

EXHIBITS A & B

IN THE MATTER OF THE MANAGEMENT AND OPERATING AGREEMENT between the CITY OF PASADENA and the PASADENA COMMUNITY ACCESS CORPORATION (PCAC) also doing business as PASADENA MEDIA

Pursuant to Section 9.0 of the Operating Agreement, Exhibit “A” of this Agreement is a list of all such third party agreements that may involve or obligate the City as an additional party to those preexisting contracts or agreements as a result of implementing this Agreement. Exhibit “B” of this Agreement is the third party agreements involved and the appropriate details of those agreements.

EXHIBIT A

Office Leases—(two total)

1. Sherman Oaks Capital Associates, L.P., AND Pasadena Holdings, LLC d/b/a Pasadena Tri City Ventures - 150 S. Los Robles Suite 101
2. Sherman Oaks Capital Associates, L.P., AND Pasadena Holdings, LLC d/b/a Pasadena Tri City Ventures - 150 S. Los Robles Suite 450

Employment Agreement—By PCAC

1. Ms. Keri Stokstad, Executive Director/CEO, PCAC

EXHIBIT B

(documents attached)

OFFICE LEASE

**SHERMAN OAKS CAPITAL ASSOCIATES, L.P., AND
PASADENA HOLDINGS, LLC
d/b/a PASADENA TRI CITY VENTURES**

as Landlord,

and

**PASADENA COMMUNITY ACCESS CORPORATION
(d/b/a PASADENA MEDIA)**

as Tenant

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SUMMARY OF BASIC LEASE INFORMATION

This Summary of Basic Lease Information (the "Summary") is hereby incorporated into and made a part of the attached Office Lease. Each reference in the Office Lease to any term of this Summary shall have the meaning as set forth in this Summary for such term. In the event of a conflict between the terms of this Summary and the Office Lease, the terms of the Office Lease shall prevail. Any capitalized terms used herein and not otherwise defined herein shall have the meaning as set forth in the Office Lease.

TERMS OF LEASE

(References are to
the Office Lease)

DESCRIPTION

1. Date: January 16, 2013

2. Landlord: SHERMAN OAKS CAPITAL ASSOCIATES, LP, a California limited partnership, and PASADENA HOLDINGS, LLC, a California limited liability company, collectively d/b/a PASADENA TRI CITY VENTURES

3. Address of Landlord
(Section 29.19): 150 South Los Robles Avenue, Suite 470
Pasadena, California 91101
Attention: Property Manager

with a copy to:

Morlin Asset Management, L.P.,
701 North Brand Blvd., Suite 810
Glendale, California 91203
Attention: Gloria French

with a copy to:

Pasadena Tri City Ventures
888 S. Figueroa St., Suite 1900
Los Angeles, CA 90017
Attention: Asset Manager

4. Tenant: PASADENA COMMUNITY ACCESS CORPORATION, a California corporation

(d/b/a Pasadena Media)

5. Address of Tenant (Section 29.19): Original notice to the following:
Pasadena Community Access Corporation
150 S. Los Robles Avenue, Suite 101
Pasadena, California 91101
6. Premises (Article 1): Approximately 5,355 rentable square feet of space located in Suite 101 on the ground floor, as set forth in Exhibit A attached hereto, including the adjacent kitchen space containing approximately 500 rentable square feet of space.
7. Term (Article 2):
- 7.1 Lease Term: Seventy-eight (78) months
- 7.2 Lease Commencement Date: The later of (a) December 1, 2012 and (b) the date of Substantial Completion of the Premises (as defined in Exhibit "B").
- Landlord and Tenant shall confirm the Lease Commencement Date by executing and delivering the notice attached to this Lease as Exhibit "C."
- 7.3 Lease Expiration Date: Approximately May 31, 2019.
- The actual Lease Expiration Date shall be the last day of the seventy-eighth (78th) full calendar month after the Lease Commencement Date. Landlord and Tenant shall confirm the Lease Expiration Date by executing and delivering the notice attached to this Lease as Exhibit "C."
- 7.4 Renewal Option: One (1) option to renew the term of the Lease, for a period of five (5) years.
- The first option to renew shall be exercised not more than nine (9) months nor less than six (6) months prior to expiration of the initial Lease Term.
- Option period rent for each renewal period shall be equal to the Fair Market Rental Rate as of the commencement of each such renewal term, to be established in accordance with Section 2.2.2 of this Lease.

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8. Base Rent (Article 3):

<u>Months of Lease Term</u>	<u>Annual Base Rent</u>	<u>Monthly Installment of Base Rent</u>	<u>Monthly Rental Rate per Rentable Square Foot</u>
1 - 16	\$128,533.20	\$10,711.10	\$2.000
17 - 28	\$131,746.56	\$10,978.88	\$2.050
1 - 28	\$227,901.68	\$6,226.22	
29 - 40	\$135,024.12	\$11,252.01	\$2.101
41 - 52	\$138,430.20	\$11,535.85	\$2.154
53 - 64	\$141,900.60	\$11,825.05	\$2.208
65 - 76	\$145,435.32	\$12,119.61	\$2.263
77 - 88	\$149,034.25	\$12,419.52	\$2.319

Landlord will abate Rent for months 36, 48, 60 and 72, subject to Section 3.2

Tenant shall pay to Landlord \$6,226.22 on the execution of the Lease and such amount shall be applied by Landlord to the Base Rent due for month 1 of the Lease Term.

9. Additional Rent (Article 4):

- 9.1 Expense Base Year: The 2013 calendar year.
- 9.2 Tenant's Share: Not Approximately 3.86% of the total rentable square feet (i.e., 5,355 rentable square feet within the Premises / 138,796).
- 10. Tenant Improvement Allowance (Exhibit B-Section 2): \$107,111.00 paid by Tenant and reflected in the rent structure, above and outlined in Exhibit B.
Tenant to construct Premises in accordance with Exhibit B.
- 11. Security Deposit (Article 21): \$12,419.52

12. Parking Passes
(Article 28):

Reserved Spaces:

From time to time, if Landlord determines they are available, Tenant may rent reserved parking spaces in the Building's parking structure, at rates determined by Landlord.

Unreserved Spaces:

Tenant shall have the right to rent up to a total of fourteen (14) unreserved parking spaces (i.e., 3 unreserved parking spaces per 1,000 rentable square feet of the Premises) in the Building's parking structure, at the then prevailing rates, as determined by Landlord, from time to time.

Additional Spaces:

From time to time, if Landlord determines they are available, Tenant may rent additional unreserved parking spaces on a month-to-month basis; provided that Landlord may elect to terminate such month-to-month parking space rights with thirty (30) day advanced notice at Landlord's discretion. The month-to-month parking spaces will be in the Building's parking structure, at the then prevailing rates, as determined by Landlord, from time to time.

13. Brokers
(Section 29.25):

For Landlord: NAI Capital

For Tenant: Coldwell Banker Commercial North County

{*End of Summary*}

OFFICE LEASE

This Office Lease, which includes the preceding Summary of Basic Lease Information (the “**Summary**”) attached hereto and incorporated herein by this reference (the Office Lease and Summary to be known sometimes collectively hereafter as the “**Lease**”), dated as of the date set forth in Section 1 of the Summary, is made by and between SHERMAN OAKS CAPITAL ASSOCIATES, L.P., a California limited partnership, as to an undivided fifty percent (50%) tenant-in-common interest, and PASADENA HOLDINGS, LLC, a California limited liability company, as to an undivided percent (50%) tenant-in-common interest, (both entities collectively doing business as PASADENA TRI CITY VENTURES and being collectively referred to as “**Landlord**”), and PASADENA COMMUNITY ACCESS CORPORATION, a California corporation (“**Tenant**”).

ARTICLE 1

REAL PROPERTY, BUILDING AND PREMISES

1.1 Real Property, Building and Premises. Upon and subject to the terms, covenants and conditions hereinafter set forth in this Lease, Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the premises set forth in Section 6 of the Summary (the “**Premises**”), which Premises is located in the “**Building**,” as that term is defined in this Section 1.1. The outline of the floor plan of the Premises is set forth in Exhibit A attached hereto. The Premises are a part of the building (the “**Building**”) located at 150 S. Los Robles Avenue, Pasadena, California 91101. The Building, including the surface parking lot and underground parking garage serving the Building (collectively, the “**Parking Facilities**”), the land and other improvements surrounding the Building which are designated from time to time by Landlord as common areas appurtenant to or servicing the Building, and the land upon which any of the foregoing are situated, are herein sometimes collectively referred to as the “**Real Property.**” Tenant is hereby granted the right to the nonexclusive use of the common corridors and hallways, stairwells, elevators, restrooms and other public or common areas located on the Real Property; provided that the manner in which such public and common areas are maintained and operated shall be at the sole discretion of Landlord and the use thereof shall be subject to such rules, regulations and restrictions as Landlord may make from time to time. Landlord reserves the right to make alterations or additions to or to change the location of elements of the Real Property and the common areas thereof, in Landlord’s sole and absolute discretion. Subject to all of the provisions of this Lease (including, but not limited to, the Rules and Regulations attached hereto as Exhibit D, to the extent such Rules and Regulations do not conflict with the other provisions of this Lease), and subject to the following sentences, Tenant shall have the right of access to the Premises and the Parking Facilities twenty-four (24) hours per day, seven (7) days per week during the Lease Term.

1.2 Rentable Square Feet. The parties hereby confirm and stipulate that the Premises contain the number of rentable square feet set forth in Section 6 of the Summary, and such square footage amounts are not subject to adjustment or remeasurement by Landlord or Tenant. Accordingly, there shall be no adjustment in the Base Rent or other amounts set forth in this Lease; regardless of whether the Base Rent or other amounts are calculated based upon the number of rentable square feet or usable square feet in the Premises.

1.3 Condition of the Premises. Except as specifically set forth in this Lease, Landlord shall not be obligated to provide or pay for any improvement work or services related to the improvement of the Premises. Landlord has not made and does not make any representations or warranties regarding the condition of the Premises or the condition of the Building, except for any express representations or warranties that may be set forth in this Lease.

ARTICLE 2

LEASE TERM

2.1 Initial Term. The terms and provisions of this Lease shall be effective as of the date of this Lease except for the provisions of this Lease relating to the payment of Base Rent and Tenant's Share of Operating Expenses and Tax Expenses. The term of this Lease (the "**Lease Term**") shall be as set forth in Section 7.1 of the Summary and shall commence on the date (the "**Lease Commencement Date**") set forth in Section 7.2 of the Summary (subject, however, to the terms of Section 5 of the Tenant Work Letter), and shall terminate on the date set forth in Section 7.3 of the Summary (the "**Lease Expiration Date**"); provided that (a) this Lease may be sooner terminated as hereinafter provided, and (b) if Tenant has the options to extend the term of this Lease, the Lease Term may be extended as provided in Section 2.2 below. For purposes of this Lease, the term "**Lease Year**" shall mean each consecutive twelve (12) month period during the Lease Term; provided, however, that the first Lease Year shall commence on the Lease Commencement Date and the last Lease Year shall end on the Lease Expiration Date. At any time during the Lease Term, Landlord may deliver to Tenant a notice of Lease Term dates in the form as set forth in Exhibit C, attached hereto, which notice Tenant shall execute and return to Landlord within five business (5) days of receipt thereof, and thereafter the dates set forth on such notice shall be conclusive and binding upon Tenant. Failure of Tenant to timely execute and deliver the Notice of Lease Term Dates shall constitute an acknowledgment by Tenant that the statements included in such notice are true and correct, without exception.

