time of not more than seventy five (75) days following the date Landlord delivers to tenant a fully executed Recognition and Attornment Agreement attached hereto as Exhibit I to obtain approvals for Tenant's building permit(s) (the "Permit Period"), provided Tenant shall apply for the its necessary building permit(s) within thirty (30) days after it receives the executed Recognition and Attornment Agreement attached hereto as Exhibit I and Tenant shall thereafter diligently pursue obtaining approvals for its building permit(s). Landlord shall reasonably cooperate with Tenant in its effort in obtaining Tenant's building permit. The Building Permit Approval Date shall be the earlier of the actual date Tenant obtains approval for its building permit or seventy five (75) days following the Landlord delivers the executed Recognition and Attornment Agreement attached hereto as Exhibit I.

B. **MINIMUM ANNUAL RENT.** Tenant shall pay to Landlord each Lease Year at the address of Landlord set forth in the Fundamental Lease Provisions, or at such other place designated in writing by Landlord, without prior demand, and without any deduction, setoff, or, except to the extent expressly provided for under this Lease, abatement, of any kind, as initial Minimum Annual Rent the applicable amount set forth and designated as Minimum Annual Rent in the Fundamental Lease Provisions, payable monthly in advance, on the first day of each calendar month, in the applicable amount set forth in the Fundamental Lease Provisions as Minimum Monthly Rent. The term "Lease Year" as used in this Lease means that period of twelve (12) consecutive full calendar months beginning on the Rent Commencement Date if the Rent Commencement Date shall occur on the first day of a calendar month. If the Rent Commencement Date shall occur on other than the first day of a calendar month, the first Lease Year shall commence upon the first day of the calendar

month following the Rent Commencement Date. Each succeeding Lease Year shall commence upon the anniversary date of the first Lease Year.

If the Rent Commencement Date or date of expiration of this Lease shall occur upon a day other than the first or last day of a calendar month, as the case may be, the applicable Minimum Monthly Rent for such calendar month shall be prorated on the basis of a thirty (30) day month and be paid by Tenant in advance on the Rent Commencement Date, or on the first day of the calendar month during which the expiration of this Lease occurs, as the case may be.

C. PERCENTAGE RENT. INTENTIONALLY OMITTED.

D. CONSUMER PRICE INDEX. INTENTIONALLY OMITTED.

E. LATE CHARGES. Tenant hereby acknowledges that late payment by Tenant of the Minimum Monthly Rent, additional rent, or any other sums due under this Lease will cause Landlord to incur costs not contemplated by this Lease. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Landlord by the terms of any mortgage or trust deed covering the Premises. Accordingly, if any installment of Minimum Monthly Rent, additional rent, or any other sums due from Tenant under this Lease, shall not be paid within ten (10) days after the time set forth in this Lease for payment thereof, Tenant shall thereupon pay to Landlord a late charge equal to ten percent (10%) of the overdue amount. Landlord and Tenant agree that this late charge represents a reasonable sum considering all of the circumstances existing on the date of this Lease, including the relationship of the sum to the loss to Landlord that could be reasonably anticipated by such nonpayment by Tenant and the anticipation that proof of actual damages sustained by Landlord would be costly or inconvenient to determine. Landlord and Tenant agree that such late charge shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies available to Landlord at law, in equity, or under this Lease. Landlord, at its option, may deem any such overdue amounts and/or late charges so unpaid to be additional rent, nonpayment of which shall, in addition to any other rights and remedies available to Landlord, give rise to those rights and remedies of Landlord set forth in Section 23.A. of this Lease.

F. MINIMUM ANNUAL RENT DURING FIRST, SECOND AND THIRD EXTENDED TERMS. In the event Tenant exercises its option to extend for the First Extended Term, and/or Second Extended Term and/or Third Extended Term, Minimum Annual Rent shall be adjusted effective at the commencement of each Extended Term. The First Extended Term, Second Extended Term and Third Extended Term are the Minimum Annual Rent as set forth in the Fundamental Lease Provisions.

G. Radius Restrictions. Neither Tenant nor any person, firm or corporation which controls or is controlled by Tenant, shall own, operate, or become financially interested in any similar business within a radius of the number of miles from the Premises set forth in the Fundamental Lease Provisions. The word "radius" as used herein shall mean a straight line measurement and not measured along existing streets and highways.

SECTION 5. GROSS SALES AND RECORDS

A. On or before each April 1st during the Lease Term hereof, Tenant shall furnish to Landlord a statement in writing, certified by Tenant (and if Tenant is a corporation, by an officer of Tenant) to be correct, showing the total Gross Sales, itemized by months, during the preceding calendar year. Such certified statement shall also be furnished by Tenant to Landlord within thirty (30) days after the expiration or earlier termination of the term of this Lease, such statement to show total Gross Sales by months for the calendar year, or portion thereof, during which the expiration or earlier termination of this Lease occurs.

SECTION 6. REAL PROPERTY TAXES

A. Commencing on the Rent Commencement Date and for the balance of the term of this Lease, Tenant shall pay to Landlord as additional rent all Real Property Taxes (as hereinafter defined) applicable to the Premises and applicable to the Premises. Payment shall be made in the following manner:

From and after the Rent Commencement Date and thereafter on the (1st) first day of each calendar month during the term of this Lease, Tenant shall pay to Landlord an amount estimated by Landlord to be the monthly sum payable hereunder by Tenant for Real Property Taxes applicable to the Premises. Within sixty (60) days following the end of each calendar year, or at Landlord's option, each tax year, Landlord shall furnish Tenant with a statement covering the year just expired showing the total of Real Property Taxes applicable to the Premises and payable by Tenant for such year, and the payments made by Tenant for such period. If the sums payable for such Real Property Taxes exceed Tenant's payment so made, Tenant shall pay Landlord the deficiency within ten (10) days after receipt of such statement. If said payments exceed the sums payable for such Real Property Taxes, Landlord shall credit the excess against payments next thereafter due Landlord as set forth above.

B. The term "Real Property Taxes" for the purpose of this Lease shall be such taxes as hereinbelow described and shall include the following by way of illustration, but not limitation: (i) real estate taxes; (ii) any other such taxes, charges and assessments which are levied with respect to the buildings and any improvements, fixtures and equipment and other property of Landlord, real or personal, located on the Shopping Center and the land upon which they are situated including any payments to any ground lessor in reimbursement of tax payments made by such lessor; (iii) fees or assessments for any governmental services to the Shopping Center; (iv) service payments in lieu of taxes; (v) dues or assessments payable to any property owners association due to Landlord's ownership of the Shopping Center; (vi) any gross receipts tax and/or any tax which shall be levied in addition to or in lieu of real estate, possessory interest or personal property taxes under the Lease; (vii) any fees, expenses or costs incurred by Landlord in protesting any assessments, levies or the tax rate; and (viii) any and all taxes payable by Landlord (other than net income tax) whether or not now customary within the contemplation of the parties hereto: (a) upon, allocable to, or measured by or on the gross or net rent payable hereunder, including without limitation any gross income tax, sales tax or excise tax levied by the State, any political subdivision thereof, or the Federal Government with respect to receipt of such rent; or (b) upon or with respect to possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy of the Premises or any portion thereof, including any sales, use or service tax imposed as a result thereof; or (c) upon or measured by Tenant's gross receipt or payroll or the value of Tenant's equipment, furniture, fixtures, or other personal property of Tenant or leasehold improvements, alterations, additions, located in the Premises; or (d) upon this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises.

C. In the event the Premises are separately assessed, Tenant shall be responsible for the payment of the entire tax bill. In the event the Premises and underlying realty are not separately assessed, but are part of a larger parcel for assessment purposes (hereinafter referred to as the "Larger Parcel") "Real Property Taxes" applicable to the Premises shall mean a fractional portion of said Real Property Taxes on the Larger Parcel the numerator of which shall be the Floor Area of the Premises and the denominator of which shall be the Floor Area of all buildings which are open and occupied for business located in the Larger Parcel, included on the tax bill.

D. PROP 13

Notwithstanding the foregoing, during the initial lease term, if Landlord transfers the Shopping Center, or any part thereof and as a direct result of such transfer the Real Estate Taxes increase, then Tenant shall only be obligated to pay fifty percent (50%) of its pro rata share of such increase during the five (5) years immediately following such increase or the expiration of the initial lease term whichever occurs first. Thereafter, any limitation on Tenant's liability for its pro rata share of Real Estate Taxes shall expire and Tenant shall commence the payment in full of Tenant's pro rata share of the actual Real Estate Taxes.

SECTION 7. PERSONAL PROPERTY TAXES AND ASSESSMENTS

During the term hereof, Tenant shall cause all taxes, assessments and other charges levied upon or against any fixtures and personal property situated in, on or about the Premises to be levied or assessed separately from the Premises and to be paid before the same become a lien upon the Premises; provided, however, if for any reason such taxes, assessments, or other charges shall not be separately assessed, Tenant shall nevertheless pay the same as set forth therein, or reimburse Landlord therefor, as additional rent, all within ten (10) days of receipt of billing thereof.

SECTION 8. COMMON FACILITIES AND MAINTENANCE EXPENSES

A. During the term of this Lease Landlord grants to Tenant for the customers, patrons, suppliers, employees, invitees, subtenants and concessionaires of Tenant, a non-exclusive license to use parking areas in the Shopping Center for the use of parking motor vehicles during the term of this Lease, and to use the balance of the Common Facilities for the purposes intended, subject to all rights reserved to Landlord under this Lease. Provided the same does not adversely, materially and permanently interfere with Tenant's reasonable ingress and egress to and from the Premises, Landlord reserves the right at any time and from time to time to grant similar non-exclusive licenses to use the Common Facilities to other tenants and occupants of the Shopping Center; to promulgate rules and regulations relating to the use of the Common Facilities or any part thereof, including reasonable rules and restrictions as set forth in Section 15.F. of this Lease on parking by tenants and employees of tenants to the end that parking will be adequate for customers of stores in the Shopping Center; to designate specific parking spaces for the use of any tenant; to make changes in ingress, egress and parking layout from time to time; to add additional property to the Common Facilities; to withdraw property from parking use, provided adequate customer parking is nonetheless maintained; to withdraw property from any other portion of the Common Facilities; to establish reasonable time limits upon customer parking; to close all or any portion of the parking areas or of any other portion of the Common Facilities to such extent as may, in the sole opinion of Landlord or Landlord's counsel, be legally sufficient to prevent a dedication thereof or accrual of any right therein to any person or to the public; to close temporarily all or any portion of the parking areas or the balance of the Common Facilities; and to do and perform any other acts in and to said areas and improvements as Landlord reasonably determines to be advisable.

B. Tenant shall pay to Landlord, in addition to the rent heretofore specified, as additional rent, a proportion of the Operating Costs (as hereinafter defined) of the Common Facilities, such proportion to be determined by Landlord as hereinafter provided. The contributions, if any of the "Majors" of the Shopping Center (defined as any tenant or occupant of the Shopping Center occupying 20,000 square feet or more of Floor Area), shall be credited toward payment of the entirety of Operating Costs of the Common Facilities, and the balance of such Operating Costs shall be prorated between the remaining tenants and/or occupants of the Shopping Center. Tenant's share of Operating Costs of the Common Facilities shall be equal to the proportion thereof which the number of square feet of Floor Area in the Premises bears to the total number of square feet of Floor Area in all buildings in the Shopping Center which are then open and occupied for business, exclusive of the Floor Area of the Majors. Said amount shall be determined at the beginning of each calendar year during the term hereof by the amount of square feet of Floor Area in the Shopping Center at the first day of each calendar year of the term hereof, such determination to be made by Landlord in Landlord's sole discretion; provided, however, that said amount shall initially be determined by the amount of square feet of Floor Area in the Shopping Center at the Rent Commencement Date, such determination to be made by Landlord in Landlord's sole discretion. For purposes of this Lease, "Operating Costs" shall mean the total costs and expenses incurred in operating and maintaining the Common Facilities, as hereinafter defined, including, but not limited to, gardening and landscaping; costs of public liability insurance, property damage and casualty insurance with, at Landlord's option, an earthquake endorsement; Real Property Taxes which may be levied, assessed, taxed, charged or imposed on all or any portion of, or in relation to, the Common Facilities; cleaning; sweeping; replacements; repairs; resurfacing; line painting; lighting; sanitary control; security

service; fire protection or detection services; removal of snow, ice, trash, rubbish, garbage, and other refuse; costs of any public address, loudspeaker or music system; depreciation of machinery and equipment used in such maintenance; reasonable reserves for anticipated expenditures; the cost of personnel to implement such services, to direct parking, to police the Common Facilities, and to otherwise discharge Landlord's obligations with regard to the Common Facilities; any lease payments required to be made with respect to the Common Facilities; any parking charges or other costs levied, assessed or imposed by, or at the direction of, or resulting from, statutes or regulations, or interpretations thereof, promulgated by any governmental authority in connection with the use or occupancy of the Premises or the parking facilities servicing the Premises; costs of compliance with and/or participation in traffic management programs and/or any other costs incurred in operation of the Shopping Center resulting from conditions imposed upon Landlord and/or the Shopping Center by any governmental authority having jurisdiction in connection with the construction, operation, maintenance and/or occupancy of the Shopping Center or any portion thereof; costs incurred in the removal, cleanup and/or detoxification of the Common Facilities and buildings comprising the Shopping Center, whether voluntary or mandated; and in addition thereto an administrative and overhead expense in an amount equal to fifteen percent (15%) of all Operating Costs, or a property management fee not to exceed six percent (6%) of the Shopping Center's Gross Revenue, but in no event both.

Notwithstanding anything in this Lease to the contrary, in the event that (i) Landlord is responsible for the operation and maintenance of less than all of the Common Facilities of the Shopping Center (for example, but not by limitation, if a portion of such Common Facilities is maintained on behalf of the owner of such portion of the Shopping Center) or by a firm, person or entity other than Landlord, or (ii) such other firm, person or entity is responsible for the maintenance, independent of Landlord, of one (1) or more, but not all, Operating Costs line items then in the case of (i) above, the cost of maintaining such portion of the Shopping Center, or in the case of (ii) above, the cost of maintaining the line item(s) being independently maintained, shall be excluded from the aggregate Operating Costs and, in addition, the square footage of the Floor Area located within the portion of the Shopping Center not maintained by Landlord shall be excluded from the Floor Area of the denominator of the fraction used to compute Tenant's proportionate share of the aggregate Operating Costs or (b) specific line item items, as the case may be.

For purposes of this Lease, "Common Facilities" shall mean all those portions of the Shopping Center from time to time provided or designated by Landlord for the common and joint use and benefit of the occupants of the Shopping Center, including, but not limited to, parking areas, access roads, driveways, retaining walls, landscaped areas, truck serviceways, loading docks, pedestrian malls, courts, stairs, ramps and sidewalks, comfort and first aid stations, lavatories and washrooms, but excluding any such areas designated by Landlord, in Landlord's sole discretion, for the exclusive use of any particular tenant.

All taxes, insurance and utility costs included in Operating Costs are hereinafter referred to as "Special Costs." Operating Costs, exclusive of Special Costs, are hereinafter referred to as "Capped Costs." For the first full calendar year during the initial term, Tenant's Capped Costs shall be either the actual prorata amount of Capped Costs, or twenty cents (\$0.20) per square foot per month, whichever is less. After the first full Lease Year during the term, Tenant's Proportionate Share of Capped Costs during each subsequent Lease Year of the initial Lease term and each extension term, if exercised by Tenant, shall be determined as follows: Capped Costs shall not exceed an amount equal to the Cap, as hereinafter defined. For the second full Lease Year of the term, the Cap shall equal the amount of the Capped Costs for the first full Lease Year increased by five percent (5%), and, for each successive Lease Year thereafter, the Cap for such year shall be determined by adding an amount equal to five percent (5%) of the Capped Costs for the first full Lease Year to the Cap for the immediately preceding Lease Year, on a cumulative and compounding basis. For example, if the Capped Costs for the first full Lease Year were \$1,000, then the Cap for the second Lease Year would be \$1,050, and the Cap for the third Lease Year would be \$1,102.50, and with the Cap to continue increasing per Lease Year thereafter. The dollar amount used for the Capped Costs for the first full Lease Year in the foregoing example is for illustrative purposes only and is not meant to make any representation of an actual figure but is only used to illustrate a formula and the calculation thereof. It is understood and agreed that the foregoing shall not be construed to limit, and Tenant shall at all times be

required to pay, the full amount of Tenant's Proportionate Share of the Special Costs in accordance with the terms of this Lease.

Notwithstanding any other language to the contrary in this Lease, "Operating Costs" shall not include the following:

(i) Costs of items considered capital repairs, replacements, improvements and equipment under generally accepted accounting principles consistently applied ("Capital Items"), except for (1) the cost of those Capital Items (together with interest at the actual interest rate incurred by Landlord), acquired to reduce adjustments, amortized over the useful life of such Capital Items, or if the same were not financed, at an interest rate representing Landlord's then actual cost of funds had the same been borrowed, and (2) the cost of Capital Items required by Laws enacted after the date of execution of this Lease, provided that the same shall be amortized over the applicable useful life;

(ii) Costs incurred by Landlord for the repair of damage to the Premises, to the extent that Landlord is reimbursed by insurance, other third parties, or condemnation proceeds;

(iv) Costs in connection with leasing space in the Shopping Center, including brokerage commissions, lease concessions, rental abatements and construction allowances granted to specific tenants of the Shopping Center;

(v) Depreciation, amortization and interest payments of mortgage and other non-operating debts of Landlord;

(vi) Expenses in connection with services or other benefits which are not offered to Tenant or for which Tenant is charged for directly, but which are provided to another tenant or occupant of the Shopping Center;

(vii) Costs incurred in connection with the sale, financing or refinancing of the Shopping Center (excluding any increase in taxes or assessments resulting from such sale, financing or refinancing);

(viii) Penalties, fines and interest incurred as a result of Landlord's negligence, inability or unwillingness to make payments and/or to file any tax or informational returns when due, unless caused by Tenant's failure to pay Adjustments when due;

(ix) Organizational and overhead expenses associated with the creation and operation of the entity that constitutes Landlord; or

(x) Penalties or damages that Landlord pays to Tenant under this Lease, or to other tenants of the Shopping Center under their respective leases.

(xi) Costs, including permit, license and inspection costs, incurred with respect to the installation of Tenant's or other occupants' improvements made for Tenant's or other occupants in the Premises or incurred in renovating or otherwise improving, decorating, painting, or redecorating vacant space for Tenant or other occupants of the Premises;

(xii) Expenses in connection with services or other benefits which are provided to another tenant or occupant of the Shopping Center which are not offered to Tenant or for which Tenant is charged directly;

(xiii) Costs associated with the operation of the business of the partnership or entity which constitutes Landlord, as the same are distinguished from the costs of operation of the Shopping Center, including partnership accounting and legal matters, costs of defending any lawsuits with any mortgagee (except as the actions of Tenant may be in issue), costs of selling, syndicating, financing, mortgaging or hypothecating any of Landlord's interest in the Shopping Center, cost (including attorneys' fees and costs of settlement judgments and payments in lieu thereof) arising from claims, disputes, or potential disputes in connection with potential or actual claims, litigation or arbitration's pertaining to Landlord and/or the Shopping Center;

(xiv) Costs not associated with the general operations of the Shopping Center by way of example litigation by and between Landlord and another tenant or its agents regarding claims by either arising from claims by either arising from tenant's use or occupancy (including in connection therewith all attorneys' fees and costs of settlement judgments and payments in lieu thereof) arising from claims, disputes, or potential disputes in connection with potential or actual claims, litigation, or arbitration's pertaining to Landlord and/or the Shopping Center;

(xv) Landlord's general overhead; provided, however this exception shall not exclude the administration/management fee.

Tenant's Audit Rights. Landlord will maintain accurate, detailed records of the Operating Costs at Landlord's office at the address for notices set forth in the Fundamental Lease Provisions for at least twelve (12) months after delivery of the Annual Reconciliation Statement to Tenant. Tenant may at its cost and expense inspect or audit the records at Landlord's office during normal business hours providing reasonable prior written notice to Landlord during the one hundred eighty (180) day period following receipt by Tenant of the Annual Reconciliation Statement. Any Annual Reconciliation Statement not audited by Tenant, or objected to in writing by Tenant, within the twelve (12) month period following its receipt by Tenant will be conclusively presumed to be correct. In no event may the audit be conducted by a contingent fee auditor or anyone other than qualified in-house personnel of the Tenant or a third party certified public accountant. Such auditor must provide a written report to Tenant and Landlord concerning its findings as the result of the audit. Unless Landlord disputes the audit findings, if the audit shows that the Annual Reconciliation Statement contains an overstatement of Operating Costs exceeding two and one half percent (2.5%) of the actual Operating Costs for the covered period, then the reasonable out of pocket audit fees and expenses incurred by Tenant will be paid by Landlord. Tenant recognizes that the information, data and other documents that may pertain to this audit contains confidential information, and agrees that the information will be used solely by Tenant and its authorized representatives for the purpose of conducting the audit and resolving any related matters pertaining to the audit. If Landlord disputes the results of such audit, and the parties cannot reach a resolution of such dispute within ninety (90) days of Landlord's notification to Tenant of same, then Tenant and Landlord shall jointly appoint an independent certified public accountant to conduct a new audit, and the results thereof shall be final and binding. The party whose position is furthest from that determined by such new audit shall pay all of the costs of such jointly appointed accountant.