2.2 Option Right. Landlord hereby grants to Original Tenant one (1) option (the "**Renewal Option**") to extend the Lease Term, for a period of five (5) years (the "**Option Term**"). Tenant may exercise the Renewal Option only in strict accordance with the requirements of Section 2.2.2 below. If Tenant properly and timely exercises the Renewal Option then the Lease Term shall be extended for the applicable Option Term. The rights contained in this Section 2.2 shall be personal to the Original Tenant and its Permitted Transferee and may only be exercised by the Original Tenant and its Permitted Transferee, and not by any assignee, sublessee or other transferee of the Original Tenant's interest in this Lease. "**Permitted Transferee**" means any corporation or other legal entity (a) that at least 75% of the equity interests in such entity are owned by Pasadena Community Access Corporation, a California corporation or (b) that owns at least 75% of the equity interests in Pasadena Community Access Corporation.

2.2.1 Option Rent. The monthly rent per square foot of rentable area of the Premises payable by Tenant during the Option Term (the "**Option Rent**") shall be equal to the "Fair Market Rent" (defined below) per square foot of rentable area (including additional rent and considering any "base year" or "expense stop" applicable thereto), including all escalations, payable by other tenants, as of the commencement of the Option Term, for "Comparable Transactions" (defined below). "**Comparable Transactions**" means leases of space in comparable buildings in

the Pasadena, California area, and comparable space within the Building, which leases have initial terms of not less than three (3) years, for premises that are comparable in size, location and quality to the Premises (excluding any subleases), and taking into account the creditworthiness of the tenants in such other leases. Landlord may, at its option, use Comparable Transactions from within the Building and/or from other buildings in the Pasadena area. **“Fair Market Rent”** means the monthly rent paid by tenants in Comparable Transactions, taking into consideration the following concessions: (a) rental abatement concessions, if any, being granted to such tenants in connection with such comparable space; (b) tenant improvements or allowances provided or to be provided for such comparable space (taking into account the age, quality and layout of the improvements); (c) other reasonable monetary concessions being granted such tenants in connection with such comparable space; and (d) any rent increases. The Fair Market Rent shall assume a new Base Year for the Option Term that will be the calendar year in which the Option Term commences. Notwithstanding the foregoing, Landlord’s calculation of the Option Rent shall not include any consideration for any of the following: (i) the fact that Landlord is or is not required to pay a real estate brokerage commission in connection with Tenant’s exercise of its right to lease the Premises during the Option Term or the fact that other landlords are or are not paying real estate brokerage commissions in connection with such comparable space. Notwithstanding anything in the foregoing to the contrary, the Option Rent shall never be less than the product obtained by multiplying (a) one hundred and three percent (103%) by (b) the Base Rent payable in the month immediately prior to the first month of the applicable Option Term.

2.2.2 Exercise of each Renewal Option. Each Renewal Option may be exercised by Tenant, if at all, only (a) if Tenant is not at such date in default under this Lease beyond any applicable notice and cure periods (b) if Tenant is, at such date, occupying the entire Premises, and (c) if Tenant complies with the following: (i) Tenant shall deliver written notice to Landlord not more than nine (9) months nor less than six (6) months prior to the expiration of the initial Lease Term or the expiration of the Option Term, as applicable, stating that Tenant desires to exercise the Renewal Option. Tenant shall have the right, which may be exercised prior to delivering written notice to exercise the Renewal Option and only during the one hundred twenty (120) day period prior to the last date Tenant may exercise a Renewal Option, to request and receive from Landlord its opinion as to the Fair Market Rent for the applicable Renewal Period. If Tenant, for any reason, fails to timely deliver the notice to renew the Lease Term, then the Renewal Option (and all subsequent renewal options) shall expire and be of no further force or effect on the date that is one day after the end of the applicable Renewal Option exercise period set forth in Section 2.2.2 above. If any of the conditions to Tenant’s right to exercise the Renewal Option are not satisfied as of the last day of the applicable Renewal Option exercise period set forth in Section 2.2.2 above, then the Renewal Option shall expire and be of no further force or effect on the date that is one day after the last day of the applicable Renewal Option exercise period set forth in Section 2.2.2 above.

2.2.3 Determination of Fair Market Rent. If Tenant exercises a Renewal Option, then Landlord shall deliver written notice to Tenant stating Landlord’s determination of Fair Market Rent for the Premises. If Tenant accepts such determination, Tenant shall confirm the Fair Market Rent by delivering written notice to Landlord that Tenant accepts Landlord’s determination. If Tenant does not accept Landlord’s determination of Fair Market Rent, then within thirty (30) days after Landlord delivers the notice of the Fair Market Rent, Tenant may deliver a notice challenging Landlord’s determination of Fair Market Rent. If Tenant fails to deliver such challenge notice with

said thirty-day period, then Landlord's determination of Fair Market Rent shall be conclusive and binding and not subject to further challenge.

2.2.3.1 If Tenant timely delivers a written notice challenging Landlord's determination of Fair Market Rent, then Landlord and Tenant will meet to negotiate in good faith the Fair Market Rent for the Premises. If Landlord and Tenant agree on the Fair Market Rent within thirty (30) days after the date of Tenant's challenge notice, then the Option Rent for the first year of such Renewal Term shall be the agreed amount.

2.2.3.2 If Landlord and Tenant have not agreed on the Fair Market Rent during the thirty-day period set forth in Section 2.2.3.1, then Landlord and Tenant shall each promptly appoint licensed real estate broker who has at least 10 years experience in leasing office space within a 20 mile radius of the Premises, to determine the Fair Market Rent. The parties must appoint their respective brokers within thirty (30) days after the end of the sixty-day period set forth in Section 2.2.3.1. If a party fails so to designate a broker within the time required, the determination of Fair Market Rent made by the broker who has been timely designated by the other party will be binding on both parties.

2.2.3.3 The brokers will submit their determinations of Fair Market Rent to both parties within thirty (30) days after their respective selection. If the difference between the two determinations of Fair Market Rent is ten percent (10%) or less of the higher determination, then the Fair Market Rent shall be the average of the two determinations.

2.2.3.4 If the difference between the two brokers' determinations is greater than ten percent (10%) of the higher determination, then, within 10 days of the date the second determination is submitted to the parties, the two brokers shall designate a third broker who must also meet the qualifications set forth in Section 2.2.3.2. If the two brokers are unable to agree on the third broker within such 10-day period, then either Landlord or Tenant, on behalf of both, may request appointment of such third broker by the then head official of the California office of the American Arbitration Association nearest the Premises, and neither Landlord nor Tenant shall raise any objections as to such official's full power and jurisdiction to entertain the application for and make the appointment.

2.2.3.5 The third broker, if required, will submit its determinations of Fair Market Rent to both parties within 30 days after the date such third broker is selected. The Fair Market Rent shall be the average of the two determinations that are closest in value.

2.2.3.6 Each party will pay the fees and expenses of the broker selected by it, and the parties will pay equal shares of the fees and expenses of the third broker, if any.

2.2.3.7 In determining the Fair Market Rent, all brokers shall consider only those factors set forth in the definition of Fair Market Rent in Section above. The brokers shall not consider any improvements made to the Premises by Tenant at Tenant's cost and expense.

2.3 Early Access to Premises. Tenant shall have the right to access the Premises beginning on the date that is twenty-one (21) days prior to the Lease Commencement Date; provided that Tenant's rental obligations shall not commence until the Lease Commencement Date. During such early access period, all of the terms and conditions in this Lease shall apply to Tenant's

occupancy of the Premises. Tenant occupancy of the Premises during such early access period shall not be exclusive. Landlord shall have unlimited access to the Premises during such early access period to perform Landlord's work in the Premises. Landlord shall have no responsibility or liability for any personal property of Tenant placed in the Premises prior to the Lease Commencement Date.

ARTICLE 3

BASE RENT

3.1 In General. Tenant shall pay, without notice or demand, to Landlord or Landlord's agent at the management office of the Building, or at such other place as Landlord may from time to time designate in writing, in currency or a check for currency which, at the time of payment, is legal tender for private or public debts in the United States of America, base rent ("**Base Rent**") as set forth in Section 8 of the Summary, payable in equal monthly installments as set forth in Section 8 of the Summary in advance on or before the first day of each and every month during the Lease Term, without any setoff or deduction whatsoever. The Base Rent for the first full month of the Lease Term shall be paid at the time of Tenant's execution of this Lease. If any rental payment date (including the Lease Commencement Date) falls on a day of the month other than the first day of such month or if any rental payment is for a period which is shorter than one month, then the rental for any such fractional month shall be a proportionate amount of a full calendar month's rental based on the proportion that the number of days in such fractional month bears to the number of days in the calendar month during which such fractional month occurs. All other payments or adjustments required to be made under the terms of this Lease that require proration on a time basis shall be prorated on the same basis.

3.2 Rent Abatement For Months 36, 48, 60 and 72. Base Rent for months 36, 48, 60 and 72 of the initial Lease Term shall be abated and Tenant shall not be obligated to pay Base Rent for months 36, 48, 60 and 72; provided that Tenant is not, on the first day of such month, in default under this Lease.

3.3 Prepaid Rent. Tenant shall pay to Landlord \$6,226.22 on the execution of the Lease and such amount shall be applied by Landlord to the Base Rent due for month 1 of the initial Lease Term.

ARTICLE 4

ADDITIONAL RENT

4.1 Additional Rent. In addition to paying the Base Rent specified in Article 3 of this Lease, Tenant shall pay as additional rent (i) "Tenant's Share" of the annual "Operating Expenses," as those terms are defined in Sections 4.2.8 and 4.2.4 of this Lease, respectively, which are in excess of Tenant's Share of the Operating Expenses for the "Base Year," as that term is defined in Section 4.2.2 of this Lease, and (ii) Tenant's Share of the annual "Tax Expenses," as that term is defined in Section 4.2.6 of this Lease, which are in excess of the amount of Tax Expenses applicable to the Base Year. Such additional rent, together with any and all other amounts payable by Tenant to Landlord pursuant to the terms of this Lease, shall be hereinafter collectively referred to as the "**Additional Rent.**" The Base Rent and Additional Rent are herein collectively referred to as the

“Rent.” All amounts due under this Article 4 as Additional Rent shall be payable for the same periods and in the same manner, time and place as the Base Rent. Without limitation on other obligations of Tenant which shall survive the expiration of the Lease Term, the obligations of Tenant to pay the Additional Rent provided for in this Article 4 shall survive the expiration of the Lease Term.

4.2 **Definitions.** As used in this Article 4, the following terms shall have the meanings hereinafter set forth:

4.2.1 **“Calendar Year”** shall mean each calendar year in which any portion of the Lease Term falls, through and including the calendar year in which the Lease Term expires.

4.2.2 **“Expense Base Year”** shall be the year set forth in Section 9.1 of the Summary.

4.2.3 **“Expense Year”** shall mean each Calendar Year, provided that Landlord, upon notice to Tenant, may change the Expense Year from time to time to any other twelve (12) consecutive-month period, and, in the event of any such change, Tenant’s Share of Operating Expenses and Tax Expenses shall be equitably adjusted for any Expense Year involved in any such change.

4.2.4 **“Operating Expenses”** shall mean all expenses, costs and amounts of every kind and nature which Landlord shall pay during any Expense Year because of or in connection with the, management, maintenance, repair, replacement, restoration or operation of the Real Property, including, without limitation, any amounts paid for; (i) the cost of supplying all utilities, the cost of operating, maintaining, repairing, renovating and managing the utility systems, mechanical systems, sanitary and storm drainage systems, and any escalator and/or elevator systems, and the cost of supplies and equipment and maintenance and service contracts in connection therewith; (ii) the cost of licenses, certificates, permits and inspections and the cost of contesting the validity or applicability of any governmental enactments which may affect Operating Expenses, and the costs incurred in connection with the implementation and operation of a transportation system management program or similar program; (iii) the cost of insurance carried by Landlord (including, without limitation, the cost of earthquake insurance, if and when applicable), in such amounts as Landlord may reasonably determine or as may be required by any mortgagees or the lessor of any underlying or ground lease affecting the Real Property and/or the Building; (iv) the cost of landscaping, relamping, and all supplies, tools, equipment and materials used in the operation, repair and maintenance of the Building; (v) the cost of parking area repair, restoration, and maintenance, including, but not limited to, resurfacing, repainting, restriping, and cleaning; (vi) fees, charges and other costs, including consulting fees, legal fees and accounting fees, of all contractors engaged by Landlord or otherwise reasonably incurred by Landlord in connection with the management, operation, maintenance and repair of the Building and Real Property; (vii) any equipment rental agreements or management agreements (including the cost of any management fee and the fair rental value of any office space provided thereunder); (viii) wages, salaries and other compensation and benefits of all persons engaged in the operation, management, maintenance or security of the Real Property, and employer’s Social Security taxes, unemployment taxes or insurance, and any other taxes which may be levied on such wages, salaries, compensation and benefits; provided, that if any employees of Landlord provide services for more than one building of Landlord, then a prorated portion of such employees’ wages, benefits and taxes shall be included in Operating Expenses based

on the portion of their working time devoted to the Real Property; (ix) payments under any easement, license, operating agreement, declaration, restrictive covenant, underlying or ground lease (excluding rent), or instrument pertaining to the sharing of costs by the Building; (x) operation, repair, maintenance and replacement of all "Systems and Equipment," as that term is defined in Section 4.2.5 of this Lease, and components thereof; (xi) the cost of janitorial service, alarm and security service, window cleaning, trash removal, replacement of wall and floor coverings, ceiling tiles and fixtures in lobbies, corridors, restrooms and other common or public areas or facilities, maintenance and replacement of curbs and walkways, repair to roofs and re-roofing; (xii) a management fee charged by Landlord for the oversight and management of the Building; provided that such management fee shall not exceed the greater of (A) two and one-half percent (2.5%) of all other Operating Expenses in the aggregate or (B) three percent (3.0%) of gross operating receipts; (xiii) amortization (including interest on the unamortized cost) of the cost of acquiring or the rental expense of personal property used in the maintenance, operation and repair of the Building and Real Property; and (xiv) the cost of any capital alterations, capital additions, or capital improvements made to the Real Property or any portion thereof (A) which are intended as a labor-saving device or to effect other economies in the operation or maintenance of the Real Property, or any portion thereof, or (B) that are required under any governmental law or regulation that is enacted or promulgated after the Commencement Date or (C) the cost of fire sprinklers, suppression systems, or other life safety systems, or are otherwise reasonably necessary for the health or safety of occupants of the Building, or (D) the cost of common area improvements intended to maintain the quality of the common areas and the level of amenities of the Building in accordance with industry standards for comparable buildings in Pasadena, California; provided, however, that each such permitted capital expenditure shall be amortized (including interest on the unamortized cost) over its useful life as Landlord shall reasonably determine in accordance with Generally Accepted Accounting Principles consistently applied ("GAAP"). If the Building is less than ninety-five percent (95%) occupied during all or a portion of any Expense Year or Expense Base Year, Landlord may elect to make an appropriate adjustment to the variable components of Operating Expenses for the Expense Base Year and such year or applicable portion thereof, employing GAAP, to determine the amount of Operating Expenses that would have been paid had the Building been ninety-five percent (95%) occupied; and the amount so determined shall be deemed to have been the amount of Operating Expenses for such year, or applicable portion thereof.

4.2.5 "Systems and Equipment" shall mean any plant, machinery, transformers, duct work, cable, wires, and other equipment, facilities, and systems designed to supply heat, ventilation, air conditioning and humidity or any other services or utilities, or comprising or serving as any component or portion of the electrical, gas, steam, plumbing, sprinkler, communications, alarm, security, or fire/life safety systems or equipment, or any other mechanical, electrical, electronic, computer or other systems or equipment which serve the Building in whole or in part.

4.2.6 "Tax Expenses" shall mean all federal, state, county, or local governmental or municipal taxes, fees, charges or other impositions of every kind and nature, whether general, special, ordinary or extraordinary, (including, without limitation, real estate taxes, general and special assessments, transit taxes, leasehold taxes or taxes based upon the receipt of rent, including gross receipts or sales taxes applicable to the receipt of rent, unless required to be paid by Tenant, personal property taxes imposed upon the fixtures, machinery, equipment, apparatus, systems and equipment, appurtenances, furniture and other personal property used in connection with the Building), which Landlord shall pay during any Expense Year (without regard to any different fiscal

year used by such governmental or municipal authority) because of or in connection with the ownership, leasing and operation of the Real Property or Landlord's interest therein.

4.2.6.1 Tax Expenses shall include, without limitation:

(i) Any tax on Landlord's rent, right to rent or other income from the Real Property or as against Landlord's business of leasing any of the Real Property;

(ii) Any assessment, tax, fee, levy or charge in addition to, or in substitution, partially or totally, of any assessment, tax, fee, levy or charge previously included within the definition of real property tax, it being acknowledged by Tenant and Landlord that Proposition 13 was adopted by the voters of the State of California in the June 1978 election ("**Proposition 13**") and that assessments, taxes, fees, levies and charges may be imposed by governmental agencies for such services as fire protection, street, sidewalk and road maintenance, refuse removal and for other governmental services formerly provided without charge to property owners or occupants. It is the intention of Tenant and Landlord that all such new and increased assessments, taxes, fees, levies, and charges and all similar assessments, taxes, fees, levies and charges be included within the definition of Tax Expenses for purposes of this Lease;

(iii) Any assessment, tax, fee, levy, or charge allocable to or measured by the area of the Premises or the rent payable hereunder, including, without limitation, any gross income tax with respect to the receipt of such rent, or upon or with respect to the possession, leasing, operating, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises, or any portion thereof; and

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

4.2.6.2 Any expenses incurred by Landlord in attempting to protest, reduce or minimize Tax Expenses shall be included in Tax Expenses in the Expense Year such expenses are paid.

4.2.6.3 Tax refunds shall be deducted from Tax Expenses in the Expense Year they are received by Landlord.

4.2.6.4 If Tax Expenses for any period during the Lease Term or any extension thereof are increased after payment thereof by Landlord for any reason, including, without limitation, error or reassessment by applicable governmental or municipal authorities, Tenant shall pay Landlord upon demand Tenant's Share of such increased Tax Expenses.

4.2.6.5 Notwithstanding anything to the contrary contained in this Section 4.2.6 (except as set forth in Sections 4.2.6.1 and 4.2.6.2, above), there shall be excluded from Tax Expenses (i) all excess profits taxes, franchise taxes, gift taxes, capital stock taxes, inheritance and succession taxes, estate taxes, federal and state income taxes, and other taxes to the extent applicable to Landlord's general or net income (as opposed to rents, receipts or income attributable to operations at the Building), (ii) any items included as Operating Expenses, and

(iii) any items paid by Tenant under Section 4.4 of this Lease, and (iv) any penalties or interest for the late payment of Tax Expenses by Landlord.

4.2.6.6 Notwithstanding anything to the contrary set forth in this Article 4, when calculating Tax Expenses, any special assessments, charges, costs, or fees that may be paid over more than a one (1) year period and are, in fact, paid by Landlord over more than one (1) year shall be apportioned evenly over the maximum period of time permitted by law and only that portion attributable to a given year shall be included in Tax Expenses for that year. .

4.2.7 “**Tenant’s Share**” shall mean the percentage set forth in Section 9.2 of the Summary. Tenant’s Share was calculated by multiplying the number of rentable square feet of the Premises by 100 and dividing the product by the total rentable square feet in the Building. In the event either the rentable square feet of the Premises and/or the total rentable square feet of the Building is changed, Tenant’s Share shall be appropriately adjusted, and, as to the Expense Year in which such change occurs, Tenant’s Share for such year shall be determined on the basis of the number of days during such Expense Year that each such Tenant’s Share was in effect.

4.3 Calculation and Payment of Additional Rent.

4.3.1 Calculation of Excess and Underage. If for any Expense Year ending or commencing within the Lease Term, (i) Tenant’s Share of Operating Expenses for such Expense Year exceeds Tenant’s Share of Operating Expenses for the Base Year, and/or (ii) Tenant’s Share of Tax Expenses for such Expense Year exceeds Tenant’s Share of Tax Expenses for the Expense Base Year, then Tenant shall pay to Landlord, in the manner set forth in Section 4.3.2, below, and as Additional Rent, an amount equal to such excess of the Operating Expenses and/or Tax Expenses applicable (the “**Excess**”). For any partial year within the Lease Term, the Excess shall be calculated by comparing Tenant’s Share of Operating Expenses, and/or Tenant’s Share of Tax Expenses for such partial Expense Year, as applicable, to the comparable pro-rata portion of Tenant’s Share of Operating Expenses and/or Tenant’s Share of Tax Expenses applicable to the Base Year, as the case may be.

4.3.2 Statement of Actual Operating Expenses and Tax Expenses and Payment by Tenant. Landlord shall endeavor to give to Tenant on or before the first day of April following the end of each Expense Year, a statement (the “**Statement**”) which shall state the Operating Expenses and Tax Expenses incurred or accrued for such preceding Expense Year, and which shall indicate the amount, if any, of any Excess. Upon receipt of the Statement for each Expense Year ending during the Lease Term, if an Excess is present, Tenant shall pay, with its next installment of Base Rent due, the full amount of the Excess for such Expense Year, less the amounts, if any, paid during such Expense Year as Estimated Excess. The failure of Landlord to timely furnish the Statement for any Expense Year shall not prejudice Landlord from enforcing its rights under this Article 4.

Even though the Lease Term has expired and Tenant has vacated the Premises, when the final determination is made of Tenant’s Share of the Operating Expenses and Tax Expenses for the Expense Year in which this Lease terminates, if an Excess is present, Tenant shall immediately pay to Landlord an amount as calculated pursuant to the provisions of Section 4.3.1 of this Lease. The provisions of this Section 4.3.2 shall survive the expiration or earlier termination of the Lease Term.

4.3.3 Statement of Estimated Operating Expenses and Tax Expenses. In addition, Landlord shall endeavor to give Tenant a yearly expense estimate statement (the “**Estimate Statement**”) which shall set forth Landlord’s reasonable estimate (the “**Estimate**”) of what the total amount of Operating Expenses and Tax Expenses for the then-current Expense Year shall be and the estimated Excess (the “**Estimated Excess**”) as calculated by comparing Tenant’s Share of Operating Expenses and Tax Expenses, which shall be based upon the Estimate, to Tenant’s Share of the applicable Operating Expenses and Tax Expenses for the Base Year. The failure of Landlord to timely furnish the Estimate Statement for any Expense Year shall not preclude Landlord from enforcing its rights to collect any Estimated Excess under this Article 4. If pursuant to the Estimate Statement an Estimated Excess is calculated for the then-current Expense Year, Tenant shall pay, with its next installment of Base Rent due, a fraction of the Estimated Excess for the then-current Expense Year (reduced by any amounts paid pursuant to the last sentence of this Section 4.3.3). Such fraction shall have as its numerator the number of months which have elapsed in such current Expense Year to the month of such payment, both months inclusive, and shall have twelve (12) as its denominator. Until a new Estimate Statement is furnished, Tenant shall pay monthly, with the monthly Base Rent installments, an amount equal to one-twelfth (1/12) of the total Estimated Excess set forth in the previous Estimate Statement delivered by Landlord to Tenant.