C. Tenant shall pay Landlord, as additional rent, each calendar month of the term hereof, in advance a sum equal to an amount estimated by Landlord, and of which Tenant has been given notice, to be one-twelfth (1/12th) of Tenant's annual proportion as determined by Landlord pursuant to Section 8.B. hereof of the Operating Costs of the Common Facilities. While Landlord shall attempt at all times to make reasonable estimates, Landlord makes no warranty or representation as to the accuracy of any such estimate. At the end of each calendar year the actual Operating Costs shall be reported by Landlord to Tenant. If the amount of such estimated payments made by Tenant is less than the actual Operating Costs for any calendar year, then Tenant shall pay to Landlord, within thirty (30) days after receipt of an invoice which reasonably delineates, describes and upon request, supports any such payment, as additional rent hereunder, the amount of such deficiency. If the amount of such estimated payments made by Tenant in any calendar year are greater than the actual Operating Costs for such calendar year, provided Tenant is not in default hereunder, such excess shall be applied by Landlord to the installments due under this Section 8.C. for the succeeding calendar year. If there is any excess or shortage for the last year of the term of this Lease, the amount thereof shall be refunded by Landlord to Tenant, or paid by Tenant to Landlord, as the case may be, within thirty (30) days after the date of the expiration of the term of this Lease. At the end of each calendar year, the quarterly payment to be made by Tenant shall be adjusted so that the quarterly payments for the next calendar year are equal to an amount reasonably estimated by Landlord to be one-twelfth percent (1/12%) of Tenant's annual proportion as determined by Landlord pursuant to Section 8.B. hereof of the Operating Costs of the Common Facilities. Landlord may adjust estimates by Landlord pursuant to this Section 8.C. from time to time based upon Landlord's anticipation of costs, such adjustments to be effective as of the next payment date after notice thereof to Tenant, which notice, upon written request by Tenant to Landlord, shall include a reasonably detailed explanation and itemization reasonable supporting such adjustment.

SECTION 9. UTILITIES

Tenant shall pay or cause to be paid, prior to delinquency, all charges for water, gas, sewer, electricity, light, heat, air conditioning, power, telephone or other service used, rendered or supplied in connection with the Premises, including hook-up and connection fees, together with any assessments or surcharges with respect thereto, and shall contract for the same in Tenant's own name, and shall protect, indemnify and hold Landlord and the Premises harmless from any such charges.

Tenant shall pay Landlord for any utilities or services furnished by Landlord, but Landlord shall not be obligated to furnish any utilities or services, nor does Landlord make any warranty or representation as to the quantity, quality, availability, amount or duration of any such utilities or services. Landlord shall not be liable for any failure or interruption of any utility service, and no such interruption or failure shall entitle Tenant to terminate this Lease, to abate Tenant's obligations hereunder in any manner, or to otherwise pursue any remedies against Landlord. Notwithstanding the foregoing, Landlord shall reasonably cooperate, if requested on or prior to the Rent Commencement Date, to facilitate Tenant arranging for necessary utilities or services necessary to the operation of its business and commitment to service its members and employees to be available to and at the Premises.

SECTION 10. FIXTURES, SIGNS AND ALTERATIONS

A. **FIXTURES.** All fixtures installed by Tenant in the Premises shall be new. All improvements to the Premises by Tenant, including, but not limited to, mechanical systems, light fixtures, floor coverings and partitions, but excluding removable trade fixtures and personal property not permanently affixed to the Premises (such as furniture, furnishings, equipment, signs, counters, shelving, showcases, mirrors and movable personal property items), shall become the property of Landlord upon installation in the Premises. Tenant shall be responsible for all taxes, assessments and other charges or fees assessed against Tenant's trade fixtures, leasehold improvements and personal property in, on or upon the Premises.

B. **SIGNS.** Not later than five (5) days prior to initially opening for business, Tenant shall erect a permanent sign identifying the Premises, approved in writing by Landlord and in strict compliance with the Sign Criteria set forth in Exhibit "D". Tenant, at its expense, shall repair and maintain all signs upon the Premises.

In addition to the foregoing, Tenant shall be provided a two-sided panel location on the primary Pacific Coast Highway non-exclusive monument sign as shown on Exhibit "D-1". Further, Tenant's signage as provided in Exhibit D hereto, is deemed approved by Landlord subject to governmental approvals.

C. **ALTERATIONS.** Tenant shall not make or cause to be made any alterations, additions or improvements to the Premises or to the building within which the Premises are located, or install or cause to be installed any exterior signs, floor covering, exterior lighting, plumbing fixtures, shades or awnings, radio or television antenna, loudspeakers, sound amplifiers and similar devices, or make any changes to the storefront or exterior of the building in which the Premises are located, without first obtaining Landlord's written approval, which approval may be given or withheld in Landlord's sole discretion. Tenant shall present to Landlord plans and specifications for any such work at the time approval is requested. Any and all of such alterations shall be made at Tenant's sole cost and expense and Landlord may condition any approval in any manner, including, but not limited to, requiring the posting of performance and completion bonds in such form and amount as Landlord shall require. In no event shall any addition, alteration, change or improvement be made to the Premises which may weaken the structural integrity, lessen the value or change the appearance of the Premises. Notwithstanding the foregoing, Tenant may at its discretion without Landlord approval, but with prior notice, make any ordinary and customary alteration(s) to the interior of Premises, non-structural in nature, provided the cost for same does not exceed \$10,000.

SECTION 11. USE OF LEASED PREMISES--ASSIGNMENTS AND SUBLETTING

A. Tenant shall have the right to use the Premises only for the purposes expressly set forth in the Fundamental Lease Provisions and for no other purpose. The Premises shall be used under the trade name set forth in the Fundamental Lease Provisions, and any other future trade name Tenant may choose to adopt (subject to Landlord's reasonable approval, which approval shall not be unreasonably withheld), and Tenant agrees that Tenant shall not make any other use of the Premises. Tenant further acknowledges and agrees that Tenant shall have no right of subdivision, separation, or partition of the Premises, or any portion thereof, from the Shopping Center, or the building within which the Premises are located. Easements for light and air are not included in the Premises.

B. No portion of the Premises, or of Tenant's interest in this Lease, may be acquired by any other person or entity, whether by assignment, mortgage, sublease, operation of law, or otherwise, without Landlord's prior written consent, which may be given or withheld in Landlord's sole and absolute discretion. Any attempted assignment, sublease or transfer of any kind without Landlord's prior written consent shall be void and (i) shall constitute a non-curable breach of this Lease, and (ii) shall confer no right on any third party.

Notwithstanding anything herein contained to the contrary, Landlord's consent shall not be required (but Tenant shall nevertheless provide at least twenty (20) days prior notice to Landlord) for any assignment or subletting involving any of the following persons or entities (collectively "intra-corporate transfers"): (1) any corporation which has the power to direct Tenant's management and operations, or any corporation whose management and operations are controlled by Tenant; (2) any corporation a majority of whose voting stock is owned by Tenant; (3) any corporation or entity holding a majority of the outstanding shares of voting stock in Tenant; (4) any corporation in which or with which Tenant, is corporate successors or assigns, is merged or consolidated, in accordance with applicable statutory provisions for merger or consolidation of corporations, so long as the liabilities of the corporations participating in such merger or consolidation are assumed by the corporation surviving such merger or created by such consolidation; (5) any corporation or entity acquiring all or substantially all of Tenant's assets or shares in Tenant; (6) any corporate successor to a successor corporation of Tenant becoming such by either of the methods described in subsection (4) or (5). A change in ownership or change in control of Tenant which results from the public offering of Tenant's equity securities shall not be deemed an assignment and shall not require Landlord's consent or approval. In no event shall any assignment or sublease release Tenant from liability.

C. Notwithstanding any subletting, assignment or other transfer, Tenant shall remain fully and primarily liable for the payment of all rent, additional rent, and all other sums due, or to become due hereunder, and for the full performance of all of the terms, conditions, and covenants to be kept and performed by Tenant under this Lease. The acceptance of rent, additional rent, or any other sum due hereunder, or the acceptance of performance of any term, covenant, or condition hereof, from any other person or entity shall not be deemed to be a waiver of any of the provisions of this Lease or a consent to any subletting, assignment or other transfer. Consent to one assignment, subletting or other transfer shall not be deemed a consent to any subsequent assignment, subletting or transfer. If any assignee, sublessee or other transferee of Tenant defaults under this Lease, Landlord may proceed directly against Tenant without pursuing any rights or remedies against any such assignee, sublessee or other transferee. Landlord may consent to subsequent subleases, assignments or modifications of this Lease by Tenant's assignee, sublessee or other transferee, without notifying Tenant or obtaining Tenant's consent. Such action shall not relieve Tenant's liability under this Lease. Each subtenant, assignee or transferee acquiring any portion of the Premises or of Tenant's interest in this Lease by sublease, assignment, transfer, operation of law, or otherwise, shall be conclusively deemed, without the necessity of any further agreement, and for the express benefit of Landlord, to have assumed all of the obligations of Tenant under this Lease, and to have agreed to be bound by, and obligated to perform, each and all of the covenants, agreements and obligations of Tenant under this Lease. Each such assignee, sublessee and transferee shall, upon the request of Landlord and as a condition to the effectiveness of such acquisition, execute and deliver to Landlord such documents as may be required by Landlord to further evidence the foregoing assumption and agreement.

D. Tenant shall request in writing Landlord's consent to any transfer described in Section 11.B., hereof and such request shall be accompanied by a written statement setting forth the details of the proposed transfer, including the name, business and financial condition of the prospective assignee, sublessee or transferee, financial details of the proposed transfer (e.g., the term of, and rent and security deposit payable under, any assignment or sublease), a copy of the proposed documents to be used in effectuating the proposed assignment, subletting or transfer, and any other information Landlord deems relevant. Landlord shall have the right (a) to withhold consent, if reasonable, or (b) to grant consent. If Landlord's withholding of consent is found to be unreasonable by any court of competent jurisdiction, Tenant's sole remedy shall be to have the proposed assignment, transfer or sublease declared valid as if Landlord's consent had been given. If the transfer is a sublease of the Premises, or any portion thereof, or an assignment of this Lease, Landlord shall also have the right to terminate this Lease, and all further liability of Landlord and Tenant hereunder, as of the effective date of such sublease or assignment, in which case Landlord may elect to enter into a direct lease with the proposed assignee or subtenant.

E. In determining whether to grant or withhold consent to any proposed assignment or subletting, Landlord may consider the following: (a) the acceptability and compatibility of any proposed subtenant or assignee to the Premises and the Shopping Center; (b) the similarity of the proposed use to the previous use; (c) the nature and character of the proposed assignee or subtenant; (d) the business reputation and quality of operation of the proposed assignee or subtenant, and (e) the financial statement, credit and ability of any proposed subtenant or assignee to meet the obligations, terms and conditions of this Lease as they become due. In no event shall Landlord's withholding of consent to any assignment or subletting be deemed unreasonable and Landlord shall not be required to consent and/or consider consenting to any proposed assignment or subletting if at the time of such proposed assignment or subletting Tenant is in default of any of the covenants and conditions of this Lease, including but not limited to payment of rental or other charges to Landlord.

F. Tenant further agrees that in connection with any request for Landlord's consent to any assignment, subletting or other transfer, Tenant or the assignee of Tenant shall pay to Landlord a processing fee of Three Hundred Fifty and No/100 Dollars (\$350.00).

SECTION 12. SECURITY DEPOSIT

A. Tenant has deposited with Landlord as a security deposit, and not as prepaid rent, the sum set forth in the Fundamental Lease Provisions and grants to Landlord a security interest therein. Each time the Minimum Monthly Rent is adjusted upward pursuant to this Lease, and conditional upon receipt of an invoice from Landlord for same, Tenant shall deposit additional funds with Landlord sufficient to increase the security deposit to an amount which bears the same relationship to the adjusted Minimum Monthly Rent as the initial security deposit provided for in the Fundamental Lease Provisions bears to the initial Minimum Monthly Rent. The security deposit shall be retained by Landlord, without liability for the payment of any interest thereon, as security for the faithful performance by Tenant of all of Tenant's obligations under this Lease. Landlord is not required to keep the security deposit separate from Landlord's other accounts and no trust relationship is created with respect to the security deposit. In no event shall such security deposit be in lieu of, constitute, or excuse Tenant from paying, any portion of the Minimum Annual Rent, additional rent, or of any other sums payable by Tenant hereunder, at any time during the term of this Lease. The taking of such security deposit by Landlord shall in no way be a bar or defense to any action in unlawful detainer for the recovery of the Premises or any other action which Landlord may at any time institute for the breach of this Lease.

B. Landlord may, at Landlord's option, apply all or any part of the security deposit to any unpaid rent, additional rent, or any other sums due from Tenant under this Lease, or to cure any other defaults of Tenant hereunder. Upon expiration of the term of this Lease, and provided Tenant is not then in default under this Lease, or no event has occurred which could give rise to a default with the giving of notice and/or the passage of time, and after all charges to be paid by Tenant hereunder, including, but not limited to, Operating Costs, Real Property Taxes, insurance and repairs have been determined and deducted therefrom, Landlord shall return that portion of the security deposit to Tenant which has not been so applied by Landlord.

Should all or any portion of the security deposit be so applied by Landlord, Tenant shall, upon the written demand of Landlord, promptly remit to Landlord a sufficient amount of cash to restore the security deposit to the amount of the security deposit immediately prior to such application, and Tenant's failure to do so within five (5) days after receipt of such demand shall constitute a material default and breach under this Lease.

C. It is further agreed that Landlord may deliver that portion of the security deposit provided to Landlord by Tenant pursuant to this Section 12 then on deposit with Landlord to any purchaser or transferee of Landlord's interest in the Premises, in the event that such interest be sold or otherwise transferred, whereupon Landlord shall be discharged from any further liability with respect to such security deposit.

SECTION 13. FINANCING

It is mutually understood and acknowledged that Landlord may, from time to time, finance the construction of, and/or improvements within, the Shopping Center, and that a bank, savings and loan, or other lender, or lenders, must approve this Lease, and that in order to receive such approval this Lease may have to be amended or modified. Provided that neither the term hereof nor the size or location of the Premises shall be altered, and provided that Tenant's obligation to pay rent or additional rent shall not be increased and provided that none of Tenant's rights or obligations hereunder shall be changed in any permanent, adverse and material manner, Tenant agrees that Tenant shall consent to and immediately execute any such amendment or modification of this Lease as may be requested at any time and from time to time by any lender or lenders. If Tenant fails to consent to any such amendment or modification, Landlord, at its option, and in addition to any other remedies available to Landlord at law, in equity, or under this Lease, may cancel and terminate this Lease on ten (10) days written notice to Tenant, thereby releasing Landlord from any further liability to Tenant hereunder.

SECTION 14. SUBORDINATION, ATTORNMENT AND NONDISTURBANCE, TITLE OF LANDLORD

This Lease and all of the rights of Tenant hereunder are and shall be subject and subordinate to the lien of any ground lease, mortgage or deed of trust now existing, or which hereinafter may be placed, on the Premises, or any part thereof, on the building in which the Premises is located, or on any other portion of the Shopping Center, and to any and all renewals, modifications, consolidations, replacements, extensions, or substitutions of any such ground lease, mortgage or deed of trust (all of which are hereinafter termed the "ground lease" or "mortgage or deed of trust") provided, nevertheless, each or all of such ground leases, mortgages or deeds of trust shall contain provisions to the effect that so long as Tenant is not in default under this Lease, no termination of any such ground lease, and no foreclosure of the lien of any such mortgage or deed of trust, shall impair Tenant's right to quiet possession of the Premises pursuant to the provisions of this Lease.

Such subordination shall be automatic, without the execution of any further subordination agreement by Tenant. Notwithstanding the foregoing, upon Landlord's written request and within fifteen (15) days thereafter, Tenant agrees to execute, acknowledge, and deliver a subordination agreement in form satisfactory to Landlord and substantially in keeping with the form attached hereto as Exhibit "H". If Tenant shall fail to do so, Landlord may, in addition to any other remedies for breach of covenant hereunder, execute, acknowledge and deliver such agreement as the agent or attorney-in-fact of Tenant. Tenant hereby irrevocably constitutes and appoints Landlord as Tenant's attorney-in-fact for such purpose, and Tenant agrees that such appointment is coupled with an interest and is irrevocable.

Tenant shall, in the event of a sale or assignment of Landlord's interest in the Premises, or in the event of any proceedings brought for the foreclosure of any mortgage or deed of trust whether pursuant to judicial foreclosure, power of sale, or otherwise, or in the event of termination of any ground lease, attorn to the purchaser or ground lessor, as the case may be, and recognize such purchaser or ground lessor as Landlord under this Lease. The foregoing provisions shall inure to the benefit of any such purchaser or ground lessor and shall be self-operative upon any such sale, ground lease, termination, assignment or foreclosure, without requiring any further instrument to give effect to such provisions. Tenant, however, upon demand of any purchaser, ground lessor, mortgagee under any mortgage, or

beneficiary under any deed of trust, agrees to execute, from time to time, an instrument in confirmation of the foregoing provisions, satisfactory to any such purchaser, ground lessor, beneficiary, or mortgagee, as the case may be, in which Tenant shall acknowledge such attornment and shall set forth the terms and conditions of its tenancy, which shall be the same as those set forth herein, and which terms and conditions shall apply for the remainder of the term of this Lease. Nothing contained in this Section 14 shall be construed to impair any right otherwise exercisable by any such ground lessor, purchaser, beneficiary or mortgagee.

Landlord covenants that as of the date hereof there are no liens upon its estate other than (a) the effect of covenants, conditions, restrictions, easements, mortgages or deeds of trust, any ground lease of record, any rights of way of record, and any other matters or documents of record, including but not limited to any declaration of covenants, conditions and restrictions hereinafter referred to as the Agreements (it being understood that the Agreements shall not prevent Tenant from using the Premises for the Permitted Use of the Premises); (b) the effect of any zoning laws of the City, County and State where the Shopping Center is situated, and (c) general and special taxes not delinquent. Tenant agrees that (i) as to its leasehold estate it, and all persons in possession or holding under it, will conform to and will not violate the terms of the aforementioned Agreements or said matters of record and (ii) this Lease is subordinate to the Agreements and any amendments or modifications thereto; provided, however, if the Agreements is not of record as of the date hereof, then this Lease shall automatically become subordinate to the Agreements upon recordation of said Agreements; and Tenant further agrees to execute and return to Landlord within ten (10) days after written demand therefore by Landlord, an agreement in recordable form subordinating this Lease to said Agreements.

Notwithstanding anything to the contrary contained in this Lease, including without limitation this Section 14, within ninety (90) days after the execution of this Lease by Landlord and Tenant, Landlord shall use reasonable efforts to deliver to Tenant non-disturbance agreements executed by Landlord's existing mortgage or trust deed lenders and a Recognition and Attornment Agreement from the existing lessor under the Master Lease described in Section 31 below providing that such lender(s) and such lessor shall not terminate or otherwise foreclose Tenant's interest under this Lease so long as Tenant shall not be in material default under this Lease beyond any applicable cure period. Such non-disturbance agreement or recognition and attornment agreement shall be in such form similar to those provided in Exhibit H and I. In the event Landlord does not obtain and deliver to Tenant a signed Recognition and Attornment Agreement attached hereto as Exhibit I within seventy five (75) calendar days from execution of the this Lease, then Tenant shall have a right to terminate this Lease by giving Landlord written notice of such election, within thirty (30) days thereafter whereas Landlord shall have the right to cure by obtaining such executed Recognition and Attornment agreement to Tenant within 15 days of Tenant's notice in which case the Lease shall remain in full force and effect. Landlord shall use reasonable efforts to submit any required documentation to apply for or request such Recognition and Attornment Agreement with the City of Torrance in a timely manner following the date of this lease.

SECTION 15. CONDUCT OF BUSINESS

A. During all usual business hours, and on all days as comparable businesses of like nature in the area are open for business, and in any event, not less frequently than during such business hours as the majority of tenants of the Shopping Center are open for business, Tenant shall continuously and without interruption occupy, use, and operate the entire Premises for the purposes specified in the Fundamental Lease Provisions. This requirement shall not apply during times when the Premises are untenable by reason of fire or other casualty; Tenant shall, however, continue operation of its business to the extent reasonably practicable from the standpoint of good business during any period of reconstruction or repair. In general, Tenant shall employ its best judgment, efforts and abilities to operate the business conducted by Tenant in the Premises in a manner calculated to produce the maximum profitable and practical volume of sales and transactions obtainable and to enhance the reputation and attractiveness of the Premises.

B. Tenant shall promptly comply with all laws, ordinances, orders and regulations affecting the Premises, and the building in which the same are situated, and the cleanliness, safety, occupation and use thereof. Tenant

shall not do or permit anything to be done in or about the Premises, or bring or keep anything in the Premises, that will in any way increase the rate of fire insurance upon the Premises or the building in which the Premises are situated, or on any other building in the Shopping Center. Tenant shall not perform any acts or carry on any practices that may reasonably be deemed to injure adjoining buildings or be a nuisance or menace to other reasonable persons or businesses or disturb the quiet enjoyment of any reasonable person. Tenant shall indemnify and hold Landlord harmless from all claims of third parties arising from Tenant's action, inaction, or from Tenant's conduct of business. It is further agreed between Landlord and Tenant that Tenant will protect, indemnify, defend and save and keep Landlord, and Landlord's agents, servants, employees, successors and assigns, forever harmless and indemnified from and against any and all liability, penalties, claims, damages, costs, expenses and attorneys' fees arising out of or by reason of Tenant's failure (i) to comply with any of the provisions of this Lease, including, but not limited to, the foregoing provisions of this Section 15.B., or (ii) to prevent any other person from entering upon, or remaining in, any employment or place of employment upon the Premises which is not safe, or which does not comply with the terms of the Occupational Safety and Health Act of 1970 (29 USC Section 651 et seq.) and all other applicable laws pertaining thereto as they may now or hereafter exist and apply to the Premises.

C. At all times Tenant shall keep the Premises, the building and improvements within which the same are located, the walkways adjacent to the Premises, and any loading platforms and service areas allocated for the use of Tenant, clean and free from rubbish, dirt, snow and ice as caused by Tenant, or its agents, employees or invitees.