4.4 Taxes and Other Charges for Which Tenant Is Directly Responsible. Tenant shall reimburse Landlord upon demand for any and all taxes or assessments required to be paid by Landlord (except to the extent included in Tax Expenses by Landlord), excluding state, local and federal personal or corporate income taxes measured by the net income of Landlord from all sources and estate and inheritance taxes, whether or not now customary or within the contemplation of the parties hereto, when:

4.4.1 Said taxes are measured by or reasonably attributable to the cost or value of Tenant’s equipment, furniture, fixtures and other personal property located in the Premises, or by the cost or value of any leasehold improvements made in or to the Premises by or for Tenant, to the extent the cost or value of such leasehold improvements exceeds the cost or value of a building standard build-out as determined by Landlord regardless of whether title to such improvements shall be vested in Tenant or Landlord;

4.4.2 Said taxes are assessed upon or with respect to the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises or any portion of the Real Property (including the Parking Facilities);

4.4.3 Said taxes are assessed upon this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises; or

4.4.4 Said assessments are levied or assessed upon the Real Property or any part thereof or upon Landlord and/or by any governmental authority or entity, and relate to the construction, operation, management, use, alteration or repair of mass transit improvements including, but not limited to, any amounts paid in connection with Metrorail.

4.5 Cost Pools. Landlord shall have the right, from time to time, to equitably allocate some or all of the Operating Expenses and/or Tax Expenses for the Building and Real Property among different portions or occupants of the Building and Real Property (the “**Cost Pools**”), in

Landlord's reasonable discretion. Such Cost Pools may include, without limitation, the office space tenants of the Building and the retail space tenants of the Building. The Operating Expenses and Tax Expenses within each such Cost Pool shall be allocated and charged to the tenants within such Cost Pool in an equitable manner.

4.6 Tenant's Audit Rights. Landlord will keep separate and complete books of account covering all Operating Costs and Taxes and preserve for a not less than three years the books of account, and all vouchers, invoices, statements, payroll records and other documents, evidencing the costs and expenses for each Lease Year. Tenant and its authorized agents (including accountants and attorneys) may at any reasonable time, within twenty-four (24) months after the date of a Statement, inspect, copy and audit the books of account and the documents. Should an audit show that any Statement submitted by Landlord to Tenant was inaccurate by more than two percent (2%), the parties will make an adjustment to reflect the actual Tenants Share of Operating Expenses and Taxes for the Expense Year covered by the inaccurate Statement. If an audit shows that Landlord has overstated Tenants Share of Operating Expenses and Taxes for the Expense Year covered by the inaccurate Statement by more than five percent (5%) in the aggregate, then Landlord will pay to Tenant upon demand, the reasonable and actual out-of-pocket costs of the audit incurred by Tenant.

ARTICLE 5

USE OF PREMISES

5.1 Permitted Use. General office use, other ancillary uses that are consistent with the operation of a Class "A" office building, and other legally permitted uses consistent with Tenant's business as operated on the Lease Commencement Date; provided that any such other legally permitted uses are not otherwise inconsistent with the other uses in the Building and are further consistent with the operation of a Class "A" office building.

5.2 Prohibited Uses. Tenant further covenants and agrees that it shall not use, or suffer or permit any person or persons to use, the Premises or any part thereof for any use or purpose contrary to the provisions of Exhibit D, attached hereto, to the extent such provisions do not conflict with the other provisions of this Lease, or in violation of the laws of the United States of America, the State of California, or the ordinances, regulations or requirements of the local municipal or county governing body or other lawful authorities having jurisdiction over the Building. Tenant acknowledges and agrees that this Lease is subject and subordinate to the recorded covenants, conditions, and restrictions, and the provisions of all ground or underlying leases, now affecting the Real Property. Except for general office supplies typically used in an office area in the ordinary course of business, such as copier toner, liquid paper, glue, ink, and cleaning solvents, for use in the manner for which they were designed, neither Tenant nor its agents, employees, contractors, licensees, sublessees, assignees, concessionaires or invitees shall use, handle, store or dispose of any "Hazardous Materials" (as that term is defined in Section 29.29 of this Lease. If Tenant breaches the foregoing restrictions, Tenant shall be solely responsible for and shall indemnify, defend and hold harmless Landlord from and against any and all claims, judgments, damages, penalties, fines, costs, liabilities and losses, (including, without limitation, diminution in valuation of the Premises, Building or Real Property, and sums paid in settlement of claims and for attorneys' fees, consultant fees and expert fees) which arise during or after the Lease Term as a result of any contamination directly or indirectly arising from the activities which are the basis for such breach. Such Tenant

indemnification shall include, without limitation, costs incurred in connection with any investigation of site conditions or any clean-up, remediation, removal or restoration work. Tenant shall promptly take all actions, at its sole cost and expense, as are necessary to remediate the Hazardous Materials (but excluding any Hazardous Materials or conditions that existed prior to the Lease Commencement Date) and return the Premises, Building and/or Real Property to the condition existing prior to the introduction of any such Hazardous Material, provided Landlord's approval of such actions shall first be obtained and Tenant shall fully cooperate in connection with any such clean-up, restoration or other work, at Tenant's sole cost and expense. Furthermore, Tenant shall immediately notify Landlord of any inquiry, test, investigation or enforcement proceeding by or against Tenant or the Real Property concerning the presence of any Hazardous Material. Tenant acknowledges that Landlord, at Landlord's election, shall have the sole right, at Tenant's expense, to negotiate, defend, approve and appeal any action taken or order issued by any governmental authority with regard to any Hazardous Material contamination which Tenant is obligated hereunder to remediate.

ARTICLE 6

SERVICES AND UTILITIES

6.1 Standard Tenant Services. Landlord shall provide the following services on all days during the Lease Term, unless otherwise stated below.

6.1.1 Subject to all governmental rules, regulations and guidelines applicable thereto, and further subject to Tenant's separate HVAC for the Premises as set forth in Section 6.5 below, Landlord shall provide to the Common Area of the Building heating and air conditioning ("HVAC") when necessary for normal comfort for normal office use in the Premises, from Monday through Friday, during the period from 8:00 a.m. to 6:00 p.m., and on Saturday during the period from 9:00 a.m. to 1:00 p.m., except for the date of observation of New Year's Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day (collectively, the "**Holidays**").

6.1.2 Landlord shall provide adequate electrical wiring and facilities and power for normal general office use as determined by Landlord.

6.1.3 Landlord shall provide city water from the regular Building outlets for drinking, lavatory and toilet purposes.

6.1.4 Landlord shall provide nonexclusive automatic passenger elevator service at all times.

6.1.5 Landlord shall provide nonexclusive freight elevator service subject to scheduling by Landlord.

6.1.6 Landlord shall provide janitorial services five (5) days per week, except the date of observation of the Holidays, in and about the Premises and window washing services in a first-class manner. Cleaning and janitorial services supplied by Landlord shall be limited to those services as supplied by Landlord to a typical office user in the Building from time to time as reasonably determined by Landlord.

6.2 Over-Standard Tenant Use. Tenant shall not, without Landlord's prior written consent, use heat-generating machines, machines other than normal fractional horsepower office machines, or equipment or lighting other than building standard lights in the Premises, which may affect the temperature otherwise maintained by the air conditioning system or increase the water normally furnished for the Premises by Landlord pursuant to the terms of Section 6.1 of this Lease. If such consent is given, Landlord shall have the right to install supplementary air conditioning units or other facilities in the Premises, including supplementary or additional metering devices, and the cost thereof, including the cost of installation, operation and maintenance, increased wear and tear on existing equipment and other similar charges, shall be paid by Tenant to Landlord upon billing by Landlord. If Tenant uses water or HVAC in excess of that supplied by Landlord pursuant to Section 6.1 of this Lease, or if Tenant's consumption of electricity shall exceed four (4) watts connected load per usable square foot of the Premises, calculated on an annualized basis for the hours described in Section 6.1.1 above, Tenant shall pay to Landlord, upon billing, the cost of such excess consumption, the cost of the installation, operation, and maintenance of equipment which is installed in order to supply such excess consumption, and the cost of the increased wear and tear on existing equipment caused by such excess consumption; and Landlord may install devices to separately meter any increased use and in such event Tenant shall pay the increased cost directly to Landlord, on demand, including the cost of such additional metering devices. If Tenant desires to use HVAC during hours other than those for which Landlord is obligated to supply such utilities pursuant to the terms of Section 6.1 of this Lease, Tenant shall give Landlord such prior notice, as Landlord shall from time to time establish as appropriate, of Tenant's desired use and Landlord shall supply such utilities to Tenant at such hourly cost to Tenant as Landlord shall from time to time establish. Amounts payable by Tenant to Landlord for such use of additional utilities shall be deemed Additional Rent hereunder and shall be billed on a monthly basis. Landlord may increase the hours or days during which air conditioning, heating and ventilation are provided to the Premises and the Building to accommodate the usage by tenants occupying two-thirds (2/3) or more of the rentable square feet of the Building or to conform to practices of other buildings in the area comparable to the Building.

6.3 Interruption of Use. Tenant agrees that Landlord shall not be liable for damages for failure to furnish or delay in furnishing any service (including telephone and telecommunication services), or for any diminution in the quality or quantity thereof, when such failure or delay or diminution is occasioned, in whole or in part, by repairs, replacements, or improvements, by any strike, lockout or other labor trouble, by inability to secure electricity, gas, water, or other fuel at the Building after reasonable effort to do so, by any accident or casualty whatsoever, by act or default of Tenant or other parties, or by any other cause beyond Landlord's reasonable control; and such failures or delays or diminution shall never be deemed to constitute an eviction or disturbance of Tenant's use and possession of the Premises or relieve Tenant from paying Rent or performing any of its obligations under this Lease. Notwithstanding the foregoing, if a stoppage of services which Landlord is obligated to provide for Tenant causes any portion of the Premises to become unusable by Tenant for the operation of its business for more than 10 consecutive days, then and in that event Tenant shall be entitled to a pro rata abatement of Rent as to such unusable portion of the Premises, for the period commencing with the 31st day that the same are unusable and ending on the date that the services are restored to a level that Tenant may then re-occupy the previously unusable portion of the Premises. Furthermore, Landlord shall not be liable under any circumstances for a loss of, or injury to, property or for injury to, or interference with, Tenant's business, including, without limitation, loss of profits, however occurring, through or in connection with or incidental to a failure to furnish

any of the services or utilities as set forth in this Article 6. If any governmental entity promulgates or revises any statute, ordinance, building code, fire code or other code or imposes mandatory or voluntary controls or guidelines on Landlord or the Real Property or any part thereof, relating to the use or conservation of energy, water, gas, light or electricity or the reduction of automobile or other emissions or the provision of any other utility or service provided with respect to this Lease or if Landlord is required to make alterations to the Building or any other part of the Real Property in order to comply with such mandatory or voluntary controls or guidelines, then Landlord may, in its sole discretion, comply with such mandatory or voluntary controls or guidelines or make such alterations to the Building or any other part of the Real Property related thereto without creating any liability of Landlord to Tenant under this Lease; provided that the Premises are not thereby rendered untenable; and further provided that Landlord will not voluntarily reduce the level of services provided to the Premises. Such compliance and the making of such permitted alterations shall not in any event entitle Tenant to any damages, relieve Tenant of the obligation to pay the full Rent reserved hereunder or constitute or be construed as a constructive or other eviction of Tenant. In addition, the cost of such compliance and alterations shall be included in Operating Expenses.

6.4 Additional Services. Landlord shall also have the exclusive right, but not the obligation, to provide any additional services which may be required by Tenant, including, without limitation, locksmithing, lamp replacement, additional janitorial service, and additional repairs and maintenance, provided that Tenant shall pay to Landlord upon billing, the sum of all costs to Landlord of such additional services plus an administration fee. Charges for any service for which Tenant is required to pay from time to time hereunder, shall be deemed Additional Rent hereunder and shall be billed on a monthly basis. If Tenant fails to make payment for any such services, Landlord may, with notice to Tenant, discontinue any or all of such services and such discontinuance shall not be deemed to constitute an eviction or disturbance of Tenant's use and possession of the Premises or relieve Tenant from paying Rent or performing any of its other obligations under this Lease.

6.5 Separate HVAC Unit for Premises. In accordance with Exhibit B, Landlord shall deliver the Premises to Tenant with a separate HVAC unit that serves only the Premises (the "**Premises HVAC Unit**"). Tenant may install a control unit within the Premises to control the operation of the Premises HVAC Unit. Tenant shall be solely responsible for the repair and maintenance of the Premises HVAC Unit. Landlord, may, at its option, cause separately metered electrical and water service to the Premises HVAC Unit and, in such case, Tenant shall be solely responsible to pay any separately metered utilities that serve the Premises HVAC Unit. During the entire Lease Term, Tenant shall obtain and keep in effect a service agreement with a qualified HVAC service company to repair and maintain the Premises HVAC Unit. If Tenant pays for separately metered utilities in all or any portion of the Premises, then Tenant shall only pay for the cost of such utility that is delivered to the Premises for the following periods of time: (a) during all Holidays, (b) all day Sunday, (c) from Monday through Friday, during the period from 6:01 p.m. to 7:59 a.m., and (d) on Saturday during the period from 12:01 a.m. to 8:59 a.m and 1:01 p.m. to 11:59 p.m.

6.6 Separately Metered Utilities. If and to the extent that the Premises have service from separately metered utilities, Tenant shall be solely responsible to pay all separately metered utility charges, fees and deposits.

ARTICLE 7

REPAIRS

Tenant shall, at Tenant's own expense, keep the Premises, including all improvements, fixtures and furnishings therein, in clean, sanitary, and good order, repair and condition at all times during the Lease Term. In addition, Tenant shall, at Tenant's own expense but under the supervision and subject to the prior approval of Landlord, and within any reasonable period of time specified by Landlord, promptly and adequately repair all damage to the Premises and replace or repair all damaged or broken fixtures and appurtenances caused by the acts of Tenant, its agents or employees; provided that, at Landlord's option, or if Tenant fails to make such repairs, Landlord may, but need not, make such repairs and replacements, and Tenant shall pay Landlord the cost thereof, including a percentage of the cost thereof (to be uniformly established for the Building) sufficient to reimburse Landlord for all overhead, general conditions, fees and other costs or expenses arising from Landlord's involvement with such repairs and replacements forthwith upon being billed for same. Landlord may, but shall not be required to, enter the Premises at all reasonable times to make such repairs, alterations, improvements and additions to the Premises or to the Building or to any equipment located in the Building as Landlord shall desire or deem necessary or as Landlord may be required to do by governmental or quasi-governmental authority or court order or decree. Tenant hereby waives and releases its right to make repairs at Landlord's expense under Sections 1941 and 1942 of the California Civil Code or under any similar law, statute, or ordinance now or hereafter in effect.

ARTICLE 8

ADDITIONS AND ALTERATIONS

8.1 Landlord's Consent to Alterations. Tenant may not make any improvements, alterations, additions or changes to the Premises (collectively, the "Alterations") without first procuring the prior written consent of Landlord to such Alterations, which consent shall be requested by Tenant not less than thirty (30) days prior to the commencement thereof, and which consent shall not be unreasonably withheld by Landlord; provided that Landlord may withhold its consent in its sole and absolute discretion with respect to any Alterations which may affect the structural components of the Building or the Systems and Equipment or which can be seen from outside the Premises. The construction of the initial improvements to the Premises shall be governed by the terms of the Tenant Work Letter and not the terms of this Article 8. On the expiration or earlier termination of this Lease, in accordance with Article 15, Tenant shall remove only those Alterations specifically required by Landlord to be removed when Landlord approves the Alterations.

8.2 Manner of Construction. Landlord may impose, as a condition of its consent to all Alterations or repairs of the Premises or about the Premises subsequent to the initial Alterations or repairs, such requirements as Landlord in its sole reasonable discretion may deem desirable, including, but not limited to, the requirement that upon Landlord's request, Tenant shall, at Tenant's expense, remove such Alterations upon the expiration or any early termination of the Lease Term, and/or the requirement that Tenant utilize for such purposes only contractors, materials, mechanics and materialmen selected by Landlord. In any event, a contractor of Landlord's selection shall perform all mechanical, electrical, plumbing, structural, and heating, ventilation and air conditioning

work, and such work shall be performed at Tenant's cost. Tenant shall construct such Alterations and perform such repairs in conformance with any and all applicable rules and regulations of any federal, state, county or municipal code or ordinance and pursuant to a valid building permit, issued by the City of Pasadena, in conformance with Landlord's construction rules and regulations. Landlord's approval of the plans, specifications and working drawings for Tenant's Alterations shall create no responsibility or liability on the part of Landlord for their completeness, design sufficiency, or compliance with all laws, rules and regulations of governmental agencies or authorities. All work with respect to any Alterations must be done in a good and workmanlike manner and diligently prosecuted to completion to the end that the Premises shall at all times be a complete unit except during the period of work. In performing the work of any such Alterations, Tenant shall have the work performed in such manner as not to obstruct access to the Building or the common areas for any other tenant of the Building, and as not to obstruct the business of Landlord or other tenants in the Building, or interfere with the labor force working in the Building. Upon completion of any Alterations, Tenant agrees to cause a Notice of Completion to be recorded in the office of the Recorder of the County of Los Angeles in accordance with Section 3093 of the Civil Code of the State of California or any successor statute, and Tenant shall deliver to the Building management office a reproducible copy of the "as built" drawings of the Alterations.

8.3 Payment for Improvements. In the event Tenant orders any Alteration or repair work directly from Landlord, or from the contractor selected by Landlord, the charges for such work shall be deemed Additional Rent under this Lease, payable upon billing therefor, either periodically during construction or upon the substantial completion of such work, at Landlord's option. Upon completion of such work, Tenant shall deliver to Landlord, if payment is made directly to contractors, evidence of payment, contractors' affidavits and full and final waivers of all liens for labor, services or materials. Whether or not Tenant orders any work directly from Landlord, Tenant shall pay to Landlord a percentage of the cost of such work (such percentage, which shall vary depending upon whether or not Tenant orders the work directly from Landlord, to be established on a uniform basis for the Building) sufficient to compensate Landlord for all overhead, general conditions, fees and other costs and expenses arising from Landlord's involvement with such work.

8.4 Construction Insurance. In the event that Tenant makes any Alterations, Tenant agrees to carry "Builder's All Risk" insurance in an amount approved by Landlord covering the construction of such Alterations, and such other insurance as Landlord may require. All Alterations shall be insured by Tenant pursuant to Article 10 of this Lease immediately upon completion thereof. In addition, Landlord may, in its discretion, require Tenant to obtain a lien and completion bond or some alternate form of security satisfactory to Landlord in an amount sufficient to ensure the lien-free completion of such Alterations and naming Landlord as a co-obligee.

8.5 Landlord's Property. All Alterations, improvements, fixtures and/or equipment which may be installed or placed in or about the Premises, and all signs installed in, on or about the Premises, from time to time, shall be at the sole cost of Tenant and shall be and become the property of Landlord, except that Tenant may remove any Alterations, improvements, fixtures and/or equipment which Tenant can substantiate to Landlord have not been paid for with any tenant improvement allowance funds provided to Tenant by Landlord, provided Tenant repairs any damage to the Premises and Building caused by such removal. Furthermore, if Landlord, as a condition to Landlord's consent to any Alteration, requires that Tenant remove any Alteration upon the expiration or early termination of the Lease Term, Landlord may, by written notice to Tenant prior to the end of

the Lease Term, or given upon any earlier termination of this Lease, require Tenant at Tenant's expense to remove such Alterations and to repair any damage to the Premises and Building caused by such removal and return the affected portions of the Premises to their condition existing prior to the installation of such Alterations or improvements. If Tenant fails to complete such removal and/or to repair any damage caused by the removal of any Alterations and return the affected portions of the Premises to their condition existing prior to the installation of such Alterations or improvements, Landlord may do so and may charge the cost thereof to Tenant. Tenant shall indemnify, defend, protect, and hold harmless Landlord from any liability, cost, obligation, expense or claim of lien in any manner relating to the installation, placement, removal or financing of any such Alterations, improvements, fixtures and/or equipment in, on or about the Premises.

8.6 Communication Devices. Subject to all of the requirements of this Article 8, and together with Tenant's rights to install "Lines" as provided in Section 29.33 below, Tenant shall have the non-exclusive right to install satellite dishes and/or other antennae, and/or other facilities for telecommunications (the "**Communications Equipment**") on, and affix Communications Equipment to, the roof of the Building in locations and in a manner approved in advance in writing by Landlord, which consent shall not be unreasonably withheld. If Tenant installs Communications Equipment, Tenant shall do so at its sole cost and expense, and Tenant shall obtain, at its sole cost and expense, any and all permits, authorizations and certificates, including, without limitation, zoning variances or changes, as may be required with respect to such Communications Equipment from all governmental agencies (provided that Landlord agrees to reasonably cooperate with Tenant to obtain same if required by applicable governmental agencies). Tenant shall provide copies of such permits to Landlord upon request. Landlord shall use its commercially reasonable efforts to cause the installation of any additional communications equipment on the roof of the Building subsequent to Tenant's installation of Communications Equipment in a manner that minimizes interference with the transmission or reception of signals to and from Tenant's Communications Equipment. If any additional communications equipment is installed that creates any such interference, Landlord shall take commercially reasonable actions necessary steps to alleviate to the extent feasible the interference. Tenant shall comply with all of the following with respect to all Communications Equipment installed on the Building: (i) the installation shall be performed by a licensed contractor who is experienced in the installation of such equipment; (ii) Tenant shall be responsible for all costs of repairs and improvements, including, without limitation, any patching or strengthening of the roof of the Building, which may be necessary on account of, or be necessary for, the installation of the Communications Equipment; (iii) the installation of Tenant's Communications Equipment shall not interfere with any other communications equipment located on the roof of the Building or on the roof of any other building in the Center at the time of Tenant's installation; (iv) the Communications Equipment shall be screened from view to Landlord's satisfaction at Tenant's sole cost and expense; (v) the Communications Equipment shall be installed pursuant to plans and specifications approved by Landlord and/or Landlord's roof-top management company; (vi) all Communications Equipment shall be used solely by Tenant for the operation of a use at the Premises permitted by this Lease only and shall be subject to the rights of any existing occupants of the Center and shall not interfere with the any communications or other equipment owned or operated by Landlord or other tenants or occupants of the roof of any building in the Center; (vii) Tenant shall have the right to run cabling, conduit or wiring across the roof to appropriate conduit risers that will terminate within the Premises as set forth in plans and specifications approved by Landlord and/or Landlord's roof-top management company; and (viii) upon the expiration or earlier termination of this Lease or the imposition of any governmental law or regulation which may require removal,

Tenant must immediately remove all Communications Equipment including any cables and conduits (unless Landlord elects otherwise) and all other improvements associated therewith at Tenant's own cost and expense and repair any damage to the Building, including the roof, occasioned by the installation or removal thereof (and if Tenant fails to perform such obligations, then Landlord may, at its option, perform such obligations and upon demand, Tenant agrees to reimburse Landlord or Landlord's roof-top management company for the cost and expenses incurred in performing such obligation of Tenant (plus interest from the date costs are incurred by Landlord). Tenant shall not sublease or assign any right to any third party to install any Communications Equipment on the Building, nor shall Tenant receive any compensation of any kind from any third party for the use or operation of any of Tenant's Communication Equipment.