D. Neither Tenant nor any employee, agent or representative of Tenant shall solicit business in any part of the Common Facilities, or in any parking or other area which is or may become a common area by the leasing or licensing to others by Landlord of any property adjoining or near the Premises. Such solicitation shall include, but not be limited to, the distribution of handbills or other advertising media to or in automobiles in the Common Facilities, or parking areas or other common areas, the use of pickets in such areas, the use of loudspeaker systems which are audible in such areas, and the displaying of any of Tenant's merchandise or the posting of any signs not expressly authorized hereunder in such areas.

E. Tenant agrees that it shall neither conduct nor permit to be conducted on the Premises a sale by auction, a fire sale, a rummage sale, a bankruptcy sale, a going-out-of-business sale, a lost-lease sale, or a liquidation sale.

F. At Landlord's option, automobiles and other motor vehicle devices of Tenant, Tenant's employees, and Tenant's agents, shall be parked only in areas within the Shopping Center designated by Landlord for "employee parking". Landlord may also elect to relocate parking of any such automobiles and other motor vehicle devices within the Shopping Center. Landlord, or its agents, shall have the right to remove, or cause to be removed, any vehicle of Tenant, or of Tenant's employees or agents, that may be parked in any area other than a designated employee parking area. Any such removal shall be without liability of any kind to Landlord, Landlord's agents or employees, and Tenant agrees to indemnify and hold harmless Landlord, and Landlord's agents and employees, from any and all claims, costs, damages, liabilities (including actual attorneys' fees), losses and expenses of any kind arising from or in connection with any such removal. Tenant will from time to time, upon request by Landlord, supply Landlord with a list of license plate numbers of all automobiles owned or used by Tenant's employees and agents. Additionally, Tenant agrees to faithfully notify each of Tenant's employees and agents of any parking requirements imposed by Landlord pursuant to this Lease. Landlord shall at all times, excepting emergencies and for repairs, during the Term and any renewal thereof, provide reasonably lit, on-site parking at no cost for the use and benefit of Tenant's employees and customers. Non exclusive parking for customers shall be in reasonable proximity to the Premises, while parking for employees may be designated to certain limited spaces/areas, provided they are located in reasonable proximity to the Premises.

SECTION 16. Waiver of Landlord's Lien. Landlord hereby waives any statutory lien it may have with respect to the personal property (trade fixtures, equipment and merchandise) of Tenant from time to time located within the Premises ("Tenant's Property"). This Lease does not grant a contractual lien or any other security interest to or in favor of Landlord with respect to Tenant's Property. Respecting any lender having a security interest in Tenant's Property ("Tenant's Lender"), Landlord agrees to permit Tenant's Lender to go upon the Premises for the purpose of removing Tenant's Property anytime within ten (10) business days after the effective date of any termination of this Lease or any repossession of the Premises by Landlord, provided such Lender repairs any damage caused to the Premises by the removal of Tenant's Property.

SECTION 17. NO PARTNERSHIP

Notwithstanding any other express or implied provision of this Lease, neither party hereto shall, in any way or for any purpose, become or be deemed to be a partner of the other party hereto, whether in the business of such other party, or otherwise, or a joint venturer, or a member of any joint enterprise with such other party, it being agreed and understood that the relationship between the parties hereto is a Landlord-Tenant relationship.

SECTION 18. INSURANCE AND HOLD HARMLESS

A. **CASUALTY INSURANCE.** During the term hereof, Landlord shall keep the buildings and improvements within which the Premises are contained insured against loss or damage by fire, with extended coverage, sprinkler leakage, special extended perils (all risk), Inflation Guard Endorsement, vandalism and malicious mischief endorsements, or their equivalents, and with such additional endorsements and covering such additional perils, including, but not limited to, earthquake and flood insurance, as Landlord elects to maintain from time to time in Landlord's sole discretion. Such insurance shall be obtained from such insurance companies as Landlord shall select, and in amounts determined from time to time by Landlord in Landlord's sole discretion, but in no event less than ninety percent (90%) of the replacement cost of the building and structures insured, with loss payable to Landlord and to any authorized encumbrancer of Landlord (with standard mortgagee loss payable clause), in accordance with their respective interests. Landlord may maintain rent insurance, for the benefit of Landlord, equal to at least one (1) year's Minimum Annual Rent and additional rent hereunder, including real estate taxes and assessments, insurance costs, and Tenant's share of Operating Costs. If the Lease is terminated as a result of damage by fire or casualty as set forth in Section 21 hereof, all insurance proceeds shall be paid to and retained by Landlord, subject to the rights of any authorized encumbrancer of Landlord. Tenant shall reimburse Landlord upon demand by Landlord, as additional rent, for Tenant's share of the insurance carried hereunder. Landlord shall have the right to collect and impound Tenant's share of the insurance premiums from Tenant on a monthly or quarterly basis, in advance, for Tenant's account based upon Landlord's reasonable estimate of the amount thereof next due. Landlord shall not be required to segregate amounts so impounded from impounds of other tenants in the Shopping Center, or from any other sums, nor shall Landlord be required to pay any interest on such impounds. As used in this Section 18.A., Tenant's share shall mean the total amount of insurance premiums paid by Landlord hereunder multiplied by a fraction in which the numerator is the number of square feet of Floor Area in the Premises and the denominator is the total square feet of Floor Area in all buildings which is open and occupied for business which are included within the policy or policies of insurance referenced herein, which include the Premises. In addition, Tenant's share shall include that amount, if any, by which the fire insurance premiums for those policies that include in their coverage the Premises exceed the amount of premiums that would otherwise be applicable to a like building but for Tenant's use of the Premises. Such amount shall be determined by a comparison of that rate, which because of the nature of Tenant's occupancy is applicable to the policies which include the Premises, against the standard rate which would otherwise be applicable to a like building as determined by Landlord's insurance representative.

Tenant shall not knowingly do or permit anything to be done in or upon the Premises, or bring or keep anything therein, or use the Premises in a manner, which increases the rate of casualty insurance upon any building, or any other property or equipment of Landlord, over the rate in effect at the commencement of the term of this Lease, or which invalidates or otherwise

terminates any such insurance policies. If, by reason of any failure of Tenant to comply with the provisions of this Lease, the rate of insurance on any building, or on any other property or equipment of Landlord, or on any other tenant or subtenant of Landlord, shall be higher than it otherwise would be, Tenant shall reimburse Landlord, within fifteen (15) days after notice by Landlord, for that part of the insurance premium paid by Landlord which shall have been charged because of such failure by Tenant.

B. CONTENTS INSURANCE. During the term hereof, Tenant shall, at Tenant's cost and expense, carry insurance covering all of the items of Tenant leasehold improvements, alterations, additions or improvements, trade fixtures, merchandise and personal property in, on or upon the Premises, in an amount equal to the full replacement cost thereof, providing protection against any peril included within the classification fire and extended coverage, together with insurance against sprinkler damage, vandalism and malicious mischief. Tenant shall also carry and maintain, at its sole cost and expense, machinery insurance on all air conditioning equipment and systems exclusively serving the Premises. If the said objects and the damage that may be caused by or result from them are not covered by Tenant's fire and extended coverage, then such insurance shall be in the amount of One Hundred Thousand and No/100 Dollars (\$100,000.00). If Tenant requires boilers or other pressure vessels to serve the Premises, they shall also be insured in the foregoing amounts. Tenant shall also carry at least sixteen (16) weeks business interruption insurance and plate glass insurance, the proceeds of which shall be payable to Tenant.

C. LIABILITY INSURANCE. Tenant shall, at Tenant's cost and expense, at all times during the term of this Lease, maintain and carry for the joint benefit, and in the names, of Tenant and Landlord, as coinsureds, with cross liability endorsement, property damage and personal liability insurance by the terms of which Tenant and Landlord shall be indemnified against liability for damage or injury to property or person (including death) occurring on the Premises, or any part thereof, or arising from the ownership, use, occupancy or maintenance thereof, or arising directly or indirectly from any act or omission of Tenant, its employees, agents, representatives, successors, assigns, customers, invitees, licensees or concessionaires. The liability insurance to be maintained by Tenant shall also insure performance of all of Tenant's hold harmless and indemnity obligations under this Lease. Such insurance shall be carried and maintained on the minimum basis of One Million and No/100 Dollars (\$1,000,000.00) for damage to property, Three Million and No/100 Dollars (\$3,000,000.00) for personal injury to one person and Three Million and No/100 Dollars (\$3,000,000.00) for personal injury in any one accident. In the event this Lease shall permit the sale of alcoholic beverages from or on the Premises, such insurance as carried by Tenant hereunder shall include liquor liability insurance. To the extent applicable such insurance shall also contain whatever endorsements are required for food handlers and preparers; such endorsements to be in a form acceptable to Landlord, and to be broad enough to protect Landlord. The limits of all insurance required to be carried by Tenant pursuant to this Lease shall be subject to periodic increases based upon inflation, increased liability awards, recommendation of professional insurance advisers, and other relevant factors. However, in no event shall the limits of any insurance to be obtained by Tenant limit the liability of Tenant under this Lease.

D. POLICY FORM. All insurance carried by Tenant hereunder shall be written by insurance companies authorized to do business in the state in which the Premises are located, with a financial rating and a policyholders rating acceptable to Landlord in Landlord's sole discretion. At Landlord's request, all such policies shall name any lessor or encumbrancer of Landlord in Landlord's sole discretion. At Landlord's request, all such policies shall name any lessor or encumbrancer of Landlord as an additional insured. If Tenant fails to maintain any policy required to be maintained under this Lease by Tenant, Landlord may elect, in addition to all other remedies available to Landlord at law, in equity, or under this Lease, to maintain such policy at Tenant's expense, and Tenant shall reimburse Landlord therefor upon demand. Each insurance policy shall provide that such policy cannot be cancelled, modified, or reduced in scope without thirty (30) days prior written notice to Landlord and to any superior lessor, mortgagee or trust deed holder of whom the insurer has been notified in writing. Executed copies of each policy of insurance required to be carried by Tenant, or certificates thereof, shall be delivered to Landlord prior to the Term Commencement Date and thereafter executed copies of renewal policies or certificates shall be delivered to Landlord within twenty (20) days prior to the expiration of such policy. All policies of insurance or certificates thereof delivered to Landlord must specify thereon the amount of the deductible, if any. In the event Tenant fails to procure, maintain and/or pay for any insurance required

to be carried hereunder, Landlord shall have the right, but not the obligation, to procure same and pay the premiums therefor, in which event Tenant shall repay Landlord all sums paid by Landlord immediately upon demand.

E. HOLD HARMLESS AND WAIVER OF CLAIMS. Tenant covenants and agrees that Landlord shall not at any time or to any extent whatsoever be liable, responsible, or in any way accountable, for any loss, injury, death or damage to persons or property which at any time may be suffered or sustained by Tenant or by any persons or property who or which may at any time be using, occupying or visiting the Premises, or be in, on or about the Premises, or may be insured as a result of any act, omission or negligence of Tenant, Tenant's agents or employees, whether arising from the sale of alcoholic beverages, or otherwise, whether or not such loss, injury, death or damage shall be caused by, or in any manner result from, or arise out of, any act, omission or negligence of Tenant or of any occupant, subtenant, customer or invitee of Tenant. Except for the willful acts, omissions or negligence of Landlord, its employees, contractors and agents, Tenant agrees to indemnify, defend and hold harmless Landlord, its agents and employees from and against any and all expense, liability and claims for damage to or loss of property (including Tenant's property) or injury to or death of persons (including Tenant, its agents, employees, visitors, licensees, or invitees) directly or indirectly resulting from any cause on or about the Premises, or in connection with the maintenance or operation of Tenant's business, or Tenant's occupation or use of the Premises. Tenant shall discharge any judgment or compromise rendered against or suffered by Landlord as a result of anything indemnified against hereunder and shall reimburse Landlord for any and all costs, fees, or expenses incurred or paid by Landlord (including, without limitation, reasonable attorneys' fees), in connection with the defense of any action or claim resulting therefrom.

F. WAIVER OF SUBROGATION. With respect to any loss or damage which is covered by insurance carried pursuant to Section 18.A. hereof, or is covered by any similar insurance which is maintained by either party, Landlord and Tenant each hereby waive any and all rights of recovery against the other, or against the officers, employees, agents or representatives of the other, for loss of or damage to its property, or to the property of others under its control. Each party hereto shall give notice to any insurance carrier of the foregoing mutual waiver of subrogation. Tenant agrees that in the event of a sale or other transfer of the Premises by Landlord, this waiver of subrogation shall continue in favor of the original Landlord hereunder, and any subsequent landlord, as well as in favor of any such purchaser, or other transferee, and their respective successors and assigns.

SECTION 19. REPAIRS AND MAINTENANCE

A. Tenant shall maintain the interior non-structural elements of the building, building service equipment which serve the Premises, plate glass, glass windows, window frames, doors, door frames, door hardware and storefronts and all other improvements comprising a part of the Premises, or within which the Premises are contained, in good and clean condition and repair at all times, ordinary wear and tear excepted, except as may be expressly provided herein to the contrary, and Tenant shall, at Tenant's sole cost and expense, and subject to compliance with all other provisions of this Lease, promptly make all required replacements and repairs thereto, except such as may be by reason of condemnation or damage by fire or casualty. Except as specifically provided in Section 22 (Condemnation), Section 21 (Fire and Casualty Damage), or elsewhere in this Lease, Landlord shall not be obligated to repair, replace, maintain or alter the Premises, or the building or improvements within which the Premises are located, and Tenant waives all laws, statutes and ordinances to the contrary. With regard to repairs, Tenant expressly waives any right pursuant to any law now existing, or which may be effective at any time during the term hereof, to make repairs at Landlord's expense, including, without limitation, should the Shopping Center be located in the State of California, the provisions of Sections 1932(2), 1933(4), 1941 and 1942 of the California Civil Code, and any provisions amendatory thereof or supplemental thereto.

At Landlord's sole option and discretion, Landlord reserves the right, at any time and from time to time throughout the term of this Lease, to let or make agreements or contracts and/or to otherwise arrange for, or perform, the maintenance, repair and operation (or any combination thereof) of: (a) the heating and ventilating system, electrical, plumbing, pipes,

wiring, conduit and sprinkler system (if any) of the building in which the Premises are located, (b) the roof of the building in which the Premises are located, (c) the exterior of the building within which the Premises are located, including, but not limited to, the painting thereof, and (d) the structural portions of the building within which the Premises are located, or any of the foregoing or any combination thereof, in which such event Tenant shall promptly pay to Landlord, within fifteen (15) days of billing thereof, Tenant's share of the cost of any such maintenance, repair or operation, as aforesaid; plus a management fee to Landlord equal to fifteen percent (15%) of the cost of the foregoing. Tenant's share of maintenance, repair and operation shall be apportioned according to the Floor Area of the Premises as it relates to the total Floor Area of the building or buildings which are so maintained, repaired or operated, as aforesaid; provided, however, in the case of a maintenance contract for any of the foregoing, payment of Tenant's share shall be made in advance in the amount designated by Landlord, from time to time, on the first day of every month during the term hereof. Any portion of the foregoing to the contrary notwithstanding, in the event any such maintenance, repair or operation, as aforesaid, is attributable to the negligent act or omission of Tenant, or to any violation by Tenant of any provision of this Lease, Tenant shall pay to Landlord, as aforesaid, an amount equal to the cost of any such maintenance, repair or operation so attributable to the act or omission of Tenant. Landlord may make such repairs and perform such maintenance and operation without any abatement of rent, additional rent, or any other obligations of Tenant, regardless of the extent to which such repairs, maintenance and operation interferes with the conduct of Tenant's business, and without liability to Tenant for any loss or damage that may accrue to Tenant's merchandise, fixtures, or other property, or to Tenant's business, by reason thereof, unless due to the willful misconduct of Landlord. Notwithstanding Landlord's right to make repairs, and to perform any such maintenance and operation, Landlord shall have no obligation to make any such repairs, or to perform any such maintenance and operation. Tenant shall indemnify and hold Landlord harmless from all claims, demands, losses, costs, expenses and liabilities (including actual attorneys' fees) arising from the failure to repair, maintain or operate the Premises or the building within which the Premises are located.

B. Subject to those covenants made by Landlord in Section A(2) of Exhibit "C" hereof and without limiting the obligations of Tenant hereunder, Tenant shall be solely responsible for the maintenance, repair and replacement of the heating, ventilating and air conditioning systems and equipment which serve the Premises, and Tenant shall, at its sole cost and expense, enter into a regularly scheduled preventative maintenance service contract with a maintenance contractor, reasonably approved by Landlord, for servicing all of the heating, ventilating and air conditioning systems and equipment which serve the Premises. Tenant shall provide a current copy of the service contract to Landlord reasonably after the date Tenant takes possession of the Premises and within ten (10) days after the date of Landlord's request at any time thereafter during the term of this Lease. Landlord will warrant that the heating, ventilating and air conditioning systems and equipment will be operational on the date that Tenant takes possession of the Premises. Tenant shall give prompt notice to Landlord of any repair or replacement which Tenant has performed which costs more than one thousand dollars (\$1,000.00), which Tenant has had performed by third parties on Tenant's behalf which costs more than one thousand dollars (\$1,000.00) or which Tenant suspects should be performed of any of the utility systems or equipment which serve the Premises, including, by way of example and not limitation, those systems and equipment which provide water, gas, heat, electricity, power, sewage, telephone and other means of communications. If any repairs required to be made by Tenant hereunder are not made within ten (10) days after notice from Landlord to Tenant of the necessity therefor or, if such repairs require more than ten (10) days to complete, if Tenant fails to commence such repairs within such ten (10) day period and diligently pursue such repairs to completion, Landlord may, at its option, make such repairs without liability to Tenant for any loss or damage which may result to its stock or business by reason of such repairs, and Tenant shall pay to Landlord immediately upon demand as additional rental hereunder the cost of such repairs together with interest at five percent (5%) above the Prime Rate being quoted by the Wall Street Journal beginning on the date Landlord commences repairs. To the maximum extent permitted by law, Tenant hereby waives the provisions of any statute or law now or hereafter in effect in any jurisdiction in which the Premises is located (including, without limitation, California Civil Code Sections 1941 and 1942), permitting a tenant to make repairs at the expense of a landlord or to terminate a lease by reason of the condition of the Premises.

C. Landlord shall repair and maintain in good condition the Common Areas, and the roof, the foundation, structural portions, and the exterior walls (but not

plate glass, glass windows, window frames, doors, door frames, hardware and store fronts, which items are the responsibility of Tenant, but including any damage caused by insufficient or improper sealing of the same, normal wear and tear excepted, that were and not originally by Tenant or its contractors or agents) of the building where the Premises are located, unless such repairs and maintenance becomes necessary in whole or in part due to the act or omission of Tenant or its agents, employees, subtenants, licensees or representatives, in which case Tenant shall pay to Landlord the reasonable cost of such repairs or maintenance. The costs of maintaining and repairing the Common Areas, and the roof, the foundation, structural portions and the exterior walls of the building where the Premises are located may be an item of Operating Costs as provided in Section 8 provided such costs meet the definition of Operating Costs as outlined herein. Excepting if Landlord is in material breach of the Lease and provided Tenant experiences reasonably materially adverse interference, Landlord shall not be liable for and there shall be no abatement of rent with respect to, any injury to or interference with Tenant's business arising from any repair, maintenance, alteration or improvement in or to any portion of the Premises or the Shopping Center. Landlord shall not be liable for any failure to perform any maintenance unless such failure shall persist for an unreasonable time after notice of the need for such maintenance is given to Landlord by Tenant.

SECTION 20. MECHANICS LIENS.

A. Tenant agrees to keep the Premises, together with the buildings and other improvements within which the Premises are located, and the balance of the Shopping Center, free and clear of any and all mechanics, materialmens and other liens for work or labor done, services performed, or materials, appliances, transportation or power contributed, used or furnished to be used, to or on the order of Tenant. At all times Tenant shall promptly and fully pay and discharge any and all claims upon which any such lien may or could be based; and Tenant shall hold Landlord, the Premises, all buildings and improvements within which the Premises are located, and the balance of the Shopping Center, free and harmless from any and all such liens and claims of liens and suits or other proceedings arising out of work performed, or materials or services furnished, to or on the order of Tenant. Tenant agrees to give Landlord written notice not less than ten (10) days in advance of the commencement of any construction, alteration, addition, improvement, installation or repair costing in excess of Five Hundred and No/100 Dollars (\$500.00) in order that Landlord may post appropriate notices of Landlord's non-responsibility. Tenant further agrees to secure, at Tenant's sole cost and expense, a bond indemnifying Landlord, the Premises and the remainder of the Shopping Center, against all aforesaid liens, with corporate surety and in form satisfactory to Landlord, and in an amount sufficient to remove any such liens of record, which amount shall also be subject to the approval of Landlord. Within five (5) days after work is completed, Tenant shall file a Notice of Completion. Nothing in this Section 20.A. shall be construed to conflict in any way with the obligations of Tenant set forth in the Construction Exhibit, if any, attached to this Lease as Exhibit "C".

B. No mechanics or materialmen's liens or mortgages, deeds of trust, or other liens of any character whatsoever created or suffered by Tenant, shall in any way, or to any extent, affect the interest or right of Landlord in any buildings or other improvements on or about the Premises, or the balance of the Shopping Center, or attach to or affect Landlord's title to, or rights in, the Premises or any other portion of the Shopping Center.

SECTION 21. FIRE AND CASUALTY DAMAGE. PENDING REVIEW BY INS.

A. In the event the Premises, or any part thereof, shall be partially or totally damaged or destroyed by fire or other casualty so as to become partially or totally untenable, which damage is insured against under any policy of fire and extended coverage insurance then covering the Premises, then this Lease shall remain in full force and effect and Landlord shall repair such damage or destruction with due diligence at Landlord's expense utilizing insurance proceeds and Minimum Rent only shall be abated until restoration, provided that if Tenant continues to conduct business in the Premises, Minimum Rent shall be abated in proportion to which the untenable portion bears to the entire Premises before the damage occurred.