ARTICLE 9

COVENANT AGAINST LIENS

Tenant has no authority or power to cause or permit any lien or encumbrance of any kind whatsoever, whether created by act of Tenant, operation of law or otherwise, to attach to or be placed upon the Real Property, Building or Premises, and any and all liens and encumbrances created by Tenant shall attach to Tenant's interest only. Landlord shall have the right at all times to post and keep posted on the Premises any notice which it deems necessary for protection from such liens. Tenant covenants and agrees not to suffer or permit any lien of mechanics or materialmen or others to be placed against the Real Property, the Building or the Premises with respect to work or services claimed to have been performed for or materials claimed to have been furnished to Tenant or the Premises, and, in case of any such lien attaching or notice of any lien, Tenant covenants and agrees to cause it to be immediately released and removed of record. Notwithstanding anything to the contrary set forth in this Lease, in the event that such lien is not released and removed on or before the date occurring thirty (30) days after notice of such lien is delivered by Landlord to Tenant, Landlord, at its sole option, may immediately take all action necessary to release and remove such lien, without any duty to investigate the validity thereof, and all sums, costs and expenses, including reasonable attorneys' fees and costs, incurred by Landlord in connection with such lien shall be deemed Additional Rent under this Lease and shall immediately be due and payable by Tenant.

ARTICLE 10

INSURANCE

10.1 Indemnification and Waiver. To the extent not prohibited by law, Landlord, its partners and their respective officers, agents, servants, employees, and independent contractors (collectively, "**Landlord Parties**") shall not be liable for any damage either to person or property or resulting from the loss of use thereof, which damage is sustained by Tenant or by other persons claiming through Tenant. Nothing herein shall be deemed to exculpate the Landlord Parties from their negligence or willful misconduct. Tenant shall indemnify, defend, protect, and hold harmless Landlord Parties from any and all loss, cost, damage, expense and liability (including without limitation court costs and reasonable attorneys' fees) incurred for any personal injury or property damage in connection with or arising from any cause occurring in, or on the Premises while under Tenant's control, provided that the terms of the foregoing indemnity shall not apply to the negligence or willful misconduct of any of the Landlord Parties. The provisions of this Section 10.1

shall survive the expiration or sooner termination of this Lease with respect to any claims or liability occurring prior to such expiration or termination.

10.2 Tenant's Compliance with Landlord's Fire and Casualty Insurance. Tenant shall, at Tenant's expense, comply as to the Premises with all insurance company requirements pertaining to the use of the Premises. If Tenant's conduct or use of the Premises causes any increase in the premium for such insurance policies, then Tenant shall reimburse Landlord for any such increase. Tenant, at Tenant's expense, shall comply with all rules, orders, regulations or requirements of the American Insurance Association (formerly the National Board of Fire Underwriters) and with any similar body.

10.3 Tenant's Insurance. Tenant shall maintain the following coverages in the following amounts.

10.3.1 Liability Insurance. Commercial General Liability Insurance covering the insured against claims of bodily injury, personal injury and property damage arising out of Tenant's operations, assumed liabilities or use of the Premises, including a Broad Form Commercial General Liability endorsement covering the insuring provisions of this Lease and the performance by Tenant of the indemnity agreements set forth in Section 10.1 of this Lease, written on the basis of occurrence, for limits of liability not less than:

Bodily Injury and Property Damage Liability	\$2,000,000 each occurrence
Personal Injury Liability	\$2,000,000 each occurrence \$2,000,000 annual aggregate 0% Insured's participation

10.3.2 Casualty Insurance. Physical Damage Insurance covering: (i) all office furniture, trade fixtures, office equipment, merchandise and all other items of Tenant's property on the Premises installed by, for, or at the expense of Tenant; (ii) the Tenant Improvements, including any Tenant Improvements which Landlord permits to be installed above the ceiling of the Premises or below the floor of the Premises, and any other improvements which exist in the Premises as of the Lease Commencement Date (excluding the structural portions of the Building) (the "**Original Improvements**"); and (iii) all other improvements, alterations and additions to the Premises, including any improvements, alterations or additions installed at Tenant's request above the ceiling of the Premises or below the floor of the Premises. Such insurance shall be written on an "all risks" of physical loss or damage basis, for the full replacement cost value new without deduction for depreciation of the covered items and in amounts that meet any co-insurance clauses of the policies of insurance and shall include a vandalism and malicious mischief endorsement, sprinkler leakage coverage and earthquake sprinkler leakage coverage.

10.3.3 Business Interruption Insurance. Business interruption, loss of income and extra expense insurance in amounts sufficient to pay for Tenant's expenses and lost income attributable to perils commonly insured against by prudent tenants or attributable to prevention of access to the Premises as a result of such perils.

10.3.4 General Insurance Requirements. The minimum limits of policies of insurance required of Tenant under this Lease shall in no event limit the liability of Tenant under this Lease. Such insurance shall: (i) name Landlord and any specified mortgagees as an additional insured; (ii) specifically cover the liability assumed by Tenant under this Lease, including, but not limited to, Tenant's obligations under Section 10.1 of this Lease; (iii) be issued by an insurance company having a rating of not less than A-X in Best's Insurance Guide or which is otherwise acceptable to Landlord and licensed to do business in the State of California; (iv) be primary insurance as to all claims thereunder and provide that any insurance carried by Landlord is excess and is non-contributing with any insurance requirement of Tenant; (v) provide that said insurance shall not be canceled or coverage changed unless thirty (30) days' prior written notice shall have been given to Landlord and any mortgagee or ground or underlying lessor of Landlord; and (vi) contain a cross-liability endorsement or severability of interest clause acceptable to Landlord. Tenant shall deliver certificates thereof to Landlord on or before the Lease Commencement Date and at least thirty (30) days before the expiration dates thereof. In the event Tenant shall fail to procure such insurance, Landlord may, at its option, procure such policies for the account of Tenant, and the cost thereof shall be paid to Landlord as Additional Rent within five (5) days after delivery to Tenant of bills therefor.

10.4 Subrogation. Landlord and Tenant agree to have their respective insurance companies issuing property damage insurance waive any rights of subrogation that such companies may have against Landlord or Tenant, as the case may be. Landlord and Tenant hereby waive any right that either may have against the other on account of any loss or damage to their respective property to the extent such loss or damage is insurable under policies of insurance for fire and all risk coverage, theft, public liability, or other similar insurance.

10.5 Insurance Policies. Tenant may not place the required insurance under a blanket policy of insurance. Any insurance maintained by Tenant may have reasonable deductibles or self-insurance retention.

ARTICLE 11

DAMAGE AND DESTRUCTION

11.1 Repair of Damage to Premises by Landlord. Tenant shall promptly notify Landlord of any damage to the Premises resulting from fire or any other casualty. If the Premises or any common areas of the Building serving or providing access to the Premises shall be damaged by fire or other casualty, Landlord shall promptly and diligently, subject to reasonable delays for insurance adjustment or other matters beyond Landlord's reasonable control, and subject to all other terms of this Article 11, restore the Premises and such common areas. Such restoration shall be to substantially the same condition of the Premises (including any Alterations) and common areas prior to the casualty, except for modifications required by zoning and building codes and other laws or by the holder of a mortgage on the Building, or the lessor of a ground or underlying lease with respect to the Real Property and/or the Building, or any other modifications to the common areas deemed desirable by Landlord, provided access to the Premises and any common restrooms serving the Premises shall not be materially impaired. Notwithstanding any other provision of this Lease, upon the occurrence of any damage to the Premises, Tenant shall assign to Landlord (or to any party designated by Landlord) all insurance proceeds payable to Tenant under Tenant's insurance required

under Sections 10.3.2(ii) and (iii) of this Lease, and Landlord shall repair any injury or damage to the "Tenant Improvements," as that term is defined in Section 2 of the Tenant Work Letter attached as Exhibit B, installed in the Premises and shall return such Tenant Improvements to their original condition; provided that if the cost of such repair by Landlord exceeds the amount of insurance proceeds received by Landlord from Tenant's insurance carrier, as assigned by Tenant, any unpaid portion of the cost of such repairs shall be paid by Tenant to Landlord prior to Landlord's repair of the damage. In connection with such repairs and replacements, Tenant shall, prior to the commencement of construction, submit to Landlord, for Landlord's review and approval, all plans, specifications and working drawings relating thereto (which shall be prepared at Tenant's sole cost and expense), and Landlord shall select the contractors to perform such improvement work. Such submittal of plans and construction of improvements shall be performed in substantial compliance with the terms of the Tenant Work Letter as though such construction of improvements were the initial construction of the Tenant Improvements. Landlord shall not be liable for any inconvenience or annoyance to Tenant or its visitors, or injury to Tenant's business resulting in any way from such damage or the repair thereof; provided however, that if such fire or other casualty shall have damaged the Premises or common areas necessary to Tenant's occupancy, and if such damage is not the result of the gross negligence or willful misconduct of Tenant or Tenant's employees, contractors, licensees, or invitees, Landlord shall allow Tenant a proportionate abatement of Rent to the extent Landlord is reimbursed from the proceeds of rental interruption insurance purchased by Landlord as part of Operating Expenses, during the time and to the extent the Premises are unfit for occupancy for the purposes permitted under this Lease, and not occupied by Tenant as a result thereof.

11.2 Landlord's Option to Repair. Notwithstanding the terms of Section 11.1 of this Lease, Landlord may elect not to rebuild and/or restore the Premises and/or Building and instead terminate this Lease by notifying Tenant in writing of such termination within sixty (60) days after the date of damage, such notice to include a termination date giving Tenant ninety (90) days to vacate the Premises, and Rent shall be paid only to the date of damage, but Landlord may so elect only if the Building shall be damaged by fire or other casualty or cause, whether or not the Premises are affected, and one or more of the following conditions is present: (i) repairs cannot reasonably be completed within one hundred twenty (120) days of the date of damage (when such repairs are made without the payment of overtime or other premiums); (ii) the holder of any mortgage on the Building or ground or underlying lessor with respect to the Real Property and/or the Building shall require that the insurance proceeds or any portion thereof be used to retire the mortgage debt, or shall terminate the ground or underlying lease, as the case may be; or (iii) the damage is not fully covered, except for deductible amounts, by Landlord's insurance policies.

11.3 Waiver of Statutory Provisions. The provisions of this Lease, including this Article 11, constitute an express agreement between Landlord and Tenant with respect to any and all damage to, or destruction of, all or any part of the Premises, the Building or any other portion of the Real Property, and any statute or regulation of the State of California, including, without limitation, Sections 1932(2) and 1933(4) of the California Civil Code, with respect to any rights or obligations concerning damage or destruction in the absence of an express agreement between the parties, and any other statute or regulation, now or hereafter in effect, shall have no application to this Lease or any damage or destruction to all or any part of the Premises, the Building or any other portion of the Real Property.

11.4 Damage Near End of Term. In the event that the Premises or the Building is destroyed or damaged to any substantial extent during the last twenty-four (24) months of the Lease Term, then notwithstanding anything contained in this Article 11, Landlord shall have the option to terminate this Lease by giving written notice to Tenant of the exercise of such option within thirty (30) days after such damage or destruction, in which event this Lease shall cease and terminate as of the date of such notice, Tenant shall pay the Base Rent and Additional Rent, properly apportioned up to such date of damage, and both parties hereto shall thereafter be freed and discharged of all further obligations hereunder, except as provided for in provisions of this Lease which by their terms survive the expiration or earlier termination of the Lease Term.

ARTICLE 12

NONWAIVER

No waiver of any provision of this Lease shall be implied by any failure of Landlord to enforce any remedy on account of the violation of such provision, even if such violation shall continue or be repeated subsequently, any waiver by Landlord of any provision of this Lease may only be in writing, and no express waiver shall affect any provision other than the one specified in such waiver and that one only for the time and in the manner specifically stated. No receipt of monies by Landlord from Tenant after the termination of this Lease shall in any way alter the length of the Lease Term or of Tenant's right of possession hereunder or after the giving of any notice shall reinstate, continue or extend the Lease Term or affect any notice given Tenant prior to the receipt of such monies, it being agreed that after the service of notice or the commencement of a suit or after final judgment for possession of the Premises, Landlord may receive and collect any Rent due, and the payment of said Rent shall not waive or affect said notice, suit or judgment. No payment by Tenant or receipt or acceptance by Landlord of a lesser amount than the correct Rent due shall be deemed to be other than a payment on account, 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, treat such partial payment as a default or pursue any other remedy provided in this Lease or at law.

ARTICLE 13

CONDEMNATION

13.1 Permanent Taking. If the whole or any part of the Premises or Building shall be taken by power of eminent domain or condemned by any competent authority for any public or quasi-public use or purpose, or if any adjacent property or street shall be so taken or condemned, or reconfigured or vacated by such authority in such manner as to require the use, reconstruction or remodeling of any part of the Premises or Building, or if Landlord shall grant a deed or other instrument in lieu of such taking by eminent domain or condemnation, Landlord shall have the option to terminate this Lease upon ninety (90) days' notice, provided such notice is given no later than one hundred eighty (180) days after the date of such taking, condemnation, reconfiguration, vacation, deed or other instrument. If the whole or any part of the Premises is taken, or if access to the Premises is substantially impaired, Tenant shall have the option to terminate this Lease upon ninety (90) days' notice, provided such notice is given no later than one hundred eighty (180) days

after the date of such taking. Landlord shall be entitled to receive the entire award or payment in connection therewith, except that Tenant shall have the right to file any separate claim available to Tenant for any taking of Tenant's personal property and fixtures belonging to Tenant and removable by Tenant upon expiration of the Lease Term pursuant to the terms of this Lease, and for moving expenses, so long as such claim does not diminish the award available to Landlord, its ground lessor with respect to the Real Property or its mortgagee, and such claim is payable separately to Tenant. All Rent shall be apportioned as of the date of such termination, or the date of such taking, whichever shall first occur. If any part of the Premises shall be taken, and this Lease shall not be so terminated, the Rent shall be proportionately abated. Tenant hereby waives any and all rights it might otherwise have pursuant to Section 1265.130 of The California Code of Civil Procedure.

ARTICLE 14

ASSIGNMENT AND SUBLETTING

14.1 Transfers. Tenant acknowledges that the economic concessions and rental rates set forth in this Lease were negotiated by Landlord and Tenant in consideration of, and would not have been granted by Landlord but for, the specific nature of the leasehold interest granted to Tenant hereunder, as such interest is limited and defined by various provisions throughout this Lease, including, but not limited to, the provisions of this Article 14 which define and limit the transferability of such leasehold interest. Tenant shall not, without the prior written consent of Landlord, assign, mortgage, pledge, hypothecate, encumber, or permit any lien to attach to, or otherwise transfer, this Lease or any interest hereunder, permit any assignment or other such foregoing transfer of this Lease or any interest hereunder by operation of law, sublet the Premises or any part thereof, or permit the use of the Premises by any persons other than Tenant and its employees (all of the foregoing are hereinafter sometimes referred to collectively as "**Transfers**" and any person to whom any Transfer is made or sought to be made is hereinafter sometimes referred to as a "**Transferee**"). If Tenant shall desire Landlord's consent to any Transfer, Tenant shall notify Landlord in writing, which notice (the "**Transfer Notice**") shall include: (i) the proposed effective date of the Transfer, which shall not be less than fifteen (15) days nor more than one hundred eighty (180) days after the date of delivery of the Transfer Notice; (ii) a description of the portion of the Premises to be transferred (the "**Subject Space**"); (iii) all of the terms of the proposed Transfer and the consideration therefor, including a calculation of the "Transfer Premium," as that term is defined in Section 14.3 below, in connection with such Transfer, the name and address of the proposed Transferee, and a copy of all existing and/or proposed documentation pertaining to the proposed Transfer, including all existing operative documents to be executed to evidence such Transfer or the agreements incidental or related to such Transfer; and (iv) current financial statements of the proposed Transferee certified by an officer, partner or owner thereof, and any other information required by Landlord, which will enable Landlord to determine the financial responsibility, character, and reputation of the proposed Transferee, nature of such Transferee's business and proposed use of the Subject Space, and such other information as Landlord may reasonably require. Any Transfer made without Landlord's prior written consent shall, at Landlord's option, be null, void and of no effect, and shall, at Landlord's option, constitute a default by Tenant under this Lease. Whether or not Landlord shall grant consent, Tenant shall pay Landlord's review and processing fees, as well as any reasonable legal fees incurred by Landlord (not to exceed \$1,500) within thirty (30) days after written request by Landlord.

14.2 Landlord's Consent. Landlord shall not unreasonably withhold or delay its consent to any proposed Transfer of the Subject Space to the Transferee on the terms specified in the Transfer Notice. The parties hereby agree that it shall be reasonable under this Lease and under any applicable law for Landlord to withhold consent to any proposed Transfer where one or more of the following apply, without limitation as to other reasonable grounds for withholding consent:

14.2.1 The Transferee is of a character or reputation or engaged in a business which is not consistent with the quality of the Building, or would be a significantly less prestigious occupant of the Building than Tenant;

14.2.2 The Transferee intends to use the Subject Space for purposes which are not permitted under this Lease;

14.2.3 The Transferee is a governmental agency, unless such government agency is related to Tenant's business;

14.2.4 The Transfer will result in more than a reasonable and safe number of occupants per floor within the Subject Space;

14.2.5 The Transferee is not a party of adequate financial worth and/or financial stability, as determined in Landlord's discretion, in light of the responsibilities involved under the Lease on the date consent is requested;

14.2.6 The proposed Transfer would cause Landlord to be in violation of another lease or agreement to which Landlord is a party, or would give an occupant of the Building a right to cancel its lease;

14.2.7 The terms of the proposed Transfer will allow the Transferee to exercise a right of renewal, right of expansion, right of first offer, or other similar right held by Tenant; or

14.2.8 Either the proposed Transferee, or any person or entity which directly or indirectly, controls, is controlled by, or is under common control with, the proposed Transferee (i) occupies space in the Building at the time of the request for consent unless Landlord cannot accommodate the requirement, (ii) is negotiating with Landlord to lease space in the Building at such time, or (iii) has negotiated with Landlord during the six (6) month period immediately preceding the Transfer Notice.

If Landlord consents to any Transfer pursuant to the terms of this Section 14.2 Tenant may within six (6) months after Landlord's consent, but not later than the expiration of said six-month period, enter into such Transfer of the Premises or portion thereof, upon substantially the same terms and conditions as are set forth in the Transfer Notice furnished by Tenant to Landlord pursuant to Section 14.1 of this Lease; provided that if there are any changes in the terms and conditions from those specified in the Transfer Notice (i) such that Landlord would initially have been entitled to refuse its consent to such Transfer under this Section 14.2, or (ii) which would cause the proposed Transfer to be more favorable to the Transferee than the terms set forth in Tenant's original Transfer Notice, Tenant shall again submit the Transfer to Landlord for its approval and other action under this Article 14 (including Landlord's right of recapture, if any, under Section 14.4 of this Lease).

14.3 Transfer Premium.

14.3.1 Definition of Transfer Premium. If Landlord consents to a Transfer, as a condition thereto which the parties hereby agree is reasonable, Tenant shall pay to Landlord fifty percent (50%) of any "Transfer Premium," as that term is defined in this Section 14.3, received by Tenant from such Transferee. "**Transfer Premium**" shall mean all rent, additional rent or other consideration payable by such Transferee in excess of the Rent and Additional Rent payable by Tenant under this Lease on a per rentable square foot basis if less than all of the Premises is transferred, after deducting the reasonable expenses incurred by Tenant for (i) any changes, alterations and improvements to the Premises in connection with the Transfer, and (ii) any brokerage commissions in connection with the Transfer (collectively, the "**Subleasing Costs**"). Transfer Premium shall also include, but not be limited to, key money and bonus money paid by Transferee to Tenant in connection with such Transfer, and any payment in excess of fair market value for services rendered by Tenant to Transferee or for assets, fixtures, inventory, equipment, or furniture transferred by Tenant to Transferee in connection with such Transfer. If part of the Transfer Premium shall be payable by the Transferee other than in cash, Landlord's share of such non-cash consideration shall be in such form as is reasonably satisfactory to Landlord.

14.3.2 Payment of Transfer Premiums. The determination of the amount of the Transfer Premium shall be made on an annual basis in accordance with the terms of this Section 14.3.2, but an estimate of the amount of the Transfer Premium shall be made each month and one-twelfth of such estimated amount shall be paid to Landlord promptly, but in no event later than the next date for payment of Base Rent hereunder, subject to an annual reconciliation on each anniversary date of the Transfer. If the payments to Landlord under this Section 14.3.2 during the twelve (12) months preceding each annual reconciliation exceed the amount of Transfer Premium determined on an annual basis, then Landlord shall credit the overpayment against Tenant's future obligations under this Section 14.3.2 or if the overpayment occurs during the last year of the Transfer in question, refund the excess to Tenant. If Tenant has underpaid the Transfer Premium, as determined by such annual reconciliation, Tenant shall pay the amount of such deficiency to Landlord promptly, but in no event later than the next date for payment of Basic Rent hereunder. For purposes of calculating the Transfer Premium on an annual basis, Tenant's Subleasing Costs shall be deemed to be expended by Tenant in equal monthly amounts over the entire term of the Transfer.