B. Notwithstanding any other provision of this Section 21 to the contrary, if the Premises shall be damaged or destroyed by any casualty which

is not insured against under any policy of fire and extended coverage insurance then covering the Premises, or if the Premises shall be damaged or destroyed by any casualty which is insured and such damage or destruction shall be to the extent of at least twenty-five percent (25%) of the replacement value of the Premises at the time of such damage, or of at least ten percent (10%) thereof if at the time of such damage or destruction there shall remain less than two (2) years in the Lease Term, then either Landlord or Tenant may at its election, upon notice to the other party given within ninety (90) days after such damage, terminate this Lease as of the date of such damage or destruction.

C. In the event that twenty-five percent (25%) or more of the building area or parking area of the Shopping Center shall be damaged or destroyed by casualty, then, notwithstanding that the Premises may be unaffected by such casualty, Landlord may terminate this Lease and the tenancy hereby created by giving to Tenant written notice of such election, within ninety (90) days following the date of said occurrence.

D. In the event Landlord shall be required or shall elect to restore the improvements on the Premises, Landlord and Tenant shall be responsible to restore the Premises in the same manner and to the same extent as work was performed by each party in the original construction and fixturing of the Premises. In the event Tenant's insurance is not adequate to replace all personal property, fixtures and improvements placed by Tenant, at Tenant's expense, within the Premises, then Tenant shall be personally responsible for providing cash equal to the excess cost of such replacement. If Landlord elects not to restore, this Lease shall terminate effective as of the date of such damage upon the giving of notice of election by Landlord as aforesaid.

E. To the extent applicable, Tenant hereby waives the provisions of California Civil Code Sections 1932(2) and 1933(4) with respect to any damage to, or destruction of, the Premises or the building in which the Premises are located, the rights of Tenant in the case of any such damage or destruction being governed by the provisions of this Lease.

SECTION 22. CONDEMNATION.

A. GENERAL. If title to all or any portion of the Premises be taken by a public or quasi-public authority under any statute or by right of eminent domain or by private purchase in lieu thereof (hereinafter referred to as a "taking"), then the rights of the parties to share in the condemnation award or purchase price thereby resulting shall be governed by this Section 22.

B. TOTAL OR MATERIAL TAKING. Should all of the Premises be taken in such manner, this Lease shall terminate on the effective date of such taking. Should a portion of the Premises be taken in such a manner as to materially interfere with Tenant's use and occupancy thereof, then either party, by giving written notice to the other party within thirty (30) days after such taking, may terminate this Lease as of the date of such notice. Should any tenant or occupant occupying more than 25,000 square feet of building area in the Shopping Center cancel its lease or abandon and vacate its premises by reason of any such taking, or by reason of any damage resulting from such taking, or should more than fifty percent (50%) of the area of land described in Exhibit "A" hereto be so taken, or should more than twenty percent (20%) of the Floor Area of the Premises be so taken, then Landlord, on giving written notice to Tenant within sixty (60) days after such taking, cancellation, vacation or abandonment, as the case may be, may terminate this Lease as of the date of such notice.

C. PARTIAL TAKING AND NO CANCELLATION. In the event of a partial taking of the Premises, and this Lease is not cancelled, then this Lease and to the part so taken only shall terminate as of the date that possession of such part of the Premises is so taken, and the Minimum Annual Rent herein provided for shall be reduced in the proportion that the Floor Area of the Premises so taken bears to the Floor Area of the Premises existing before such taking. Landlord shall diligently replace or repair the Premises, but at a cost to Landlord not to exceed the condemnation award received by Landlord for the Premises. To the extent applicable, each party waives California Code of Civil Procedure Section 1265.130 which allows either party to petition the court to terminate this Lease upon a partial taking, and the rights of the party upon a partial taking shall be governed solely by the provisions hereof.

D. AWARDS. In the event of any taking, Tenant shall be entitled to that portion of the award, if any, specifically designated for loss to, or damage of, Tenant's trade fixtures and personal property. All other awards, including, but not limited to, any award for the value of Tenant's leasehold estate, shall be the sole and exclusive property of Landlord, and Tenant shall have no right thereto or interest therein. Any rights of Tenant to any portion of the award shall at all times be subject to the rights thereto of any encumbrancer or ground lessor of Landlord. Despite the foregoing, Tenant shall not be precluded from claiming from the condemning authority any compensation to which Tenant may otherwise lawfully be entitled in respect of Tenant's tangible Personal Property, or for relocating to new space, or for the unamortized portion of any tenant improvements installed in the Premises to the extent they were paid for by Tenant, so long as the same does not reduce the amount of any award payable to Landlord.

SECTION 23. DEFAULT.

A. TENANT'S DEFAULT AND LANDLORD'S REMEDIES. Tenant shall be in material default and breach under this Lease if (i) Tenant shall default in the payment as and when due of any rent, additional rent, or any other amount required to be paid by Tenant hereunder, and such default shall continue for a period of three (3) days after written notice thereof from Landlord, or (ii) Tenant shall default in the performance or observance of any non-monetary covenant, agreement or obligation of this Lease to be performed or observed by Tenant, including, but not limited to, the obligation of Tenant to deliver statements of Gross Sales to Landlord as provided for in Section 5.B. hereof, and the obligations of Tenant pursuant to Section 15 hereof, and such default shall continue for a period of twenty (20) days after written notice thereof by Landlord; provided, however, that Landlord shall not be required to give such notice if Tenant's failure to perform constitutes a non-curable breach of this Lease, or (iii) Landlord discovers any financial information given to Landlord by Tenant was false or misleading in any material manner, or (iv) Tenant shall make a general assignment or general arrangement for the benefit of creditors, or (v) a trustee or receiver is appointed to take possession of substantially all of Tenant's assets located at the Premises, or of Tenant's interest in this Lease, and possession is not restored to Tenant within thirty (30) days, or (vi) there is an attachment, execution or other judicial seizure of Tenant's interest in this Lease, or of substantially all of Tenant's assets located at the Premises, and such attachment, execution or other judicial seizure is not discharged within thirty (30) days, or (vii) any voluntary or involuntary petition or similar pleading under any section or sections of the Bankruptcy Act or any Chapter thereof shall be filed by or against Tenant, or any voluntary or involuntary proceeding in any court or tribunal shall be instituted to declare Tenant insolvent or unable to pay Tenant's debts, and in the event of an involuntary petition, pleading or proceeding the same shall not be dismissed or discharged within thirty (30) days, or (viii) Tenant shall vacate or abandon the Premises (the failure by Tenant to occupy and operate the Premises for fourteen (14) consecutive days, absent objective impossibility, constituting abandonment and vacation of the Premises for the purposes of this Lease), then Landlord shall have, in addition to any other remedies available at law, or in equity, without the requirement of any further notice to Tenant, the notice provided by this Section 23.A. being intended to satisfy any and all notice requirements imposed by law on Landlord and not being intended to be in addition to any such requirements, and without barring later election of any other remedy, any one or more of the following remedies at Landlord's election:

(a) By written notice to Tenant, Landlord may terminate this Lease and Tenant's right to possession, declare this Lease ended, re-enter the Premises in the manner allowed by law and repossess the Premises, in which event this Lease shall terminate, Tenant shall immediately surrender the Premises to Landlord, and Landlord shall have the right to recover from Tenant; (1) the worth at the time of the award of the unpaid rent and all additional rent and other amounts and charges payable by Tenant that had been earned at the time of termination of this Lease; (2) the worth at the time of the award of the amount by which the unpaid rent and all additional rent and other charges payable by Tenant hereunder which would have been earned after termination of this Lease until the time of the award exceeds the amount of such loss that Tenant proves could have been reasonably avoided; (3) the

worth at the time of the award of the amount by which the unpaid rent and all additional rent and other charges payable by Tenant hereunder which would have been paid for the balance of the term after the time of award exceeds the amount of such loss that Tenant proves could have reasonably been avoided; and (4) any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's default or which in the normal course of things would likely result from Tenant's default, including, but not limited to, costs and expenses incurred by Landlord in maintaining or preserving the Premises after default, costs of recovering possession, expenses of reletting including necessary renovation or alteration, actual attorneys' fees, and real estate commissions paid or payable. The "worth at the time of the award" as used in (1) and (2) of this Section 23.A. (a) is to be computed by allowing interest on unpaid amounts at the maximum lawful rate. The worth at the time of the awards as used in (3) of this Section 23.A.(a), is to be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award plus one percent (1%). If Tenant shall have abandoned and vacated the Premises, Landlord may proceed under this Section 23.A. (a) or under Section 23.A. (b) hereof.

(b) Maintain Tenant's right to possession, in which case this Lease shall continue in effect whether or not Tenant shall have abandoned and vacated the Premises. In the event Landlord makes such election, Landlord shall not unreasonably withhold its consent to an assignment of this Lease or to the subletting of the Premises and Landlord shall be entitled to enforce all of Landlord's rights and remedies hereunder, including the right to recover rent, additional rent, and all other amounts payable hereunder as they become due. Landlord has the remedy described in California Civil Code Section 1951.4 (Landlord may continue the Lease in effect after Tenant's breach and abandonment and recover rent as it becomes due, if Tenant has the right to sublet or assign subject to reasonable limitations).

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

All rights and remedies of Landlord herein enumerated shall be cumulative and none shall exclude any other right or remedy allowed by law or equity; and likewise, the exercise by Landlord of any remedy provided for herein or allowed by law or equity shall not be to the exclusion of any other remedy.

If a court of competent jurisdiction determines that any of the events described in Section 23.A.(iv) through (vii), inclusive, hereof, is not a default under this Lease, and a trustee is appointed to take possession (or if Tenant remains a debtor in possession) and such trustee or Tenant transfers all or any portion of Tenant's interest hereunder, Landlord shall receive, as additional rent, promptly upon demand therefor, the difference between the rent (or any other consideration) paid in connection with such transfer and the rent payable hereunder by Tenant.

No act or thing done by Landlord or Landlord's agents, including, but not limited to, acts of maintenance or preservation, or efforts to relet the Premises, shall be deemed an acceptance of surrender of the Premises. No agreement to accept such surrender shall be valid unless in writing and signed by Landlord. No employee of Landlord or of Landlord's agents shall have any power to accept the keys to the Premises prior to the termination of the Lease, and the delivery of the keys to any such employee shall not operate as a termination of this Lease or a surrender of the Premises. Any re-entry shall be allowed by Tenant without hindrance, and Landlord shall not be liable in damages for any such reentry, or be guilty of trespass or forcible entry in connection therewith.

It is further agreed that Landlord, at any time after Tenant commits a default, may cure the default at Tenant's cost, and otherwise take such action with respect thereto as Landlord shall deem reasonably necessary and Landlord shall have no liability therefor. If Landlord at any time, by reason of Tenant's default, pays any sum or does any act that requires the payment of any sum, or if Landlord incurs any expense, including attorneys' fees, in instituting proceedings, or defending any action or proceeding instituted by reason of any default of Tenant hereunder, the sum or expense paid by Landlord, with all interest, costs and damages, shall be due from Tenant to Landlord promptly upon demand therefor.

Except to the extent that a lower rate may otherwise be expressly provided for by this Lease, any sums to be paid to Landlord under this Lease not paid when due shall bear interest at the maximum legal interest rate permitted by law. The payment of interest shall not excuse or cure any default by Tenant under this Lease. Interest shall not be payable on late charges to be paid by Tenant under this Lease.

Notwithstanding anything herein to the contrary, if Tenant shall default in the payment of any rent, additional rent, or any other sum of money due to be paid by Tenant hereunder, or in the timely reporting of Gross Sales as required by Section 5 of this Lease, and such default shall continue or be repeated for three (3) consecutive months, or for a total of five (5) months in any period of twelve (12) consecutive months, or if Tenant shall default in the performance of any other covenant of this Lease more than six (6) times, in the aggregate, in any period of twelve (12) consecutive months, then notwithstanding that such default shall have been cured within the period after notice as provided by this Section 23.A., any further or additional default, whether of a similar or dissimilar nature, shall be deemed to be deliberate, and Landlord need not afford Tenant an opportunity to cure any such further or additional default as provided by this Section 23.A., but shall have the right, at Landlord's option, in addition to and not in limitation of any other right or remedy available to Landlord at law, in equity, or hereunder, to terminate this Lease by giving Tenant a three (3) day written notice of cancellation. Upon the expiration of said three (3) days, this Lease shall terminate as fully and completely as if the date of expiration of such three (3) day period were the date set forth herein as the Lease Expiration Date, without in any way releasing Tenant from Tenant's liability hereunder with regard to a termination of this Lease in the event of a default by Tenant under this Lease.

B. LANDLORD'S DEFAULT. Landlord shall in no event be charged with default in the performance of any of its obligations hereunder unless and until Landlord shall have failed to perform such obligations within thirty (30) days (or such additional time as is reasonably required to correct any such defaults) after written notice by Tenant to Landlord properly specifying wherein Landlord has failed to perform any such obligation.

SECTION 24. SURRENDER OF LEASED PREMISES.

Upon any termination of this Lease, whether by lapse of time, cancellation pursuant to an election provided for herein, forfeiture, or otherwise, Tenant shall surrender immediately possession of the Premises, and all buildings and improvements within which the same are located, to Landlord in good and tenantable repair, reasonable wear and tear and damage from fire or other casualty or peril for which Tenant is not responsible excepted.

At any time during the term of this Lease, and upon the termination of this Lease, if Tenant is at such time not in default hereunder, or no event has occurred as of such time which with the giving of notice and/or the passage of time would give rise to a default, Tenant shall have the right to remove from the Premises all removable trade fixtures, equipment and personal property not permanently affixed to the Premises (such as furniture, furnishings, fitness equipment, equipment, signs, counters, shelving, showcases, mirrors and movable personal property items) then installed or placed in, on or about the Premises; provided, however, Tenant shall at Tenant's expense make all repairs to the Premises required because of such removal. If any of such property shall remain on the Premises after the end of the term hereof, such property shall become, at the option of Landlord, the property of Landlord; provided that Landlord may direct Tenant to remove such property, in which case Tenant agrees to do so and to reimburse Landlord for any expense of removal if Tenant shall fail to remove such property.

Upon termination of this Lease, Tenant shall surrender the Premises in a neat and clean condition, ordinary wear and tear excepted, and Tenant shall repair any holes or openings made by Tenant in the walls, roof or floor of the building in which the Premises are located, remove any protuberance and perform any maintenance of repairs required of Tenant by this Lease. If directed to do so by Landlord, Tenant shall also remove any improvements, additions or alterations made to the Premises by Tenant, provided the same were not previously consented to by Landlord in writing without notation as to the requirement to remove such improvements, even though such improvements by the terms of this Lease become a part of the Premises.

Upon termination of this Lease, at Landlord's request, Tenant shall execute and deliver to Landlord in a form suitable for recordation a quitclaim deed, quitclaiming all of Tenant's rights, title and interest in and to the Premises to Landlord.

This Lease shall terminate and shall become null and void without further notice upon the expiration of the term herein specified, and any holding over by Tenant after such expiration shall not constitute a renewal hereof or give Tenant any rights under this Lease. If Tenant shall hold over for any period after the expiration of the term hereof, Landlord may, at Landlord's option, treat Tenant as a Tenant from month to month commencing on the first (1st) day following the expiration of this Lease, subject to the terms and conditions herein contained, except that the Minimum Annual Rent, which shall be payable in advance monthly, shall be one hundred twenty five percent (125%) of the Minimum Annual Rent (as adjusted pursuant to Section 4.D.) applicable at the date of expiration of the term hereof. If Tenant fails to surrender the Premises upon the expiration of this Lease, Tenant shall indemnify and hold Landlord harmless from all loss or liability, including, without limitation, any claims made by any succeeding tenant founded on or resulting from such failure to timely surrender the Premises.

SECTION 25. FORCE MAJEURE.

If Landlord cannot perform any of Landlord's obligations under this Lease due to events beyond Landlord's control, the time provided for Landlord performing such obligations shall be extended by a period of time equal to the delay caused by such events. Events beyond Landlord's control include, but are not limited to, acts of Tenant, strikes, threats of strikes, blackouts, war, threats of war, bombing, labor disputes, shortages of labor or material, insurrection, invasion, acts of God, calamities, civil commotions, weather conditions, fire, flood or other casualty, action or regulation of any governmental authority, state law or ordinances, and impossibility of obtaining materials.

SECTION 26. OFFSET STATEMENTS.

Tenant agrees at any time upon not less than ten (10) days prior written request of Landlord, to execute, acknowledge and deliver to Landlord a statement in writing and in the form attached as Exhibit "E" hereto, or in such other form required by Landlord or by any lender or ground lessor of Landlord, certifying that this Lease is unmodified and in full force and effect and that Landlord is not in default (or if modified, in full force and effect as modified and stating the modifications, or if there is any default; stating such default), and the dates to which rental or other sums have been paid in advance, it being intended that any such statement delivered pursuant to this Section 26 may be relied upon by any prospective purchaser, ground lessor, mortgagee or beneficiary. If Tenant fails to so deliver any requested statement within such ten (10) day period, Landlord and any prospective purchaser, encumbrancer or ground lessor may conclusively presume that this Lease is unmodified and in full force and effect, that Landlord is not in default hereunder, and that no rental or other sums have been paid more than one (1) month in advance. Tenant shall also deliver to any prospective purchaser, prospective ground lessor or prospective lender of Landlord, within fifteen (15) days after Landlord's request therefor, Tenant's latest financial statements, and such specific subordination agreements as may be required by any such lender or ground lessor.

SECTION 27. RIGHTS RESERVED BY LANDLORD.

A. EASEMENTS. Landlord expressly reserves all rights in, and with respect to, the Premises not inconsistent with Tenant's use thereof as in this Lease provided, including (without in any way limiting the generality of the foregoing) the right of Landlord to establish Common Facilities and grant easements to others (even before the establishment of Common Facilities) including, but not limited to, other pipelines, telephone, electric and power lines, cables and conduits, as Landlord may deem desirable in connection with the development or use of the Shopping Center or any other property in the neighborhood of the Premises, whether owned by Landlord or not, all of which pipelines, lines and conduits shall be buried to a sufficient depth or raised to a sufficient height so as not to interfere with the use or stability of the building or any other improvements within which the Premises are located.

B. INSPECTION.

(1) Tenant agrees to permit Landlord, or the authorized representatives of Landlord, and upon not less than 24 hours' prior written notice to Tenant (except in an emergency when no prior written notice shall be required), to enter the Premises at all reasonable times for the purposes of (a) inspecting the Premises, (b) making such repairs or reconstruction required or permitted by Landlord, and (c) performing any work therein that may be necessary by reason of Tenant's default under the terms of this Lease; provided, however, that any such entry and/or any such work shall be performed with only reasonable interference given the scope of work contemplated to Tenant's business. Nothing herein shall imply any duty upon the part of Landlord to do any such work which, under the provisions of this Lease, Tenant may be required to perform, and the performance thereof by Landlord shall not constitute a waiver of Tenant's default in failing to perform such work. In the event Landlord makes any repairs or maintenance which Tenant has failed to do, the cost thereof shall be paid to Landlord with the next installment of rental hereunder.

(2) Landlord is hereby given the right, upon not less than 24 hours' prior written notice to Tenant, to enter the Premises and to exhibit the same to any prospective tenant, ground lessor, purchaser or lender, and to post any signs on or about the Premises or the building in which the Premises are located regarding such sale, lease or borrowing; provided, however, that any such entry and/or any such work shall be performed with minimal interference to Tenant's business.

C. ACCORD AND SATISFACTION. No payment by Tenant, or receipt by Landlord, of a lesser amount than the amount due and payable shall be deemed to be other than on account of the amount due, nor shall any endorsement or statement on any check or any letter accompanying any check or payment be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of the amounts due and payable or to pursue any other remedy provided in this Lease, at law, or in equity.

SECTION 28. INTENTIONALLY DELETED.

SECTION 29. INTENTIONALLY DELETED.

SECTION 30. RULES AND REGULATIONS.

The Rules and Regulations attached to this Lease as Exhibit "F" are hereby specifically incorporated into and made a part of this Lease. Landlord reserves the right from time to time to amend and supplement said Rules and Regulations and to adopt additional Rules and Regulations. Notice of such additional Rules and Regulations, and of such amendments and supplements, shall be given to Tenant. Tenant agrees to comply with and observe all Rules and Regulations, and all amendments and supplements thereto. Tenant's failure to observe and comply with all Rules and Regulations, and all amendments and supplements thereto, shall constitute a material breach and default under this Lease. In case of any conflict between any Rules and Regulations and this Lease, the provisions of the Rules and Regulations will prevail. Landlord shall have no obligation or responsibility to Tenant to enforce the provisions of any leases or other agreements with any other tenants or occupants of the Shopping Center, and Landlord shall not be liable to Tenant for any damages caused by any failure of such other tenants or occupants to comply with the Rules and Regulations in effect from time to time, or to otherwise comply with the terms of their leases or other occupancy agreements.

SECTION 31. MASTER LEASE.

Landlord and Tenant acknowledge and agree that notwithstanding the designation of this Lease as a "Lease", it is a "Sublease", "Landlord" is a "Sublandlord", and "Tenant" is a "Subtenant".

Landlord is tenant under a lease ("Master Lease") with the City of Torrance ("Master Lessor"), which Master Lease collectively covers the Premises and other property in the Shopping Center.

Subject to a Recognition and Attornment Agreement, if any, This Lease is subject and subordinate to the Master Lease.

In the event for any reason whatsoever the Master Lease is terminated prior to the expiration of the Term of this Lease, this Lease shall terminate, at the option of the Master Lessor, as of the date the Master Lease is terminated.

Tenant covenants and agrees to comply with and shall not violate any of the terms, covenants and conditions of the Master leases, whether or not a provision exists in this Lease requiring Tenant to so comply except that Tenant's obligations and covenants to pay Minimum Annual Rent, , Additional Rent and other charges (and the use of the Premises) shall be governed by this Lease and shall be considered satisfied to the extent and in the amount that rent and other charges are paid hereunder by Tenant to Landlord. Tenant shall defend, indemnify, hold Landlord harmless of and from all liability, judgments, costs, expense, damage, claims and demands, including attorneys' fees arising out of any failure by Tenant to perform any of such obligations under the Master Lease and of any failure by Tenant to perform its obligations under this Lease. In the event Landlord does not deliver to Tenant an executed Recognition and Attornment Agreement from the Master Lessor and Tenant has not exercised its option to terminate this Lease as provided in Section 14, Landlord shall defend, indemnify, hold Tenant harmless of and from all liability, judgments, costs, expense, damage, claims and demands, including attorneys' fees arising out of any failure by Landlord to perform any of Landlord's obligations under the Master Lease and of any failure by Landlord to perform its obligations under this Lease.

SECTION 32. RELOCATION OF PREMISES.

Notwithstanding any contrary provision of the Lease, if Landlord requires the Premises for use in conjunction with the redevelopment of the building the Premises is a part of, or for similar other reasons related to Landlord's occupancy plans for the Building, or the Shopping Center, then upon at least one hundred twenty (120) days prior written notice to Tenant, Landlord shall have the right to move Tenant to other space in the Shopping Center once during the initial Term, which (a) contains Floor Area equal to or in excess of the Floor Area of the Premises, (b) can be configured to reasonably provide for the use permitted under the Basic Lease Provisions including being of generally rectangular shape with a minimum frontage of 80 feet and proportionate storefront glass to the Premises (reasonable adjustment for any storefront "blacked out by tenant"), (c) has visibility reasonably in keeping with the existing location and (d) is located within the Relocation Area as defined in the Lease and thereupon such other space shall be deemed to be the Premises covered by this Lease. The expense of moving Tenant, its property and equipment to the substituted space and of improving same to a condition similar to the then current condition of the Premises, as well as the actual and reasonable costs of utility connections and hook-ups, and the replacement of stationery in stock with similar stationery containing Tenant's new address, [up to a maximum of Five Thousand and No/100 Dollars (\$5,000.00) for stationery] shall be borne by Landlord. Landlord shall be responsible for any actual net lost profits of Tenant from the Premises during such period as the Tenant is required by the Landlord to be closed for the relocation its furniture, fixtures, inventory and equipment to the substitute Premises. The Landlord shall not be responsible for any lost profits during any portion of this period for any period caused delays due to any action or inaction by Tenant, its employees or vendors. Net lost profits shall be calculated on a profit per day average using one hundred ten percent (110% of Tenant's certified financial statements for the month in which the downtime commences for the two (2) proceeding years. The substituted space shall be ready at least three (3) days prior to the date on which Tenant shall be required to relocate from the Premises to the substituted space. If the substituted space is smaller or larger than the Premises, then the Minimum Rent, Security Deposit and calculations of pro rata shares of costs based upon Floor Area, shall remain as set forth herein however in no event shall Tenant be required to pay any increase in Minimum Rent which on Floor Area which exceeds one hundred one percent (101%) of the Floor Area of the Premises. If the substituted space, which commercially reasonably meets with items (a), (b) and (c) above and does not meet with Tenant's approval within sixty (60) days after receipt of Tenant by Landlord of the proposed substitute premises, Landlord or Tenant may cancel this Lease upon thirty (30) days prior written

notice to the other party, in which event both parties shall be relieved of liability accruing thereafter.

SECTION 33. EXCLUSIVE USE.

So long as (I) Tenant is not in default beyond applicable notice and cure periods with respect to any of its obligations under its Lease, and only as long as Tenant is continuously operating in the Premises in compliance with the Permitted use specified in the Lease, Landlord agrees that during the Term, and any extensions thereof, it shall not permit any future tenant within the Center, except as set forth below, to offer gym (including personal fitness training) and spa services as a primary use to its customers during the lease term and applicable extension terms. Landlord and Tenant agree that if this covenant is broken, Tenant's sole remedy commencing thirty (30) days after the date Tenant notifies Landlord of such break by written notice, though the remedy shall be retroactive to the date the covenant was first reasonably known to Landlord but not earlier than the notice date, will be the reduction of Tenant's Monthly Minimum Rental to fifty percent (50%) of the amount specified in the Lease for the period of time during which the covenant is broken only. Upon restoration of compliance with this covenant, Tenant's Monthly Rental shall be restored to one hundred percent (100%) of the amount specified in the Lease. This exclusive right (a) is personal to Tenant and is not transferable unless approved by Landlord, (b) shall not apply during the last six (6) months of the term, unless Tenant has exercised its option to renew the Lease. Nothing contained herein shall restrict the Landlord from entering into a lease with other tenants whose primary business is the following: (i) tanning salon, (ii) weight loss consultation/services; (iii) chiropractic, (iv) nail salon, (v) physical therapy, (vi) karate studio, (vii) gymnastics/dance studio. This exclusive shall not apply to the existing Burke Williams Space and the existing Atomic Boxing Space or any successors, assigns or replacements thereof.

Landlord shall use commercially reasonable efforts as may be afforded to it under the applicable occupancy agreements with Burke Williams and Atomic Boxing to restrict Burke Williams and Atomic Boxing or any of their proposed assignees/sublessees, where Landlord's consent to such assignment or sublease or similar transfer or to any change in use is required, from modifying their existing use in to specifically include a permitted use for the operation of a women's only health club.

SECTION 34. MISCELLANEOUS.

A. **LOSS AND DAMAGE.** Landlord shall not be liable for any damage to the property of Tenant or of others located on the Premises, nor for the loss of, or damage to, any property of Tenant or of others whether by theft, or otherwise. Landlord shall not be liable for any injury or damage to person or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water, rain or leaks from any part of the Premises or from any other place, or by dampness, or by any other cause except to the extent arising from Landlord's gross negligence or willful misconduct. Landlord shall not be liable for any such damage caused by other tenants or persons in the Premises, occupants of the Shopping Center or of any property adjacent thereto, or the public, or caused by operations in construction of any private, public or quasi-public work. Landlord, except to the extent arising from Landlord's gross negligence or willful misconduct shall not be liable for any latent or patent defect in the Premises, the building in which the Premises are located, or in any other portion of the Shopping Center except to the extent arising from Landlord's gross negligence or intentional misconduct. All property of Tenant kept or stored on the Premises shall be so kept or stored at the risk of Tenant.

B. **LEASE BINDING ON SUCCESSORS.** Subject to the provisions of this Lease, the covenants and agreements herein contained shall bind and inure to the benefit of Landlord and Tenant, and each of their heirs, personal representatives, successors and assigns. No rights, however, shall inure to the benefit of any assignee, sublessee or successor tenant unless the

assignment, sublease or succession has been approved by Landlord as set forth in Section 11 hereof.

C. ATTORNEYS' FEES. In the event that legal proceedings are brought or commenced to enforce the terms of this Lease, the prevailing party shall be entitled to recover from the other party all costs and expenses of such proceedings, including actual attorneys' fees, whether or not any proceedings are prosecuted to judgment.

D. SALE OF LEASED PREMISES. The term "Landlord" as used in this Lease shall mean the owner of Landlord's estate and to the Premises or any property of which the Premises are a part. If the Landlord's interest and estate in and to the Premises is transferred by Landlord, Landlord shall be entirely freed, relieved and discharged of all liabilities and obligations under this Lease to be performed at any time after the date of such transfer, and the purchaser shall conclusively be deemed, without the necessity of any further agreement or acknowledgment from the purchaser, to have assumed all covenants, agreements, obligations and liabilities of Landlord arising under this Lease at any time after such transfer. Landlord shall deliver to Landlord's transferee all funds previously paid by Tenant to the extent such funds have not been applied under the terms of this Lease to Tenant's obligations under this Lease.

E. NOTICES. Any notice or demand required or permitted by law or by any of the provisions of this Lease shall be in writing. All notices or demands by Landlord to Tenant shall be deemed to have been properly given when served personally on an executive officer or partner of Tenant or on the individual comprising Tenant (as the case may be) or when sent by certified mail - return receipt requested, postage prepaid, addressed to Tenant at the address of the Premises, or at the address set forth in the Fundamental Lease Provisions. All notices or demands by Tenant to Landlord shall be deemed to have been properly given if served personally on an executive officer of Landlord or partner of Landlord or on the individual comprising Landlord (as the case may be) or when sent by certified mail-return receipt requested, postage prepaid, addressed to Landlord at the address set forth in the Fundamental Lease Provisions. Either party hereto may change the place to which notices are to be given by advising the other party in writing. If any notice or other document is sent by mail as aforesaid, the same shall be deemed served, delivered and received forty-eight (48) hours after the deposit hereof in the United States mail, provided there is regular service by mail, at the time of such mailing, between the place of mailing and the place to which such notice or other document is mailed. If more than one Tenant is named under this Lease, service of any notice upon any Tenant shall be deemed service upon all Tenants.

F. SECTION HEADINGS. The headings or captions of Sections in this Lease are for convenience and reference only, and they in no way define, limit, or describe the scope or intent of this Lease or the provisions of such Sections.

G. GENDER AND INTERPRETATION OF TERMS AND PROVISIONS. As used in this Lease and whenever required by the context thereof, each number, both singular or plural, shall include all numbers, and each gender shall include all genders. Landlord and Tenant as used in this Lease or in any other instrument referred to in or made a part of this Lease shall likewise include both the singular and the plural, a corporation, partnership, individual or person acting in any fiduciary capacity as executor, administrator, trustee, or in any other representative capacity.

H. TIME OF ESSENCE. Time is hereby expressly declared to be of the essence of this Lease and of each and every covenant, term, condition and provision hereof.

I. IMPARTIAL CONSTRUCTION. The language of this Lease shall in all cases be construed as a whole according to its fair meaning and not strictly for nor against either Landlord or Tenant.

J. WAIVER. No waiver for any breach of the terms, covenants, agreements, restrictions or conditions of this Lease shall be construed as a waiver of any succeeding breach of the same or other covenants, agreements, restrictions or conditions of this Lease. The consent or approval of either party to or of any act or matter requiring consent or approval shall not be deemed to waive or render unnecessary consent to or approval of any subsequent or similar act or matter. No waiver of any provision of this Lease shall be binding unless evidenced by a writing signed by the parties hereto.

K. PARTIAL INVALIDITY. If any term, covenant or condition of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and shall be valid and be enforced to the fullest extent permitted by law. It is agreed, however, that anything contained in the preceding sentence to the contrary notwithstanding, in the event any court of competent jurisdiction makes a final adjudication to the effect that any portion of this Lease is invalid under the laws of the state within which the Premises are located, or any other applicable law, then in that event Landlord shall have the sole unrestricted discretion to terminate the entire Lease upon written notice of termination to Tenant.

L. REMAINDER OF SHOPPING CENTER. Tenant acknowledges and agrees that Tenant shall have no right of control, regulation, approval or disapproval with respect to the use or development of that portion of the Shopping Center which is not included within the Premises. It is understood by Tenant that Landlord may not now or in the future own all of the Shopping Center which is not included within the Premises. Tenant agrees not to cancel this Lease, reduce or abate Tenant's rental and other obligations hereunder, or pursue any other available remedies for any violation of this Lease occurring by virtue of any act or omission on or with respect to any property not owned by Landlord.

M. TENANT'S ACKNOWLEDGMENT OF CONDITION OF LEASED PREMISES. Subject to those covenants made by Landlord in Exhibit "C" hereof, Tenant agrees that Tenant's acceptance of the Premises evidenced by Tenant's entry into possession thereof shall constitute Tenant's unqualified acceptance of the Premises in an "as is" condition, and Tenant's unqualified acknowledgment and agreement that the Premises are, as of the date of the commencement of Tenant's occupancy thereof, in a tenable and good condition and that Tenant will take good care thereof. Further, notwithstanding any term to the contrary in this Lease, including but not limited the foregoing, under no circumstances shall Tenant be deemed to accept or undertake responsibility to (i) discover, clean, remediate, or indemnify any others for damages associated with same, to the extent relate to the presence of Hazardous Materials in or around the Premises that either pre-date Tenants occupancy or to the extent were or are introduced to the Premises by parties other than Tenant, its agents, employees or invitees.

N. NO OPTION TO LEASE. The submission of this Lease for examination does not constitute a reservation of, or option for, the Premises. This Lease becomes effective as a Lease only upon execution and delivery thereof by Landlord and Tenant. If a corporation executes this Lease as a Tenant, Tenant shall concurrently therewith furnish Landlord certified corporate resolutions attesting to the authority of the officers to execute this Lease on behalf of such corporation.

O. WAIVER OF LIABILITY. Anything in this Lease to the contrary notwithstanding, Tenant agrees that it shall look solely to the estate and property of the Landlord in the land and buildings comprising the Shopping Center, subject to the rights therein of any other person, firm or entity, for the collection of any judgment (or other judicial process) requiring all payment of money by Landlord in the event of any default or breach by Landlord with respect to any of the terms, covenants and conditions of this Lease, and no other assets of the Landlord shall be subject to levy, execution or any procedures for the satisfaction of Tenant's remedies.

P. SUPPLEMENTAL LETTER. Upon request of Landlord, Tenant agrees to execute a Supplemental Letter to be attached to this Lease setting forth the exact dates of the Term Commencement Date, the Rent Commencement Date and the Lease Year anniversary date.

Q. BROKERS. Except as may be expressly set forth to the contrary in the Fundamental Lease Provisions, each party represents to the other that no person, firm, corporation or other entity is entitled to any brokerage commission or finder's fee on account of the execution, delivery, and consummation of this Lease. Tenant hereby agrees to indemnify Landlord and to hold Landlord free and harmless of and from any and all claims, losses, damages, costs and expenses of any nature, including attorneys' fees and costs of litigation, arising from or relating to any brokerage commissions or finder's fees incurred by Tenant in connection with this Lease. Tenant

represents, warrants and acknowledges that Tenant is not relying upon any statement, agreement, representation, warranty, information, commitment or undertaking of any kind on the part of Landlord, or any other person, firm or entity, including, but not limited to, the broker set forth in the Fundamental Lease Provisions, if any, in entering into this Lease and agreeing to perform Tenant's obligations hereunder, other than those representations, warranties and agreements of Landlord expressly set forth in this Lease.

R. AGREEMENTS IN WRITING. IT IS UNDERSTOOD THAT THERE ARE NO ORAL AGREEMENTS BETWEEN THE PARTIES HERETO, OR ANY AGENT, EMPLOYEE OR REPRESENTATIVE ACTING OR PURPORTING TO ACT ON BEHALF OF EITHER OF THE PARTIES HERETO, AFFECTING THIS LEASE AND THAT THIS LEASE SUPERSEDES AND CANCELS ANY AND ALL PREVIOUS NEGOTIATIONS, ARRANGEMENTS, BROCHURES, AGREEMENTS AND UNDERSTANDINGS, IF ANY, BETWEEN THE PARTIES HERETO, OR ANY AGENT, EMPLOYEE OR REPRESENTATIVE ACTING OR PURPORTING TO ACT ON BEHALF OF EITHER OF THE PARTIES HERETO, WHETHER ORAL OR IN WRITING, OR DISPLAYED BY LANDLORD, OR ANY AGENT, EMPLOYEE OR REPRESENTATIVE OF LANDLORD, TO TENANT, WITH RESPECT TO THE SUBJECT MATTER HEREOF, AND NONE SHALL BE USED TO INTERPRET OR CONSTRUCE THIS LEASE. IT IS FURTHER AGREED BY AND BETWEEN THE PARTIES HERETO THAT THERE SHALL BE NO MODIFICATION OR AMENDMENT OF THIS LEASE, EXCEPT AS MAY BE EXECUTED IN WRITING BETWEEN THE PARTIES HERETO. EXCEPT AS EXPRESSLY SET FORTH IN THIS LEASE, LANDLORD MAKES NO WARRANTY, REPRESENTATION, AGREEMENT OR STATEMENT, EXPRESS OR IMPLIED, WHETHER BY OPERATION OF LAW OR OTHERWISE, CONCERNING THE USE, OCCUPANCY OR ZONING OF THE LEASED PREMISES, OR THE SUITABILITY OF THE LEASED PREMISES FOR THE PURPOSES AND USES AS SET FORTH IN THE FUNDAMENTAL LEASE PROVISIONS OR FOR ANY OTHER PARTICULAR PURPOSE, OR WITH RESPECT TO THE CONDITION OF TITLE THERETO, OR THE MEANS, MODE, OR MANNER OF CONSTRUCTION OR ANY BUILDINGS OR IMPROVEMENTS IN THE SHOPPING CENTER, OR THE ADEQUACY OR FITNESS OF ANY BUILDINGS OR IMPROVEMENTS IN THE SHOPPING CENTER FOR ANY USE, OCCUPANCY OR PARTICULAR PURPOSE, OR THE COMPLIANCE WITH BUILDING AND HEALTH AND SAFETY CODES, OR THE ACCURACY OR VALIDITY OF ANY STATEMENT, REPRESENTATION, WARRANTY, AGREEMENT OR DOCUMENT BY ANY OTHER PERSON, FIRM OR ENTITY, OR ANY OTHER MATTER, WHETHER OR NOT RELATED TO OR CONCERNING THE LEASED PREMISES OR ANY OTHER PORTION OF THE SHOPPING CENTER, ALL SUCH WARRANTIES, REPRESENTATIONS, AGREEMENTS AND STATEMENTS BEING HEREBY EXPRESSLY DISCLAIMED.

S. MATTERS IN EXISTENCE. Tenant agrees that this Lease shall be subject and subordinate to all matters in existence, whether of record or otherwise, and as now or hereafter modified or amended, and further agrees to be bound by any of the provisions of any such matters, or any present or future modification or amendment thereof.

T. LAW GOVERNING. The laws of the state where the Premises are located shall govern the validity, performance and enforcement of this Lease.

U. LANDLORD'S CONSENT. Except as expressly provided in this Lease to the contrary, wherever the provisions of this Lease provide that Landlord is to give approval or consent to a thing or act, the granting or withholding of such approval or consent shall be at the Landlord's sole and absolute discretion.

V. JOINT AND SEVERAL LIABILITY. All parties obligated under this Lease as Tenant shall be jointly and severally liable for all obligations of Tenant.

W. MERGER. The voluntary or other surrender of this Lease by Tenant, the mutual cancellation of this Lease, or the termination of this Lease in any other manner, shall not work a merger, and shall, at the option of Landlord, terminate all or any existing subleases or may, at the option of Landlord, operate as an assignment to Landlord of any or all of such subleases.

X. RECORDATION. Neither this Lease, nor any memorandum of this Lease, shall be recorded without the prior written consent of Landlord, which consent may be given or withheld in Landlord's sole discretion.

Y. ACKNOWLEDGMENT BY TENANT. It is expressly understood and agreed that Landlord may in its sole discretion and without the consent of Tenant, although Landlord shall be under no obligation (whether express or implied) to do so (i) develop any portion of the Shopping Center whether or not any improvements are shown thereon on Exhibit "B" hereof, (ii) increase the size of the Shopping Center by addition of contiguous property, or decrease the size of the Shopping Center or modify Exhibit "B" hereof by adding or

changing the building areas, Common Facilities, parking layout and ingress or egress of the Shopping Center, (iii) build additional stories on any building or buildings in the Shopping Center and/or construct double-deck, subterranean or elevated parking facilities. Tenant expressly acknowledges and agrees that neither Landlord, nor any agent or employee of Landlord makes or has made any warranty or representation whatsoever regarding the names or character of business to be conducted or the size or location of any space to be occupied by any tenant or other occupant of the Shopping Center. Any building use designation on Exhibit "B" hereof is for convenience only and is not to be construed as a representation that the proposed building will be put to such use; and Tenant does not rely on any such representation in entering into this Lease.

Z. HAZARDOUS MATERIAL. Tenant shall at all times and in all respects comply with all Laws (as defined below) relating to industrial hygiene, environmental protection and the use, analysis, generation, emission, manufacture, storage, disposal or transportation of any Hazardous Material (as defined below).

Tenant shall indemnify, defend (by counsel reasonably acceptable to Landlord), protect, and hold Landlord, and each of Landlord's partners, employees, agents, lenders, attorneys, successors and assigns, free and harmless from and against any and all claims, liabilities, penalties, forfeitures, losses or expenses (including attorneys' fees) or death of or injury to any person or damage to any property whatsoever, arising from or caused in whole or in part, directly or indirectly, by (i) the presence in, on, under or about the Premises or discharge in or from the Premises of any Hazardous Materials introduced to the Premises by Tenant, its agents, employees or invitees, and/or Tenant's use, analysis, storage, transportation, disposal, release, threatened release, discharge or generation of Hazardous Materials introduced to the Premises by Tenant, its agents, employees or invitees, to, in, on, under, about or from the Premises, or (ii) Tenant's failure to comply with any Laws. Tenant's obligations hereunder shall include, without limitation, and whether foreseeable or unforeseeable, all costs of any investigation (including consultants' and attorneys' fees and testing) required or necessary repair, remediation, restoration, cleanup or detoxification or decontamination of the Premises and/or the Shopping Center and the preparation and implementation of any closure, remedial action or other required plans in connection therewith, and shall survive the expiration or earlier termination of the term of the Lease. For purposes of the release and indemnity provisions hereof, any acts or omissions of Tenant, or by employees, agents, assignees, contractors or subcontractors of Tenant or others acting for or on behalf of Tenant (whether or not they are negligent, intentional, willful or unlawful) shall be strictly attributable to Tenant.