14.3.3 Calculations of Rent. In the calculation of the Rent, as it relates to the Transfer Premium calculated under Section 14.3.1 of this Lease, and in the calculation of the Transferee's Rent under Section 14.2 of this Lease, the Rent paid during each annual period for the Subject Space by Tenant, and the Transferee's Rent, shall be computed after adjusting such rent to the actual effective rent to be paid, taking into consideration any and all leasehold concessions granted in connection therewith, including, but not limited to, any rent credit and tenant improvement allowance. For purposes of calculating any such effective rent, all such concessions shall be amortized on a straight-line basis over the relevant term.

14.4 Landlord's Option as to Subject Space. Notwithstanding anything to the contrary contained in this Article 14, Landlord shall have the option to recapture the Subject Space, by giving written notice to Tenant within five (5) business days after receipt of notice from Tenant of their intent to place the Premises on the market for sublease or assignment. Such recapture notice shall

cancel and terminate this Lease with respect to the Subject Space as of the date that is thirty (30) days after the date of Landlord's written notice to Tenant that Landlord elects to recapture the Subject Space. Landlord may only recapture the entire Premises and may not elect to recapture less than all of the Premises. If Landlord declines, or fails to elect in a timely manner to recapture the Subject Space under this Section 14.4, then, provided Landlord has consented to the proposed Transfer, Tenant shall be entitled to proceed to transfer the Subject Space to the proposed Transferee, subject to provisions of the last paragraph of Section 14.2 of this Lease.

14.5 Effect of Transfer. If Landlord consents to a Transfer, (i) the terms and conditions of this Lease shall in no way be deemed to have been waived or modified, (ii) such consent shall not be deemed consent to any further Transfer by either Tenant or a Transferee, (iii) Tenant shall deliver to Landlord, promptly after execution, an original executed copy of all documentation pertaining to the Transfer in form reasonably acceptable to Landlord, (iv) Tenant shall furnish upon Landlord's request a complete statement, certified by an independent certified public accountant, or Tenant's chief financial officer, setting forth in detail the computation of any Transfer Premium Tenant has derived and shall derive from such Transfer, and (v) no Transfer relating to this Lease or agreement entered into with respect thereto, whether with or without Landlord's consent, shall relieve Tenant or any guarantor of the Lease from liability under this Lease. Landlord or its authorized representatives shall have the right at all reasonable times to audit the books, records and papers of Tenant relating to any Transfer, and shall have the right to make copies thereof. If the Transfer Premium respecting any Transfer shall be found understated, Tenant shall, within thirty (30) days after demand, pay the deficiency and Landlord's costs of such audit.

14.6 Additional Transfers. For purposes of this Lease, the term "**Transfer**" shall also include: (i) if Tenant is a partnership or a limited liability company, the withdrawal or change, voluntary, involuntary or by operation of law, of more than forty-nine percent (49%) of the partners or members (as applicable), or transfer of more than forty-nine percent (49%) of partnership interests or membership interests (as applicable), within a twelve (12)-month period, or the dissolution of the partnership or limited liability company without immediate reconstitution thereof; and (ii) if Tenant is a closely held corporation (i.e., whose stock is not publicly held and not traded through an exchange or over the counter), (A) the dissolution, merger, consolidation or other reorganization of Tenant, (B) the sale or other transfer of more than an aggregate of more than forty-nine percent (49%) of the voting shares of Tenant (other than to immediate family members by reason of gift or death), within a twelve (12)-month period, or (C) the sale, mortgage, hypothecation or pledge of more than an aggregate of more than forty-nine percent (49%) of the value of the unencumbered assets of Tenant within a twelve (12)-month period.

ARTICLE 15

SURRENDER OF PREMISES; OWNERSHIP AND REMOVAL OF TRADE FIXTURES

15.1 Surrender of Premises. No act or thing done by Landlord or any agent or employee of Landlord during the Lease Term shall be deemed to constitute an acceptance by Landlord of a surrender of the Premises unless such intent is specifically acknowledged in a writing signed by Landlord. The delivery of keys to the Premises to Landlord or any agent or employee of Landlord shall not constitute a surrender of the Premises or effect a termination of this Lease, whether or not the keys are thereafter retained by Landlord, and notwithstanding such delivery Tenant shall be

entitled to the return of such keys at any reasonable time upon request until this Lease shall have been properly terminated. The voluntary or other surrender of this Lease by Tenant, whether accepted by Landlord or not, or a mutual termination hereof, shall not work a merger, and at the option of Landlord shall operate as an assignment to Landlord of all subleases or subtenancies affecting the Premises.

15.2 Removal of Tenant Property by Tenant. Upon the expiration of the Lease Term, or upon any earlier termination of this Lease, Tenant shall, subject to the provisions of this Article 15 and the requirements of Section 29.33, quit and surrender possession of the Premises to Landlord in as good order and condition as when Tenant took possession and as thereafter improved by Landlord and/or Tenant, reasonable wear and tear and repairs which are specifically made the responsibility of Landlord hereunder excepted. Upon such expiration or termination, Tenant shall, without expense to Landlord, remove or cause to be removed from the Premises all debris and rubbish, and such items of furniture, equipment, free-standing cabinet work, and other articles of personal property owned by Tenant or installed or placed by Tenant at its expense in the Premises, and such similar articles of any other persons claiming under Tenant, as Landlord may, in its sole discretion, require to be removed, and Tenant shall repair at its own expense all damage to the Premises and Building resulting from such removal. Tenant shall not be required to demolish or remove the "Landlord's Work" or the "Tenant Improvements," as that term is defined in Section 2 of the Tenant Work Letter attached as Exhibit B.

ARTICLE 16

HOLDING OVER

If Tenant holds over and remains in possession of the Premises after the expiration of the Lease Term, with or without the express or implied consent of Landlord, such tenancy shall be from month-to-month only, and shall not constitute a renewal hereof or an extension for any further term, and in such case Base Rent shall be payable at a monthly rate equal to one hundred and twenty-five percent (125%) of the Base Rent applicable during the last rental period of the Lease Term under this Lease. Such month-to-month tenancy shall be subject to every other term, covenant and agreement contained herein. Nothing contained in this Article 16 shall be construed as consent by Landlord to any holding over by Tenant, and Landlord expressly reserves the right to require Tenant to surrender possession of the Premises to Landlord as provided in this Lease upon the expiration or other termination of this Lease.

ARTICLE 17

ESTOPPEL CERTIFICATES

Within ten business (10) days following a request in writing by Landlord, Tenant shall execute and deliver to Landlord an estoppel certificate, which, as submitted by Landlord, shall be substantially in the form of Exhibit E, attached hereto, (or such other form as may be required by any prospective mortgagee or purchaser of the Real Property, or any portion thereof), indicating therein any exceptions thereto that may exist at that time, and shall also contain any other information reasonably requested by Landlord or Landlord's mortgagee or prospective mortgagee. Tenant shall execute and deliver whatever other instruments may be reasonably required for such

purposes. Failure of Tenant to timely execute and deliver such estoppel certificate or other instruments shall constitute an acceptance of the Premises and an acknowledgment by Tenant that statements included in the estoppel certificate are true and correct, without exception.

ARTICLE 18

SUBORDINATION

This Lease is subject and subordinate to all present ground or underlying leases of the Real Property and to the lien of any mortgages or trust deeds, now in force against the Real Property and the Building, if any, and to all renewals, extensions, modifications, consolidations and replacements thereof, and to all advances made or hereafter to be made upon the security of such mortgages or trust deeds, unless the holders of such mortgages or trust deeds, or the lessors under such ground lease or underlying leases, require in writing that this Lease be superior thereto. Landlord shall use its commercially reasonable efforts to obtain from the existing holders of ground leases and/or mortgages and deeds of trust a subordination, attornment and non-disturbance agreement with respect to this Lease, in a form reasonably acceptable to Landlord. Tenant shall execute and deliver to Landlord a subordination, attornment and non-disturbance agreement in a form reasonably acceptable to Landlord, with respect to any future ground or underlying leases of the Real Property and to the lien of any future mortgages or trust deeds secured by the Real Property and/or the Building. Tenant covenants and agrees in the event any proceedings are brought for the foreclosure of any such mortgage, or if any ground or underlying lease is terminated, to attorn, without any deductions or set-offs whatsoever, to the purchaser upon any such foreclosure sale, or to the lessor of such ground or underlying lease, as the case may be, if so requested to do so by such purchaser or lessor, and to recognize such purchaser or lessor as the lessor under this Lease; provided that such purchaser or lessor also agrees to reasonable non-disturbance terms in favor of Tenant. Tenant shall, within ten (10) business days of request by Landlord, execute such further instruments or assurances as Landlord may reasonably deem necessary to evidence or confirm the subordination or superiority of this Lease to any such mortgages, trust deeds, ground leases or underlying leases. Tenant waives the provisions of any current or future statute, rule or law which may give or purport to give Tenant any right or election to terminate or otherwise adversely affect this Lease and the obligations of the Tenant hereunder in the event of any foreclosure proceeding or sale.

ARTICLE 19

DEFAULTS; REMEDIES

19.1 Events of Default. The occurrence of any of the following shall constitute an “**Event of Default**” of this Lease by Tenant:

19.1.1 Any failure by Tenant to pay any Rent or any other charge required to be paid under this Lease, or any part thereof; or

19.1.2 Any failure by Tenant to observe or perform any other provision, covenant or condition of this Lease to be observed or performed by Tenant where such failure continues for fifteen (15) days after written notice thereof from Landlord to Tenant; provided that any such notice shall be in lieu of, and not in addition to, any notice required under California Code of Civil

Procedure Section 1161 or any similar or successor law; and provided further that if the nature of such default is such that the same cannot reasonably be cured within a fifteen (15) day period, Tenant shall not be deemed to be in default if it diligently commences such cure within such period and thereafter diligently proceeds to rectify and cure said default as soon as possible; or

19.1.3 Any abandonment of the Premises by Tenant while in default of any provision of this Lease; or

19.1.4 Any failure by Tenant to observe or perform any provision, covenant or condition of Articles 5, 14, or 18 of this Lease to be observed or performed by Tenant where such failure continues for five (5) days after written notice thereof from Landlord to Tenant.

19.2 Remedies Upon Default. Upon the occurrence of any Event of Default by Tenant, Landlord shall have, in addition to any other remedies available to Landlord at law or in equity, the option to pursue any one or more of the following remedies, each and all of which shall be cumulative and nonexclusive, without any notice or demand whatsoever.

19.2.1 Terminate this Lease, in which event Tenant shall immediately surrender the Premises to Landlord, and if Tenant fails to do so, Landlord may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Premises and expel or remove Tenant and any other person who may be occupying the Premises or any part thereof, without being liable for prosecution or any claim or damages therefor; and Landlord may recover from Tenant the following:

(i) The worth at the time of award of any unpaid rent which has been earned at the time of such termination; plus

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

(iii) The worth at the time of award of the amount by which the unpaid rent for the balance of the Lease Term after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(iv) Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, specifically including but not limited to, brokerage commissions and advertising expenses incurred, expenses of remodeling the Premises or any portion thereof for a new tenant, whether for the same or a different use, and any special concessions made to obtain a new tenant; and

(v) At Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

The term "**rent**" as used in this Section 19.2 shall be deemed to be and to mean all sums of every nature required to be paid by Tenant pursuant to the terms of this Lease, whether to Landlord or to others. As used in Sections 19.2.1(i) and (ii), above, the "worth at the time of award" shall be