Without limiting the foregoing, if the presence of any Hazardous Material on the Premises is caused or permitted by Tenant and results in any contamination of the Premises, Tenant shall promptly take all actions at its sole expense as are necessary to return the Premises to the condition existing prior to the introduction of any such Hazardous Material.

Provided, however, Tenant shall not take any remedial action in response to the presence of any Hazardous Materials in or about the Premises nor enter into any settlement agreement, consent decree or other compromise in respect to any claims relating to any Hazardous Material in any way connected with the Premises, without first notifying Landlord of Tenant's intention to do so and affording Landlord ample opportunity to appear, intervene or otherwise appropriately assert and protect Landlord's interest with respect thereto.

Tenant shall immediately notify Landlord in writing of: (i) any enforcement, cleanup, removal or other governmental or regulatory action instituted, completed or threatened pursuant to any Laws; (ii) any claim made or threatened by any person against Tenant, and/or the Premises, relating to damage, contribution, cost recovery compensation, loss or injury resulting from or claimed to result from any Hazardous Material; and (iii) any reports made to any environmental agency arising out of or in connection with any Hazardous Material in, emanating from, or removed from the Premises, including any complaints, notices, warnings or asserted violations in connection therewith. Tenant shall also provide to Landlord as promptly as possible, and in any event within five (5) business days after Tenant first receives or sends the same, with copies of all claims, reports, complaints, notices, citations, report warnings or asserted violations relating in any way to the Premises, or Tenant's use thereof, or involving failure by Tenant

or the Premises to comply with any Law. Tenant shall promptly deliver to Landlord copies of hazardous waste manifests reflecting the legal and proper disposal of all Hazardous Material removed from the Premises.

Tenant shall, within five (5) days after receipt of Landlord's written request, provide Landlord with copies of all documents and information, including, but not limited to, permits, registrations, manifests, applications, reports and certificates, evidencing Tenant's compliance with any law specified by Landlord.

Tenant shall at its own expense procure, maintain in effect and comply with all conditions of any and all permits, licenses and other governmental and regulatory approvals required for Tenant's use of the Premises, and any construction in the Premises for the Permitted Use, including, without limitation, the disposal of vapors from the Premises and discharge of (appropriately treated) materials or wastes into or through any sanitary sewer serving the Premises. Except as discharged into the sanitary sewer in strict accordance and conformity with all applicable Laws, Tenant shall cause any and all Hazardous Material removed from the Premises to be removed and transported solely by duly licensed haulers to duly licensed facilities for final disposal of such materials and wastes. Tenant shall in all respects handle, treat, deal with and manage any and all Hazardous Material in, on under or about the Premises in total conformity with all applicable Laws and prudent industry practices regarding management of such Hazardous Material.

Notwithstanding any of the foregoing, Landlord's prior written approval of all such actions and the contractors to be used by Tenant in complying with the provisions of this Lease shall first be obtained, which approval shall not be unreasonably withheld so long as such actions would not potentially have any material adverse long-term or short-term effect on the Premises or the Shopping Center.

Upon expiration or earlier termination of the term of the Lease, Tenant shall cause all Hazardous Material Tenant, its agents, employees or invitees introduced to the Premises to be removed from the Premises and transported for use, storage or disposal in accordance and compliance with all applicable Laws and in accordance with the requirements of this Lease.

Landlord and Landlord's lender(s) shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Tenant with this Lease and all Laws, and to employ experts and/or consultants in connection therewith and/or to advise Landlord with respect to Tenant's activities, including but not limited to the installation, operation, use, monitoring, maintenance, or removal of any Hazardous Material or storage tank on or from the Premises. The costs and expenses of any such inspections shall be paid by the party requesting same, unless a default or breach of this Lease, violation of Law, or a contamination, caused or materially contributed to by Tenant is found to exist or be imminent, or unless the inspection is requested or ordered by a governmental authority as the result of any such existing or imminent violation or contamination. In any such case, Tenant shall upon request reimburse Landlord or Landlord's lender, as the case may be, for the costs and expenses of such inspections.

It shall not be unreasonable for Landlord to withhold its consent to any proposed transfer of the Lease if (i) the proposed transferee's anticipated use of the Premises involves the generation, storage, use, treatment, or disposal of Hazardous Material; (ii) the proposed transferee has been required by any prior landlord, lender, or governmental authority to take remedial action in connection with Hazardous Material contaminating a property if the contamination resulted from such transferee's actions or use of the property in question; or (iii) the proposed transferee is subject to an enforcement order issued by any governmental authority in connection with the use, disposal, or storage of a Hazardous Material.

As used herein, the term "Hazardous Material" means any oil, flammable explosive, asbestos, ureaformaldehyde, radioactive material, vapor, solvent, or waste, contaminated or polluting materials, hazardous or toxic substance, material, or waste which is or becomes regulated by any local governmental authority, the State of California or the United States Government. The term Hazardous Material includes, without limitation, any material or substance which is (i) defined as "hazardous waste", "extremely hazardous waste", or "restricted hazardous waste", under Sections 25115,

25117 or 15122.7, or listed pursuant to Section 25140, of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law) (ii) defined as a "Hazardous substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.9 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) defined as a Hazardous material", "Hazardous substance", or "Hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a "Hazardous substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) petroleum (vi) asbestos, (vii) listed under Article 9 or defined as hazardous or extremely hazardous pursuant to Article 11 of Title 22 of the California Administrative Code, Division 4, Chapter 20, (viii) designated as a "hazardous substance" pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. Section 1317), (ix) defined as a "Hazardous waste" pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq. (42 U.S.C. Section 6903), or (x) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601 et seq. (42 U.S.C. Section 9601).

As used herein, the term "Laws" means any applicable federal, state or local laws, ordinances, or regulations relating to any Hazardous Material affecting the Premises, whether in effect as of the date hereof or hereinafter enacted including, without limitation, Proposition 65 of the State of California, California Assembly Bill 3713 and the laws, ordinances, and regulations referred to above.

In no event shall Landlord's compliance with or performance of voluntary measures of any Law governing Hazardous Materials with respect to any portion of the Shopping Center entitle Tenant to any damages from Landlord, relieve Tenant of the obligations to pay any sum due under the Lease or perform any other of Tenant's obligations hereunder, or give Tenant the right to terminate or cancel the Lease, or constitute or be construed as constructive or other eviction of Tenant or interference with Tenant's right of quiet enjoyment of the Premises.

Without limiting the generality of this Section, and notwithstanding the foregoing provisions, Tenant may use any substance typically found or used in premises for the Permitted Use permitted by this Lease, so long as: (a) any such substance is typically found only in such quantity as is reasonably necessary and customary for Tenant's Permitted Use; (b) a list of such Hazardous Materials is provided to Landlord in writing prior to any such Use; (c) any such substance and all equipment necessary in connection with the substance are used strictly in accordance with the manufacturers' instructions therefore; (d) no such substance is released or disposed of in or about the Shopping Center in violation of any Hazardous Materials Law; (e) any such substance and all equipment necessary in connection with the substance are removed from the Shopping Center and Premises and transported for use or disposal by Tenant in compliance with any applicable Hazardous Materials Laws upon the expiration or earlier termination of this Lease; and (f) Tenant and its agents comply with all applicable Hazardous Materials Laws. Tenant shall not use or install in or about the Premises any asbestos or asbestos-containing materials.

AA. QUIET POSSESSION. Subject to all of the other provisions of this Lease, upon Tenant paying Rent and observing and performing all of the terms and provisions of this Lease, Tenant shall have quiet possession of the Premises for the entire term of this Lease and any extensions thereof without hindrance or interruption by Landlord or others claiming by, through, or under Landlord.

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the day and year first above written.

"TENANT"

TW HOLDINGS, INC., a California corporation,
dba Total Woman Gym & Day Spa

By: Karen W

Its: President/CEO

Print Name: Karen Wischmann

By: _____

Its: _____

Print Name: _____

"LANDLORD"

TORRANCE TOWNE CENTER ASSOCIATES LLC,
a California limited liability company

BY: TORRANCE VENTURE 2003 LLC,
a California limited liability
company

BY: AIRPORT VENTURE 2002 LLC,
a California limited liability
company

By: [Signature]
Its: mm

EXHIBIT "A"

LEGAL DESCRIPTION OF SHOPPING CENTER

LEGAL DESCRIPTION

Legal Description

PARCEL 59 OF OFFICIAL MAP NO. 2, IN THE CITY OF TORRANCE, AS SHOWN ON MAP FILED IN BOOK 5 PAGES 44 TO 51 INCLUSIVE, OF OFFICIAL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

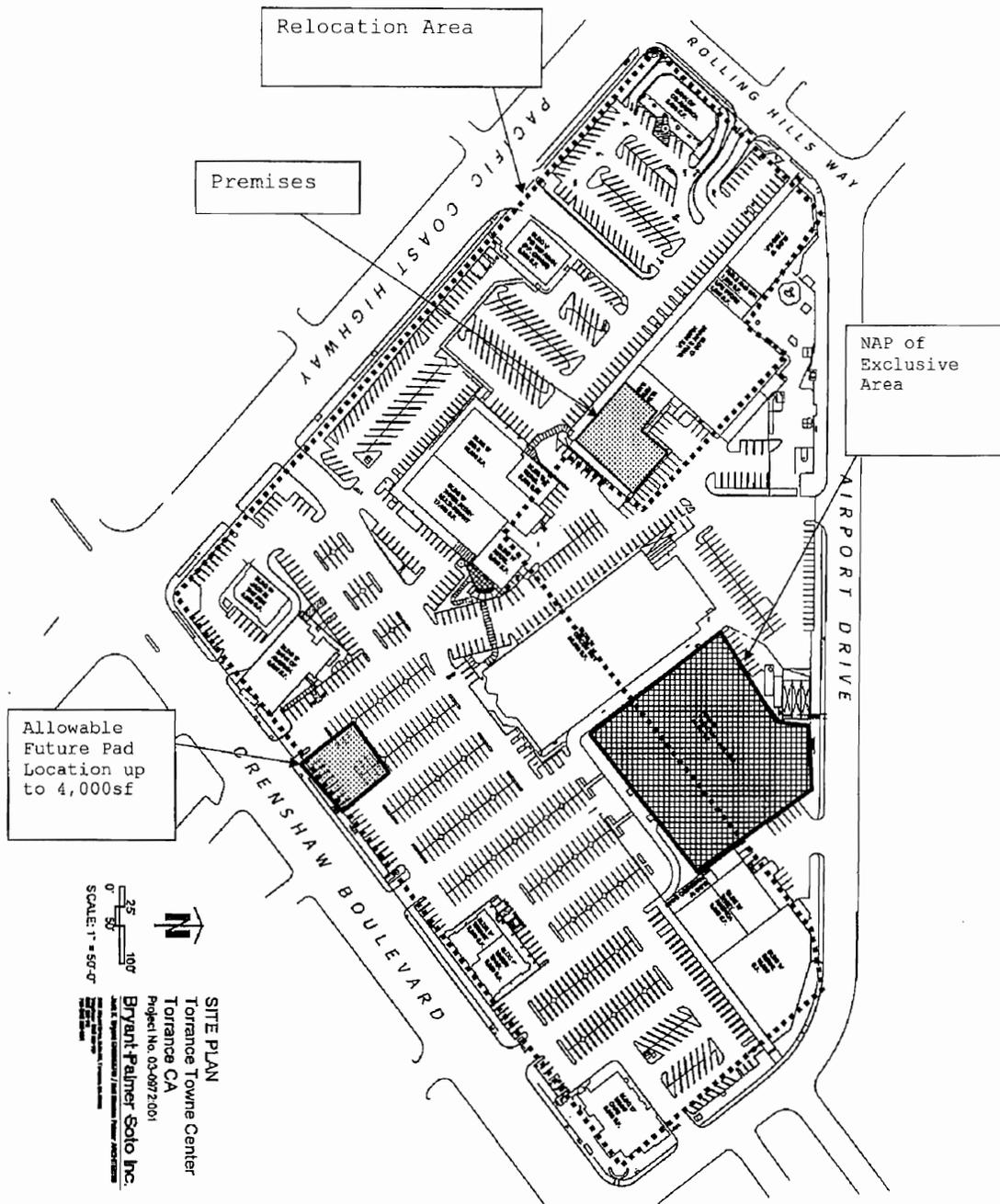
EXCEPT ALL MINERALS AND ALL PETROLEUM AND ALL URANIUM, THORIUM AND THEIR MATERIALS ESSENTIAL TO THE PRODUCTION OF FISSIONABLE MATERIALS IN SAID LAND, AS RESERVED IN THE DEED FROM THE UNITED STATES OF AMERICA, RECORDED MAY 13, 1948 IN BOOK 27145 PAGE 362, OFFICIAL RECORDS.

BY A DEED DATED MAY 5, 1961 EXECUTED BY UNITED STATES OF AMERICA AND RECORDED MAY 31, 1961 IN BOOK D-1237 PAGE 838 OFFICIAL RECORDS, ALL RIGHT, TITLE AND INTEREST OF THE GRANTOR IN AND TO ALL MINERALS AND PETROLEUM IN OR UNDER THE LAND TO A DEPTH OF 500 FEET BELOW THE SURFACE THEREOF, TOGETHER WITH THE RIGHT TO ENTER UPON SAID PROPERTY TO PROSPECT FOR, MINE OR REMOVE SUCH MINERALS AND PETROLEUM, AND TOGETHER WITH THE RIGHT TO DRILL FROM LANDS ON THE TORRANCE MUNICIPAL AIRPORT OR FROM ADJACENT PREMISES, INTO AND THROUGH THE SUB-SURFACE TO A DEPTH OF 500 FEET BELOW THE SURFACE OF SAID LAND, WAS QUITCLAIMED TO THE CITY OF TORRANCE.

SAID LAND ALSO BEING DESCRIBED AS A PORTION OF LOT 1 OF TRACT NO. 9765 AS SHOWN ON MAP RECORDED IN BOOK 170 PAGES 10 TO 12, INCLUSIVE, OF MAPS IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

Landlord has a ground lease interest in the Shopping Center.

EXHIBIT "B"
PLOT PLAN OF SHOPPING CENTER WITH LOCATION OF PREMISES



Landlord makes no representations or warranties that the Tenants shown herein are either in occupancy or will remain in occupancy during the Term of the Lease.

EXHIBIT "C"CONSTRUCTION OF LEASED PREMISESA. WORK TO BE PERFORMED BY LANDLORD AT LANDLORD'S EXPENSE:

Landlord shall at Landlord's expense and in accordance with plans and specifications prepared by Landlord, perform the following work to the Premises ("Landlord's Work"), which shall be substantially completed prior to the Term Commencement Date:

1. Electrical - 600amps (120/208, 3-phase) - (Landlord may provide such service as two separate meters with 400A/200A split);
2. HVAC - Landlord will provide a total HVAC for the Premises of 1 ton for every 250 square feet of space (40 tons in total) undistributed, stubbed through the roof and ready for distribution. This may be comprised of existing units which are in reasonably good repair, where Landlord will guaranty such units for a period of 30 months from the delivery date (provided Tenant has on-going reasonable maintenance service contract from a licensed 3rd party provider and/or new units as may be required to provide the additional HVAC desired by Tenant.
3. Gas & Water - Landlord will provide service to the Premises to reasonably allow Tenant to operating under normal conditions from the Premises, given its intended use thereof. Tenant will reasonably work with Landlord to use the existing services as may reasonably be modified. Landlord will provide a 2 inch water line and meter stubbed to the premises.
4. Partition Walls - Landlord shall remove any non structural interior partition walls between the former Boaters World and the adjacent tenant. Landlord shall remove/demo all floor coverings i.e. carpet, tile and/or VCT and any other floor coverings that may be in the Premises.
5. The building containing the Premises shall be in good operating condition, and the Premises shall be free from Hazardous Materials and common areas surrounding and leading up the Building and Premises shall be in material compliance with all current applicable federal, state, and local codes and ADA Accessibility for normal retail and commercial uses.
6. Sewer - Existing "As-Is". While Landlord and Tenant anticipate that there will be no initial sewer impact fee, initial sewer connection fee, sewer hook-up fee, conditioned upon the Tenant utilizing the existing in-place main sewer line connection, in the event that an initial sewer impact fee or initial sewer connection fee or initial hook-up is required by the City of Torrance, County of Los Angeles or other governing authority for Tenant's use, Landlord shall agree to pay fifty percent (50%) of the actual cost of an initial sewer impact fee, initial sewer connection fee or initial sewer hook-up fee. In no event shall the foregoing imply any participation on Landlord's side for on-going sewer fees, charges, or similar.
7. Deliver the Premises, free of termite, pests and water damage, as is clearly identified through visual inspection;
8. Fire Sprinklers - Existing "As-Is";

Note: For the purposes of Landlord's Work, substantially completed shall be defined to mean that work shall be reasonably completed as to not materially interfere or Tenant's ability to construct its improvements in the Premises. Tenant acknowledges that the items 1, 2 & 3 may be completed as post delivery items provided such does not adversely and materially interfere with Tenant's construction, meaning material delay or material expense:

Subject to Sections 1 through 8 above, and except as otherwise set forth in this Lease, Tenant agrees that (i) Tenant shall accept the Premises in "as is" condition as set forth in this Lease; (ii) Landlord shall have no responsibility for any other work or improvement which may be required to prepare the Premises for Tenant's use or for any work in remodeling the

Premises; (iii) Tenant, at its sole cost and expense, shall substantially complete any items of work which may be required upon the Premises and undertake any remodeling upon the Premises prior to the initial opening for business; and (iv) all such work and remodeling shall be done in accordance with plans and specifications approved by Landlord as set forth below.

Tenant Improvement Allowance. Landlord agrees to contribute a sum not to exceed Twenty and No/100 Dollars (\$20.00) per square foot (i.e. \$20.00 per square foot x 10,000 square feet = \$200,000), to apply towards installation of leasehold improvements in the Premises. Said sum is hereinafter referred to as "Tenant Improvement Allowance". The Tenant Improvement Allowance shall not be used for personal property, tenant's signage or trade fixtures.

The Tenant Improvement Allowance shall be paid to Tenant within twenty (20) days following Tenant's initial opening for business and receipt by Landlord of (i) evidence of payment by Tenant of all costs and claims on account of labor and materials furnished to Tenant by any contractors and/or subcontractors and/or materialmen, together with mechanics' lien releases and other lien releases on account of all work performed on the Premises in an amount at least equal to the Tenant Improvement Allowance, (ii) the delivery to Landlord of all other documents required to be furnished by any governmental authority having jurisdiction, and (iii) delivery to Landlord of a Certificate of Occupancy or similar evidence of governmental acceptance of the work completed (i.e. signed off inspection card), if applicable, for the Premises.

Tenant shall provide Landlord with a conformed copy of a recorded Notice of Completion and a copy of "as-built" plans for the Premises.

B. WORK TO BE PERFORMED BY TENANT AT TENANT'S EXPENSE:

1. Any work shown on the plans and specifications not specifically set forth as Landlord's Work above shall be Tenant's responsibility.

2. Except as set forth herein, Tenant agrees that the construction and/or installation of any interior walls, floor coverings, or other fixtures or improvements not listed above, shall be at Tenant's cost.

3. Within forty-five (45) days following receipt by Tenant of a space plan for the Premises, Tenant shall provide Landlord with plans and specifications for any additional improvements to be made by Tenant in the Premises above Landlord's Work. Landlord shall have twenty (20) days from receipt of said plans to approve, disapprove or require modification of said plans and specifications which changes shall be made by Tenant and revised plans submitted promptly to Landlord for approval. The foregoing procedure shall be followed until an approved set of plans and specifications have been prepared. Any such improvements by Tenant shall be at the expense of Tenant and shall be done in accordance with all applicable building codes and regulations governing said construction.

Within thirty (30) days after completion of said construction of the improvements, Tenant shall deliver to Landlord a set of "as built" drawings.

4. Tenant agrees promptly after the Term Commencement Date to commence and diligently prosecute Tenant's Work to completion so that Tenant's business will be ready to open as soon as possible.

5. Tenant also agrees that if at any time it shall cause to be performed any work, repair, maintenance or alteration upon the Premises that Tenant shall utilize licensed contractors and, in addition to the terms of this Lease, Tenant shall comply with all applicable statutes, orders, regulations and ordinances in connection with any such work, repair, maintenance or alterations. It is further understood and agreed to by Tenant that three (3) copies of all plans and specifications for such work, repair, maintenance or alteration shall be submitted to Landlord for approval prior to its commencement and to provide Landlord a copy of all building permits received. Tenant further understands and agrees that all such work, repair, maintenance or alteration shall be at Tenant's sole cost and expense.

EXHIBIT "D"Sign Criteria

The criteria set forth in this Exhibit D have been established for the purpose of assuring a coordinated sign program for the mutual benefit of all tenants and to facilitate the submission of signs for Landlord's written approval as set forth in this Lease Agreement to which this Exhibit D is attached. Nothing in this Exhibit D shall limit or restrict in any manner whatsoever either the obligations of Tenant, or the rights of Landlord. Landlord may, at the sole discretion of Landlord, add, delete or change this Exhibit D provided, however, that no such addition, deletion or change shall affect any written approval of Landlord delivered to Tenant prior to the effective date of the revision.

1. Signs shall conform to criteria set forth herein. The use of all sign shapes, colors, details and materials will be subject to Landlord's approval.
2. Landlord's approval of sign contractor shall constitute approval for purposes of this Exhibit D only, and shall not be deemed approval for compliance with applicable laws, or for any other purpose whatsoever.
3. All permits for signs and their installation shall be obtained by Tenant or its representatives and comply with all applicable governmental requirements.
4. Tenant shall be responsible for the fulfillment of all requirements and specifications.
5. All signs shall be constructed and installed, including electrical connections, at Tenant's sole expense. Tenant shall cause its sign to be installed no later than fifteen (15) days after Tenant opens for business to the public in the Premises.
6. All signs shall be internally illuminated individual letter type signs.
7. Sign letter size shall be the lesser of the maximum size permitted by the most restrictive governmental entity having jurisdiction; or a maximum of 36 inches in height for a single row of letters, or in the case of a sign of two or more lines, the combination of all letters and spaces between rows shall not exceed 36 inches in height, and the distance between the first and the last letters of the widest row of letters shall not exceed 2/3rds of the width of the store front of the Premises.
8. All letters shall be constructed of 22-gauge Paint-Loc sheet metal, and shall have five inch returns, painted black (no channel-ulse letters). All signs shall have black jewellite trim. No exposed lamps, tubing or raceways will be permitted. Letter fastening and clips are to be concealed and of galvanized, stainless, aluminum or other rust proof material.
9. All sign lettering shall be internally illuminated using neon or argon gas filled tubing using transformers with adequate power to fully and uniformly illuminate all parts of the letters and the sign with no bright spots, dark spots or shadows. No blinking, flashing or animated sign letters are permitted. All mounting connections and electrical connections shall be kept to a minimum and, if the sign is mounted on a brick or concrete block fascia, placed within the mortar joints to the highest degree possible. All illuminated signs shall be controlled by a photo cell and an automatic timer and be illuminated, at a minimum, from dusk until 11:00 pm. All signs must be U.L. listed and bear a U.L. label.
10. Letter size, style, shape and color should be compatible with the design character of the Shopping Center and must be approved by Landlord. Care should be taken when selecting the size, style, shape and color of the sign letters to maximize the visibility of the sign during the day and at night.
11. All penetrations of the building structure required for the installation of any sign shall be sealed in a watertight condition and, if applicable, shall be painted to match the surrounding surfaces.
12. Tenant's sign contractor must repair any damage it causes to the Premises or the building of which the Premises are a part at its own expense.

13. No label or other identification of the sign manufacturer or installer shall be permitted to be visible on the exterior of any sign.
14. Tenant shall remove all of its signs at the expiration or other termination of this Lease. When any sign is removed, for any reason, Tenant shall fill and repair any holes caused by the installation and removal of such sign so that the surface area where the hole was matches the adjacent material.

EXHIBIT "D-1"

Sign Exhibit

The conceptual information herein with the execution of the Lease shall be deemed approved by Landlord, subject to governmental approvals.

TO BE PROVIDED BY TENANT SUBJECT TO LL REVIEW

Exhibit D-1
Tenant Monument Signage

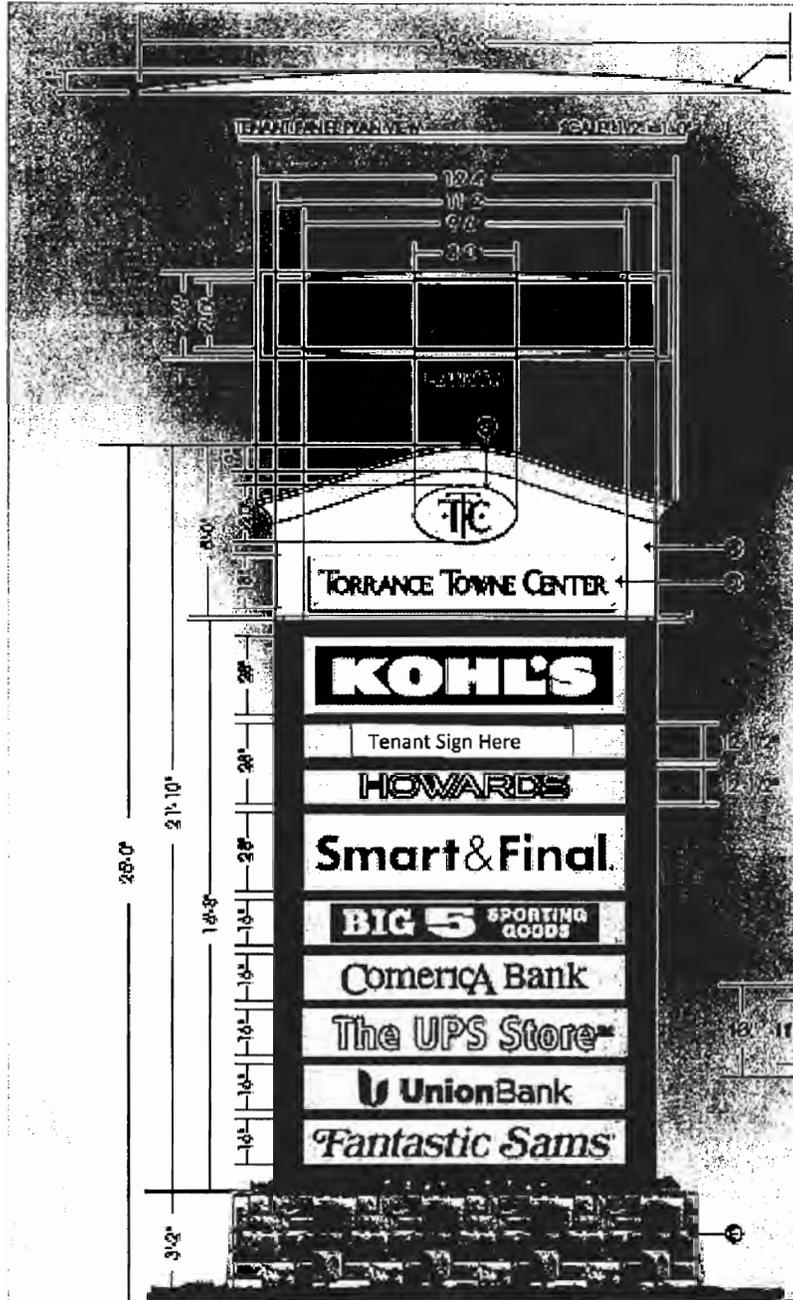


EXHIBIT "E"

CERTIFICATE OF TENANT

The undersigned hereby certifies to _____ as follows:

1. The undersigned is the Tenant of the Premises commonly known as _____, Torrance, California ("Premises"), located in Torrance Towne Center ("Shopping Center"), pursuant to that certain Lease dated _____, 20____ ("Lease"), between the undersigned as Tenant ("Tenant"), and TORRANCE TOWNE CENTER ASSOCIATES LLC, a California limited liability company, as Landlord ("Landlord").

2. The Lease is presently in full force and effect.

3. The Lease constitutes the entire agreement between the undersigned and Landlord with respect to the Premises, and there are no amendments, written or oral, to the Lease except as follows:

4. The undersigned has accepted possession of the Premises.

5. All improvements required under the terms of the Lease to be made by Landlord have been completed.

6. The term of the Lease commenced on _____, 20____, and ends on _____, 20____, at a minimum rent of _____ Dollars (\$_____) per annum, with a Rental Commencement Date of _____, 20____.

7. To the best knowledge of the undersigned, on the date of this Certificate, there exist no offsets, counterclaims or defenses of the undersigned under the Lease against Landlord and there exists no events that would constitute a basis for any such offset, counterclaim, or defense upon the lapse of time or the giving of notice, or both.

8. The undersigned acknowledges that you are the beneficiary under the deed of trust encumbering the Shopping Center, that said deed of trust contains an assignment of rents due under the Lease. The undersigned acknowledges that you are the purchaser of the Shopping Center under an agreement of purchase and sale with Landlord, and that said agreement contains an assignment of the Lease.

9. THE UNDERSIGNED AGREES TO ADVISE YOU BY COLLECT TELEGRAM OF ANY CHANGES IN THE ABOVE MATTERS WHICH MAY ARISE WITHIN FORTY-FIVE (45) DAYS IMMEDIATELY FOLLOWING THE DATE OF THIS CERTIFICATE, AND ACKNOWLEDGES THAT YOU MAY, FOR SAID FORTY-FIVE (45) DAY PERIOD, RELY UPON THIS CERTIFICATE IN THE ABSENCE OF ANY SUCH NOTIFICATION.

Dated: _____

By: _____

By: _____

"Tenant"

EXHIBIT "F"RULES AND REGULATIONS

Landlord hereby establishes the following rules and regulations for the safety, care and cleanliness of (i) the store areas (hereinafter referred to as the "Premises") of any tenant or tenants of the Shopping Center (a particular tenant is hereinafter referred to as "Tenant"), (ii) the Common Facilities and (iii) the Shopping Center in general, or for the preservation of good order.

A. FOR THE STORE AREA:

1. All floor areas of the Premises (including vestibules, entrances and air returns), doors, fixtures, windows, and plate glass shall be maintained in a clean, safe and good condition.

2. All trash, refuse and waste materials shall be stored in adequate containers and regularly removed from the Premises. These containers shall not be visible to the general public and shall not constitute a health or fire hazard or nuisance to any tenant. In the event that any tenant shall fail to remedy such a health or fire hazard or nuisance within five (5) days after written notice by Landlord, Landlord may remedy and/or correct such health or fire hazard or nuisance at the expense of Tenant.

3. No portion of the Premises shall be used for lodging purposes.

4. Neither sidewalks nor walkways shall be used to display, store or place any merchandise, equipment or devices, except in connection with sidewalk sales held with Landlord's prior written approval in each instance.

5. No public telephone, newsstand, shoeshine stand, refreshment, vending or other coin operated machine shall be installed or placed on the sidewalk or walkway area adjacent to the Premises or on the Common Facilities without Landlord's prior written approval in each instance.

6. No person or persons shall use the Premises, or any part thereof, for conducting therein a second-hand store, auction, distress or fire sale or bankruptcy sale, or "going-out-of-business" sale or "lost our lease" sale, without Landlord's prior written consent in each instance.

7. No portion of the Premises shall be used for the storage of any merchandise, materials or other properties, other than those reasonably necessary for the operation of a tenant's business. Landlord may, from time to time, inspect the Premises to ensure compliance with the foregoing provisions .

8. No display areas of the Premises shall be left vacant, and Tenant shall not black-out or otherwise obstruct the windows of the Premises, without Landlord's prior written consent. Landlord shall allow Tenant the right to black-out storefront windows per specifications approved by Landlord in writing, to the spa portion of the premises for privacy and ambiance purposes.

9. Landlord shall have the absolute right to enter upon the Premises to perform such cleaning and clearing of the pipes and drains servicing the Premises (including roto-rooter service), and any grease traps and exhaust systems servicing the Premises, as Landlord shall deem necessary.

10. If Tenant shall operate a carry-out food operation, including any ice cream store, Tenant shall pay Landlord for all sidewalk and walkway cleanup work (including without limitation steam cleaning), that Landlord shall determine is necessary to preserve the sanitation, cleanliness, clean appearance, of the Center. Tenant shall pay Landlord on an estimated monthly basis, adjusted annually, and will be responsible for a cleanup of not less than one hundred feet (100') in radius from the entrance(s) to the Premises.

11. If Tenant provides its customers with the use of shopping carts and/or baskets, Tenant shall be responsible for causing said carts and/or baskets to be stored only in areas designated by Landlord. If Tenant

fails to routinely collect and store said carts as necessary (at least twice on a daily basis), Landlord may assume the responsibility of same and may bill Tenant on an estimated monthly basis for such service.

12. The sidewalks, exits and entrances shall not be obstructed by Tenant or used by it for any purpose other than for ingress to and egress from the Premises. The exits, entrances and roof are not for the use of the general public and Landlord shall in all cases retain the right of control and prevent access thereto by all persons whose presence in the judgment of the Landlord, might be prejudicial to the safety, character, reputation and interests of the Shopping Center and its tenants, provided that nothing herein contained shall be construed so as to prevent such access to persons with whom Tenant normally deals in the ordinary course of Tenant's business unless such persons are engaged in illegal activities or are creating a nuisance.

13. Tenant shall not alter any lock or install any new or additional locks or any bolts on any door of the Premises without the prior written consent of Landlord (except as to safes and vaults of the Tenant).

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

15. Except as to normal pictures and furnishings, Tenant shall not mark, drive nails, screw or drill into the partitions, woodwork or plaster or in any way deface the Premises or any part thereof without the prior written approval of Landlord which shall not be unreasonably withheld. No boring, cutting or stringing of wires shall be permitted except with the prior written consent of Landlord and as Landlord may direct. Tenant shall not lay linoleum tile, carpet or other similar floor covering so that the same shall be affixed to the floor of the Premises in any manner except as approved by Landlord. The expense of repairing any damage resulting from a violation of this rule or removal of any floor covering shall be borne by Tenant.

16. Tenant shall not use, keep or permit to be used or kept any noxious gas or substance in the Premises, or permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Building or Shopping Center by reason of noise, odors, and/or vibrations, or interfere in any way with other tenants or those having business therein. Tenant shall not make or permit to be made any loud or disturbing noises or disturb or interfere with occupants of the Building or Shopping Center or those having business with them, whether by the use of any musical instrument, radio, phonograph, shouting, or in any other manner. Tenant shall not throw anything out of doors.

17. Tenant shall not use or keep in the Premises or the Building or Shopping Center, any kerosene, gasoline or flammable or combustible fluid or material, or use any method of heating or air conditioning other than that supplied or permitted by Landlord.

18. Landlord will direct electricians as to where and how electrical, telephone and telegraph wires are to be introduced to the Premises. No boring or cutting for wires will be allowed without the prior consent of Landlord. The location of telephone call boxes and other office equipment in the Premises shall be subject to the approval of Landlord.

19. All keys to offices, rooms and toilet rooms shall be obtained from Landlord and Tenant shall not duplicate or obtain such keys from any other sources. Upon termination of the Lease, Tenant shall deliver to Landlord the keys of the offices, rooms, and toilet rooms which were previously furnished to Tenant, failing which Tenant shall pay Landlord the cost of replacing same or of changing the lock or locks opened by any unreturned key if Landlord deems it necessary to make such changes.

20. No furniture, packages, supplies, equipment or merchandise will be received in the Building except between such hours as shall be reasonably designated by Landlord and Tenant shall use reasonable efforts to have all deliveries accomplished prior to 10:00am each day.

21. Tenant shall be responsible for assuring that doors to the Premises are not left unlocked during non-business hours, except while moving furniture or other items in or out of the Premises.

22. Tenant shall not canvass or solicit in the Building or the Shopping Center and Tenant shall cooperate to prevent any such canvassing and/or solicitation.

23. Landlord reserves the right to exclude or expel from the Building or the Shopping Center any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or is violating the rules and regulations of the Building or the Shopping Center.

24. The requirements of Tenant will be attended to only upon application to Landlord's designated property manager. Employees of Landlord shall have no obligation to perform any work for Tenant or do anything outside their regular duties for Tenant unless under special instructions from Landlord, and no employee shall have any obligation to admit any person (Tenant or otherwise) to any office of Landlord without specific instruction from Landlord.

B. FOR THE COMMON FACILITIES:

1. Tenant and its authorized representatives and invitees shall use any roadway, walkway, or mall (including the enclosed mall, if any) only for ingress to and egress from the stores in the Shopping Center. Use of the Common Facilities shall be in an orderly manner in accordance with directional or other signs or guides. Roadways shall not be used at a speed in excess of ten (10) miles per hour and shall not be used for parking or stopping, except for the immediate loading or unloading of passengers. Walkways and malls (including the enclosed mall, if any) shall be used only for pedestrian travel.

2. All tenants and their authorized representatives and invitees shall not use the parking areas for anything but parking motor vehicles. All motor vehicles shall be parked in an orderly manner within the painted lines defining the individual parking places. During peak periods of business activity, Landlord can impose any and all controls Landlord deems necessary to operate the parking lot including but not limited to the length of time for parking use.

3. No person shall use any utility area, truck loading area, or other area reserved for use in conducting business, except for the specific purpose for which permission to use these areas has been given.

4. No employee shall use any area for motor vehicle parking except the area specifically designated for employee parking for the particular period of time the use is to be made. No tenant shall designate an area for employee parking except the area designated in writing by Landlord.

5. Without the consent of Landlord, no person shall use any of the Common Facilities for:

(a) Vending, peddling or soliciting orders for sale or distributing of any merchandise, device, service, periodical, book, pamphlet, or other matter;

(b) Exhibiting any sign, placard, banner, notice or other written material;

(c) Distributing any circular, booklet, handbill, placard, or other material;

(d) Soliciting membership in any organization, group, or association, or soliciting contributions for any purpose;

(e) Parading, patrolling, picketing, demonstrating, or engaging in conduct that might interfere with the use of the Common Facilities or be detrimental to any of the business establishments in the Shopping Center;

(f) Using the Common Facilities for any purpose when none of the business establishments in the Shopping Center is open for business;

(g) Discarding any paper, glass, or extraneous matter of any kind, except in designated receptacles;

(h) Using a sound-making device of any kind or making or permitting any noise that is annoying, unpleasant, or distasteful; or

(i) Damaging any sign, light standard, or fixture, landscaping material or other improvement or property within the Shopping Center.

The above listing of specific prohibitions is not intended to be exclusive, but is intended to indicate the manner in which the right to use the Common Facilities solely as a means of access and convenience in shopping at the business establishments in the Shopping Center is limited and controlled by Landlord.

C. IN GENERAL:

1. No pets shall be allowed in or about the store areas or Common Facilities of the Shopping Center, without Landlord's prior written consent.

2. Tenant and its authorized representatives and invitees shall not loiter in the parking or other Common Facilities. They shall in no way obstruct the sidewalks, entry passages, pedestrian passageways, driveways, entrances, and exits; they shall use them only as ingress to and egress from their work areas.

3. Tenant and its authorized representatives and invitees shall not throw cigar or cigarette butts or other substances or litter of any kind in or about the buildings of the Shopping Center, except in receptacles placed in it for that purpose.

4. The toilet rooms, toilets, urinals, washbowls, and other apparatus in the Shopping Center shall not be used for any purpose than that for which they were constructed. No foreign substance of any kind shall be thrown into them.

5. Landlord shall not be responsible to any tenant or to any other person for the nonobservance or variation of these rules and regulations by any other tenant or other person. Tenant shall be deemed to have read these rules and to have agreed to abide by them as a condition to Tenant's occupancy of the space leased.

6. Landlord reserves the right upon written notice to Tenant, to rescind, alter or waive any rule or regulation at any time prescribed for the Building or the Shopping Center, or to establish additional rules and regulations when, in Landlord's sole judgment, it is necessary, desirable or proper for the best interests of the Building or the Shopping Center.

Exhibit G

Exclusive Uses in the Shopping Center

Airport Plaza Cleaners

Dry Cleaning business.

Modern Beauty Supply

Primary business of beauty supply products (initial term only).

Smart 'N Final

Primary business of groceries and restaurant supplies for off-premises consumption and janitorial supplies. "Groceries" includes, but is not limited to, prepackaged lunch meats and cheeses, canned, frozen or smoked foodstuffs, and dairy products. Notwithstanding the foregoing, nothing herein shall be construed to prohibit or restrict a bakery, health food store, ice cream store, frozen yogurt store, candy store, pie shop, donut shop, prepared food operation (such as take-out fried chicken or fish operation), selling prepared foods for off-premises consumption, delicatessen, restaurant (including sandwich shop) selling non-prepackaged meats and cheeses (e.g., "deli" meats and cheeses sliced from bulk on-premises), stationery store or liquor store for the sale of alcoholic beverages, including beer, wine and hard liquor, convenience store or mini-mart not exceeding 2,500 square feet so long as located in the area west of Miller's Outpost, and for the sale of any items customarily carried by any of the foregoing.

Jack In The Box

Primary sale of hamburgers.

Pei Wei

Primary business of restaurant serving Asian cuisine in "Restricted Area". Primary business is a restaurant offering twenty-five percent (25%) or more of its menu as Asian cuisine (including Thai, Chinese, Korean, Japanese, Vietnamese). Restriction excludes "Potential Japanese Restaurant" with specific conditions.

Krispy Kreme

Primary business of selling doughnuts. Only Major tenants shown on Exhibit "B" may sell doughnuts and sale must be incidental [must be less than five percent (5%) of gross sales].

Coffee Bean & Tea Leaf

Exclusive right to sell, for on and off-premises consumption, whole bean or ground coffee, leaf tea, espresso-based drinks (except as otherwise provided below) and specialty coffee drinks and to be the sole primary coffee and/or tea operator at the Shopping Center. Except for Tenant, the following are not permitted: (i) the sale of whole bean or ground coffee, leaf tea, coffee, espresso or tea based drinks as a primary or secondary use, excepting sales of brewed coffee or brewed tea as an incidental item at full-service sit-down or to another food use, (ii) the sale of any cold coffee or combination cold coffee or coffee-flavored drink similar to Tenant's trademark "Ice-Blended" drink, or (iii) establishments operating under any of the following trade names: Starbucks, Peet's Coffee and Tea, It's a Grind, Kelly's Coffee and Fudge and Gloria Jeans.

Exhibit HSUBORDINATION, NON-DISTURBANCE AND ATTORNMEN AGREEMENT

THIS AGREEMENT is made and entered into as of the date set forth below by and between TW HOLDINGS, INC., a California corporation, dba Total Woman Gym & Day Spa, ("Tenant"); TORRANCE TOWNE CENTER ASSOCIATES LLC, a California limited liability company, ("Landlord"); and _____ as Trustee for the registered holders of _____ Commercial Mortgage Pass-Through Certificates Series _____, whose Master Servicer is Midland Loan Services, Inc. (collectively, "Lender"), as follows:

RECITALS

LENDER is now the holder of a Mortgage or Deed of Trust, which secures or will secure a Note in the original principal amount of \$ _____. The Mortgage or Deed of Trust and any other security instruments, executed by the Landlord in favor of Lender, encumber the real property, together with the buildings and improvements on that property, described as "Exhibit A", which is attached to this document; and

TENANT is the holder of a lease (the "Lease") dated _____ from Landlord, further amended by instrument(s) dated _____ (such lease, together with the amendments referenced above, are collectively referred to as "the Lease") covering certain premises more particularly described in the Lease (referred to later as the "Leased Premises"); and

TENANT, LANDLORD AND LENDER desire to confirm their understanding with respect to the Lease and the Mortgage or Deed of Trust;

ACCORDINGLY, in consideration of the mutual covenants and agreements contained in this instrument, Tenant, Landlord and Lender agree and covenant as follows:

1. Now and at all times in the future, the Lease and the rights of the Tenant shall be subject and subordinate to the above Mortgage or Deed of Trust, and to all renewals, modifications or extensions of that Mortgage. However, such renewals, modifications and extensions shall be subject and entitled to the benefits of the terms of this Agreement.

2. So long as Tenant is not in default in the payment of rent or in Tenant's performance of any of the terms, covenants or conditions of the Lease (beyond any period given Tenant to cure such default):

- a) Lender shall not diminish nor interfere with Tenant's possession of the Leased Premises, or Tenant's rights and privileges under the Lease or lease renewals, modifications or extensions that may be affected in accordance with any options under the Lease.
- b) Tenant's occupancy of the Leased Premises shall not be disturbed, affected or impaired by Lender during the term of the Lease or any such renewals, modifications or extensions of the Lease.

- c) Tenant, or any leasehold mortgagee of Tenant ("Tenant's Mortgagee") shall not be named or joined in any action or proceeding brought by lender to enforce any of its rights in the event of default under the Note, Mortgage (or Deed of Trust), unless such joinder be required by law for effecting those remedies available under the security instruments. Such joinder would ONLY be for the purposes of effecting those remedies, but not for the purpose of terminating the Lease or affecting Tenant's right to possession.
- d) If the interests of Landlord shall be transferred to and owned by Lender by reason of foreclosure or other proceedings or by any other manner, and Lender succeeds to the interests of the Landlord under the Lease, Tenant shall be bound to Lender under all of the terms, covenants and conditions of the Lease for the balance of the term remaining and for any extensions or renewals which may be effected in accordance with any option granted in the Lease, with the same force and effect as if Lender were the Landlord under the Lease. Tenant agrees to attorn to Lender as its Landlord, such attornment to be effective and self-operative without the execution of any further instruments on the part of any of the parties to this Agreement immediately upon Lender succeeding to the interest of the Landlord under the Lease. The respective rights and obligations of Tenant and Lender upon such attornment, to the extent of the then remaining balance of the term of the Lease and any such extensions and renewals, shall be and are the same as now set forth. The parties' intent is to incorporate the Lease in this Agreement by reference with the same force and effect as if set forth at length in this Agreement.

3. During the period of Lender's ownership of Landlord's interest in the Lease, Tenant and Tenant's Mortgagee shall have the same remedies against Lender for the breach of an agreement contained in the Lease that Tenant and Tenant's Mortgagee would have had against the Landlord if Lender had not succeeded to Landlord's interest; provided, however, that even though provisions in the Lease may be to the contrary, Lender shall not be:

(a) liable for any act or omission of any prior landlord arising under the Lease (including the Landlord) or subject to any offsets, defenses or counterclaims which Tenant may have against any prior landlord arising under the Lease (including the Landlord); or,

(b) bound by any rents or additional rent which Tenant might have paid for more than the current month to any prior landlord (including the Landlord); or

(c) bound by any amendment or modification of the Lease made without its consent; or,

(d) liable for any security deposited under the Lease unless such security has been physically delivered to Lender.

Provided, however, that the Lender shall not be relieved from responsibility for failure to perform any obligation under the Lease which, although such failure may have begun prior to Lender succeeding to Landlord's interest, thereafter continues. In such event, Lender's responsibility shall be determined as if the failure had first arisen upon the day Landlord's title to the Subject Property succeeds to Lender.

4. Tenant shall promptly notify Lender of any default, act or omission of Landlord which would give Tenant the right, immediately or after the lapse of a period of time, to cancel or terminate the Lease or to claim a partial or total eviction ("a Landlord Default"). In the event of a Landlord Default, the Tenant shall not exercise any rights available to it until it has given written notice of such Landlord Default to Lender; and Lender has failed within thirty (30) days after Lender receives such notice, to cure or remedy the Landlord Default. If the same can not be reasonably remedied within such thirty-day period, then Lender shall have a reasonable period for remedying such Landlord Default. However, in any event, Lender's time to cure such default shall not be less than the period of time the Landlord would be entitled to cure such default pursuant to the terms of the Lease. Lender shall have no obligation under this paragraph to remedy any Landlord Default.

5. The terms "holder of a mortgage" and "Lender" or any similar term in this document or in the Lease shall be deemed to include Lender and any of its successors or assigns, including anyone who shall have succeeded to Landlord's interests by, through or under foreclosure of the Mortgage or Deed of Trust, or by deed in lieu of such foreclosure or otherwise.

6. The Landlord has assigned or will assign to Lender all of Landlord's right, title and interest in the Lease by an Assignment of Rents and Leases ("Rent Assignment"). If in the future there is a default by the Landlord in the performance and observance of the terms of the Note or Mortgage or Deed of Trust, the Lender may, at its option under the Rent Assignment, require that all rents and all other payments due under the Lease be paid directly to Lender. Upon notification to that effect by the Lender to the Landlord and the Tenant, the Landlord HEREBY IRREVOCABLY AUTHORIZES AND DIRECTS the Tenant and the Tenant agrees to pay any payments due under the terms of the Lease to the Lender. Such payments shall constitute payments under the terms of the Lease and Landlord shall have no claim against Tenant by reason of such payments made to Lender. Tenant shall make such payments to Lender regardless of any right of setoff, counterclaim or other defense that Tenant may have against Landlord. Neither the Rent Assignment nor its implementation shall diminish any obligation of the Landlord under the Lease or impose any such obligations on the Lender.

7. Any notice, or request or other communication required by this Agreement to be given shall be in writing and shall be: (a) personally delivered; or, (b) sent via nationally recognized overnight courier; or, (c) transmitted by postage prepaid registered or certified mail, return receipt requested. All such notices, requests or other communications shall be addressed to Tenant, Landlord or Lender at the addresses set forth below or such other address as the parties shall in like manner designate. All such notices and requests shall be deemed to have been given on the first to occur of: (i) the actual date received, or (ii) the date of delivery if personally delivered; or (iii) five (5) days following posting if transmitted by mail.

If to Tenant:

TW Holdings, Inc.
c/o Chief Financial Officer
4530 E. Thousand Oaks Blvd., Suite 200
Westlake Village, CA 91362

If to Landlord:

Torrance Towne Center Associates, LLC
2601 Airport Drive, Suite 300
Torrance, CA 90505
Attn: Norm La Caze

If to Lender:

Midland Loan Services, Inc.
10851 Mastin Blvd., Suite 700
Overland Park, KS 66210
Attention: _____, Asset Manager

8. This Agreement may NOT be modified except by a written agreement signed by the parties or their respective successors in interest. This Agreement shall inure to the benefit of and be binding upon the parties, their successors and assigns.

IN RATIFICATION OF THIS AGREEMENT, the parties have placed their signatures and seals below, by and through their duly authorized officers on this date, _____, 20_.

"LANDLORD"

TORRANCE TOWNE CENTER ASSOCIATES LLC,
a California limited liability company

BY: TORRANCE VENTURE 2003 LLC,
a California limited liability
company

BY: AIRPORT VENTURE 2002 LLC,
a California limited liability
company

By: _____

Its: _____

STATE OF _____)

) ss.

COUNTY OF _____)

On this ____ day of _____, 2____, before me, a Notary Public in and
for the State of _____, personally appeared _____
personally known to me (or proved to me on the basis of satisfactory
evidence) to be the person who executed this instrument, on oath stated that
he/she was authorized to execute the instrument, and acknowledged that he/she
is the _____ of _____
_____, to be the free and voluntary act and deed of said _____
for the uses and purposes mentioned in the instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the
day and year first above written.

(seal)

(Print Name)

NOTARY PUBLIC in and for the State of

My appointment expires _____

"TENANT"

TW HOLDINGS, INC., a California corporation, dba
Total Woman Gym & Day Spa

By: _____

Its: _____

Print Name: _____

STATE OF _____)

) ss.

COUNTY OF _____)

On this ____ day of _____, 2____, before me, a Notary Public in
and for the State of _____, personally appeared _____
_____ personally known to me (or proved to me on the basis of satisfactory
evidence) to be the person who executed this instrument, on oath stated that
he/she was authorized to execute the instrument, and acknowledged that he/she
is the _____ of _____
_____, to be the free and voluntary act and deed of said _____
for the uses and purposes mentioned in the instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the
day and year first above written.

(seal)

(Print Name)

NOTARY PUBLIC in and for the State of

My appointment expires _____

"LENDER" _____ as Trustee
for _____ Commercial Mortgage Pass-Through
Certificates Series _____
by and through its Master Servicer,
Midland Loan Services, Inc.

By _____
Brad Hauger
Senior Vice President and
Servicing Officer

STATE OF KANSAS)
) ss.
COUNTY OF JOHNSON)

On this ____ day of _____, 2____, before me, a Notary Public in and for the State of Kansas, personally appeared Brad Hauger, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed this instrument, on oath stated that he was authorized to execute the instrument, and acknowledged that he is the Senior Vice President and Servicing Officer of Midland Loan Services, Inc., to be the free and voluntary act and deed of said company for the uses and purposes mentioned in the instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first above written.

(seal)

(Print Name)

NOTARY PUBLIC in and for the State of
Kansas.

My appointment expires _____

EXHIBIT IRECOGNITION AND ATTORMENT AGREEMENT

THIS AGREEMENT made this _____ day of _____, 200____, by and among the CITY OF TORRANCE, a municipal corporation, having an office at 3031 Torrance Boulevard, Torrance, CA 90503 (hereinafter called "Owner"), TORRANCE TOWNE CENTER ASSOCIATES LLC, a California limited liability company having an office at 2601 Airport Drive, Suite 300, Torrance, California 90505 as (hereinafter called "Lessee") and TW HOLDINGS, INC., a California corporation, dba Total Woman Gym & Day Spa, having an office at 4530 E. Thousand Oaks Blvd., Suite 200, Westlake Village, CA 91362, (hereinafter called "Sublessee").

W I T N E S S E T H :

A. Owner is the owner in fee of the parcel of land more particularly described on Exhibit "A" attached hereto and made a part hereof, lying and being in the City of Torrance, Los Angeles County, California (hereinafter referred to as the "Shopping Center Land").

B. On or about September 23, 2003, Owner and Lessee entered into that certain Amended and Restated Lease dated (the "Ground Lease"), which was recorded on November 6, 2003 as Instrument No. 03-3336251 in the Official Records of Los Angeles County, California.

C. Lessee proposes to sublease, or has subleased to Sublessee a portion of the Shopping Center Land, together with improvements which are to be constructed thereon by Lessor pursuant to a certain lease dated _____, between Lessee and Sublessee (the "Occupancy Lease").

NOW, THEREFORE, in consideration of the premises and to induce Lessee and Sublessee to enter into the Occupancy Lease, the parties hereto mutually covenant and agree as follows:

1. Owner warrants and represents that (a) Owner is the owner in fee of the Shopping Center Land and of the Lessor's interest in the Ground Lease; (b) Owner has full right and lawful authority to execute and deliver this Agreement; (c) the Ground Lease is in full force and effect and has not been amended, and no default exists thereunder either in payment of rent or in the performance of any other covenant of the Lessee thereunder and that all conditions precedent to the commencement of the term of the Ground Lease have been satisfied; (d) the execution and delivery by Lessee of the Occupancy Lease will not constitute a violation of any term, covenant or condition of the Ground Lease; (e) Owner has a copy of the Occupancy Lease and has reviewed and approved such Lease; and (f) the Ground Lease expires not sooner than March 31, 2053 and that Owner will not enter into any agreement or take any action that will cause the Ground Lease to expire earlier than March 31, 2053.

2. Lessee warrants and represents (a) that it is the owner of the Lessee's interest under the Ground Lease; (b) it has full right and lawful authority to execute the Occupancy Lease and this Agreement; and (c) the Ground Lease expires not sooner than March 31, 2053 and that Lessee shall not enter into any agreement or take any action that will cause the Ground Lease to expire sooner than March 31, 2053.

3. Owner hereby approves the Occupancy Lease. Owner acknowledges that Lessee has the full right and power to enter into the Occupancy Lease upon the terms, covenants and conditions set forth therein, it being agreed by Owner and Lessee that if the Sublessee shall execute the Occupancy Lease, the Ground Lease shall (notwithstanding anything to the contrary therein contained) be deemed amended to the extent, if any, required to permit the Lessee to assume the obligations and to grant to the Sublessee the rights, powers, privileges and immunities provided for in the Occupancy Lease.

4. Owner agrees that, so long as the Ground Lease has not expired, terminated or been canceled, Owner shall do nothing to disturb or otherwise affect in any manner the quiet possession of the Sublessee under

EXHIBIT "I"

the Occupancy Lease. Owner further agrees that Lessee and the Sublessee shall have the right to amend the Occupancy Lease from time to time.

5. Owner agrees with Sublessee that in the event, for any reason whatsoever, the Ground Lease terminates or is canceled during the term of the Occupancy Lease, including any extension thereof, whether as the result of a default by the Lessee thereunder, notice by Lessee of cancellation thereof or otherwise:

(a) The Occupancy Lease shall continue for the duration of its terms and any extensions thereof (subject, however, to the rights of the Landlord and Tenant under the Occupancy Lease to terminate the Occupancy Lease as therein set forth) as a direct lease between Owner and Sublessee with the same force and effect as if Owner had originally entered into such Occupancy Lease as Landlord thereunder;

(b) Sublessee shall not be named or joined in any action or proceeding by Owner under the Ground Lease to recover possession of the Shopping Center Land or any part thereof or for any other relief from Lessee;

(c) Sublessee shall perform all the covenants and agreements of the Occupancy Lease on its part to be performed for the direct benefit of Owner and Owner shall perform all the covenants and agreements of the Occupancy Lease to be performed on the part of the Landlord thereunder for the direct benefit of the Sublessee;

(d) Owner shall give Sublessee prompt notice in writing of such event (together with essential details and dates); and

(e) From and after receipt by Sublessee of such notice, the payment by Sublessee to Owner of rentals and other payments then due or thereafter becoming due to Lessee under the Occupancy Lease shall constitute full performance of all obligations with respect to such payments actually made by Sublessee but, prior to the receipt of such notice, Sublessee shall have no obligation to make any payment to Owner and shall be deemed to have fully performed in respect of any sums theretofore paid to Lessee in accordance with the provisions of the Occupancy Lease.

6. Owner and Lessee covenant and agree that the Ground Lease will not be modified or amended in any manner affecting Sublessee without the prior written consent of Sublessee.

7. Owner hereby waives any and all liens, claims, demands or rights including, but not limited to, rights of levy, execution, sale and distraint for unpaid rent, or any other rent, interest or lien which Owner now has or may hereafter acquire in any and all trade fixtures and equipment, signs, appliances, furniture and other personalty installed at any time by Sublessee on the Premises leased by Sublessee pursuant to the Occupancy Lease including, without limitation, lighting fixtures, projection and sound equipment and seats (all of the foregoing being collectively referred to as "Sublessee's Property"). In connection with the financing by Sublessee of "Sublessee's Property" (by granting a security interest therein or entering into an equipment lease therefore), Owner agrees to execute and deliver to Sublessee an Owner's waiver and all other documents reasonably required by such lessor or the holder of a security interest in Sublessee's Property.

8. Owner hereby acknowledges and agrees that it will not cause or suffer the creation of a mortgage or other security interest affecting the Shopping Center Land (and any attempt to do so shall be deemed null and void) unless the rights and interests acquired under such mortgage or security interest ("Owner Mortgage") by the holder thereof is subject and subordinate to the rights and interests of the Lessee under the Ground Lease and the rights and interest of Sublessee pursuant to the Occupancy Lease and this Agreement; provided, however, an Owner Mortgage may be superior to the Ground Lease and Occupancy Lease if there shall be recorded in the appropriate real property records of Los Angeles County, California, an agreement, in form and substance satisfactory to Lessee and Sublessee, whereby the holder of the Owner Mortgage, its successors and assigns, agrees that the foreclosure of the Owner Mortgage shall not affect the right to possession of the Shopping Center Land of Lessee and Sublessee pursuant to the Ground Lease and Occupancy Lease, respectively, nor any of the rights, privileges, interests or easements granted to them under the Ground Lease, the Occupancy Lease and this Agreement.

EXHIBIT "I"

9. Any notice or demand provided for in this Agreement shall be in writing and shall be sent by United States registered or certified mail, return receipt requested, postage prepaid to a party at its address first hereinabove given or to such other address as any such party may designate by notice to the other parties. Any such notice shall be deemed given on the third business day following the day on which the same is deposited in a regularly maintained post office box or Post Office of the United States Postal Service.

10. All parties to this Agreement agree to execute such further instruments as may be reasonably requested by another party hereto in order to carry out this Agreement in accordance with the tenor and purpose hereof.

11. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers or partners and their seals to be affixed and attested as of the day and year first above written.

"OWNER"

CITY OF TORRANCE,
a municipal corporation

ATTEST

CITY CLERK

By: _____

Printed Name: _____

APPROVED AS TO FORM

Its: _____

CITY ATTORNEY

By: _____

Print: _____

Its: _____

EXHIBIT "I"

"LESSEE"

TORRANCE TOWNE CENTER ASSOCIATES LLC,
a California limited liability company

BY: TORRANCE VENTURE 2003 LLC,
a California limited liability
company

BY: AIRPORT VENTURE 2002 LLC,
a California limited liability
company

By: _____

Its: _____

"SUBLESSEE"

TW HOLDINGS, INC., a California corporation, dba Total
Woman Gym & Day Spa

By: _____

Its: _____

Print Name: _____

EXHIBIT "I"

Addendum

This Addendum to the Lease shall modify, delete and replace certain provisions of the Lease. Wherever the terms of this Addendum are inconsistent with the Lease provisions, the terms of this Addendum shall be controlling.

1. Tenant Use Approval

As Tenant's use typically requires additional parking over the normal parking ratio for standard retail uses, certain approvals or similar administrative clearances from the City of Torrance may be required. Landlord with Tenant's reasonably, timely and diligent assistance shall pursue obtaining reasonable evidence that Tenant's permitted use contemplated to occur within the Premises is approved, allowable or otherwise permitted by the City of Torrance (the "Use Approval"). In the event Landlord is not able to obtain such Use Approval from the City of Torrance within sixty (60) days following the date of this Lease (the "Use Approval Period"), either party shall have the right to terminate by giving written notice thereof to the other respective party within fifteen (15) days following the expiration of the Use Approval Period; provided, however, Landlord shall have the one-time right to extend the Use Approval Period for thirty (30) days by delivering written notice thereof to Tenant on or before the last day of the Use Approval Period. If Landlord obtains the Use Approval, within such 30-day period in the form required herein, Tenant shall have no further right to terminate this Lease pursuant to this Section. Nothing containing in this Section 1 of the Addendum, shall construe that Landlord is responsible for any approval except for providing reasonable evidence of the City of Torrance's will permit or allow Tenant's permitted use within the Premises. Tenant shall be required to obtain their own building permits, health permits and normal operating licenses and other customary permits to operate its business.

2. TEMPORARY SPACE (NEED BUSINESS DISCUSSION FURTHER)

Landlord and Tenant will discuss the possibility of providing Tenant with temporary space within the Center in a mutually acceptable location to install, at Tenant's expense but at no additional rental, a pre-sales office in which to display limited equipment, promotional graphics and work space for sales staff. The pre-sale space shall be available to Tenant at the commencement of Tenant's construction and terminate upon Tenant opening for business. Tenant shall pay for its use of related utility charges and liability insurance to operate in the temporary space. There may be no available building space within the project to allow such use.

3. TENANT'S DAY SPA SERVICE PROMOTIONS

For the initial eighteen months following the Rent Commencement Date, Tenant agrees that it shall not have promotional pricing of massage related services of less than \$85 for a 50 minute massage. Further, during the initial Term and any extensions thereof, Tenant shall not use marketing tactics that identify or target other occupants of the Shopping Center, i.e. compare our price to XYZ tenant at the Shopping Center.

Robek's

Landlord agrees not to hereafter lease space in the area of the Shopping Center marked "Restricted Area" as referenced in it lease to any other tenant whose primary use is the retail sale of blended and fresh juice products. As used herein, "Primary" shall be defined as any business whose sales in the aforesaid items are greater than thirty percent (30%) of its gross revenues.

Impression Nails

Landlord agrees not to hereafter lease space in the area of the Shopping Center marked "Restricted Area" as referenced in the lease to any other tenant whose primary use is as a nail salon.

Atomic Boxing

Landlord agrees that during the Term, and any extensions thereof, it shall not lease space in the Shopping Center to any other tenant whose primary use is the for the purposes of providing instructional training of martial arts, yoga, boxing or kickboxing. As used in the foregoing sentence, "Primary" shall be defined as any business where greater than thirty percent (30%) of its floor area is dedicated to those items above.

Hobbytown USA

Landlord covenants that during the Term, and any extensions thereof, it shall not lease space with the shopping center, to any tenant whose primary business is the retail sale of radio controlled scale model vehicles.

Howard's TV & Appliances

Landlord agrees that during the Term, and any extensions thereof, it shall not lease space in the Shopping Center to any other tenant whose primary use is the for the purposes of the retail sale of televisions and large appliances (such as stoves, ovens, refrigerators, dishwashers, microwave ovens). As used herein, "Primary" shall be defined as any business where the lesser of fifteen (15%) or 1,500 square feet of its floor area is dedicated to those items above.