

SUB-LEASE

THIS SUB-LEASE ("Sub-Lease") is made and entered into as of August 20, 2024, by and between HK PACIFIC, LLC, a California limited liability company ("Sub-Landlord"), and Jorge-Anthony Hernandez dba Nadora Jewelers ("Sub-Tenant"), on the following terms and conditions;

WITNESSETH:

1. WHEREAS, Sub-Landlord is the tenant of certain Premises commonly known as 110-151 Fisherman's Wharf, Redondo Beach, California (the "Master Lease Premises") more particularly described in that certain Lease ("Master Lease"), dated the 1st day of April 1968, as thereafter amended, by and between the City of Redondo Beach, a chartered municipality ("City"), as landlord, and Sub-Landlord herein, as tenant;
2. WHEREAS, Sub-Tenant desires to sublease a portion of the Master Lease Premises from Sub-Landlord pursuant to the terms of this Sublease and subject to the terms of the Master Lease;
3. WHEREAS, Sub-Tenant has examined the Premises and is fully informed of their condition.

NOW, THEREFORE, in consideration of the Premises and the mutual clauses, covenants, conditions and agreements contained herein, it is hereby agreed as follows:

ARTICLE I THE LEASED PREMISES

1.1 Sub-Landlord leases to Sub-Tenant, and Sub-Tenant leases from the Sub-Landlord, a portion of Unit 112 of the Master Lease Premises (the "Premises"), with the exact location and general dimensions as set forth and outlined on the plot plan attached hereto as **Exhibit "A"** and incorporated by reference herein.

ARTICLE II TERM

2.1 Subject to the terms and conditions contained herein, the Sub-lease continues from August 20, 2024, as a month-to-month tenancy. Sub-Tenant and Sub-Landlord may terminate the tenancy by giving a written notice at least 30 days prior to the intended termination date. There shall be no option or right to extend or renew the Sub-Lease term.

ARTICLE III RENTAL AND SECURITY DEPOSIT

3.1 Sub-Tenant shall pay to Sub-Landlord as minimum guaranteed monthly rent without deduction, set off, prior notice or demand the sum of Two Thousand Two Hundred Fifty Dollars (\$2,250.00) ("minimum guaranteed monthly rent"). Said rent shall be due and payable on the first day of each month of the Lease term and is subject to judgment as provided herein. Rent shall commence on August 20, 2024, or as agreed by the parties hereto and approved by the City.

3.2 In addition to the minimum guaranteed monthly rent Sub-Tenant shall pay to Sub-Landlord as additional monthly rent the amount of five percent (5%) of Sub-Tenant's gross sales (as gross sales are hereinafter defined) made from or upon the Premises during each leasehold month of the term hereof. In addition, Sub-Tenant shall also be solely responsible for the percentage rental required to be paid to the City of Redondo Beach, pursuant to the terms of the Master Lease, which is applicable to the Premises. The percentage rent payable to the City shall be five percent (5%) of Sub-Tenant's gross sales as defined herein and shall not in any way diminish or decrease the amount of minimum guaranteed monthly rent payable to Sub-Landlord hereunder, or the amount of percentage rent payable to Sub-Landlord pursuant to this paragraph.

3.3 Gross sales shall be defined as:

A. The sales price, whether cash or charge, of all goods, wares, merchandise, services and products sold on or from the Premises, whether sold by the Sub-Tenant, its agents, sub-lessees, concessionaires, or licensees and, in the case of sales on credit, whether payment is actually made or not, and shall include any admission, entry or other fees of any nature or kind charged by the Sub-Tenant, its agents, sub-lessees, concessionaires, or licensees;

B. Any sums received by Sub-Tenant, its agents, sub-lessees, concessionaires, or licensees from any coin-operated machines or devices maintained on said Premises; and

C. Any funds received, or charges made by reason of any legal business conducted by Sub-Tenant, its agents, sub-lessees, concessionaires, or licensees.

3.4 Within ten (10) days after the end of each calendar month, commencing with the 10th day of the month following that month during which the rent commences, and ending with the 10th day of the month next succeeding the last month of the leased term, Sub-Tenant shall furnish City and Sub-Landlord with a statement, to be certified as correct by Sub-Tenant which shall set forth the gross sales (as defined in Section 3) of each department and concession operating in, upon or from the Premises for the month just concluded and the authorized deduction, if any, therefrom. With each statement Sub-Tenant shall pay to City the amount of said percentage rental in addition to any of the minimum guaranteed rent payable to Sub-Landlord. Additionally, with each statement, Sub-Tenant shall pay to Sub-Landlord the amount of rent, if any, due under paragraph 3.2 above. Within thirty (30) days immediately following the end of each calendar year, Sub-

Tenant shall furnish City and Sub-Landlord with a statement of the gross sales during the year so concluded of each of its departments and concessions separately, and the amount of any authorized deductions therefrom (meaning sales tax paid); said last mentioned statement shall be certified as correct by Sub-Tenant or the employee of Sub-Tenant authorized to certify it. City or Sub-Landlord may require, and if so Sub-Tenant shall provide, a duplicate cash register tape which shall be presented each Monday morning to City or Sub-Landlord showing all transactions for cash or credit done by Sub-Tenant during the prior week. Further, Sub-Tenant agrees to provide City or Sub-Landlord with certified copies of Sales Tax Reports provided to the State of California as submitted.

3.5 If Sub-Tenant shall at any time cause an audit of Sub-Tenant's business to be made by a public accountant, Sub-Tenant shall furnish Sub-Landlord and City with a copy of said audit without any cost or expense to Sub-Landlord or City. Sub-Landlord or City may, once in any calendar year, cause an audit of the business of Sub-Tenant to be made by a public accountant of Sub-Landlord or City's own selection. If a statement of gross sales previously made by Sub-Tenant to Sub-Landlord or City shall be found to be less than the amount of Sub-Tenant's gross sales shown by such audit, Sub-Tenant otherwise immediately pay the costs of such audit as well as the additional rental therein shown to be payable by Sub-Tenant to Sub-Landlord or City; otherwise the costs of such audit shall be paid by the party requesting such audit.

3.6 The term "gross sales" or "dues" shall not include any sales or excise taxes levied by Federal, State, County or Municipal governments which are paid by the consumer and/or Sub-Tenant.

3.7 Sub-Tenant shall keep full, complete and proper books, records and accounts of the gross sales and dues for each separate department and concession at any time operated in the Premises. Said books, records and accounts, including any tax reports that Sub-Tenant may be required to furnish to any government or governmental agency, shall at all reasonable times be open to the inspection of City or Sub-Landlord, City's auditor or Sub-Landlord's auditor or other authorized representative or agent of City or Sub-Landlord.

3.8 Sub-Tenant hereby acknowledges that it understands and agrees that the Master Lease and Section 9 of Ordinance No. 1711 of the City of Redondo Beach require renegotiation of rentals. Sub-Tenant hereby agrees that it shall pay, upon reasonable written notice thereof, any increase resulting from such renegotiated rentals as may be applicable to the Premises, as may be renegotiated between Sub-Landlord and the City of Redondo Beach and agrees to be bound thereby.

3.9 The minimum monthly rent payable hereunder shall be adjusted annually on each anniversary of the Lease commencement date according to the following formula. The

adjustment shall be calculated based on the "United States Bureau of Labor Statistics Cost of Living Index For All Urban Consumers" as published for the Los Angeles-Anaheim-Riverside Area ("Index"). The Index as published for the month which is three months prior to the first anniversary of the Lease term, shall be compared with such Index as published for March 1999, and if such Index shall have increased, then the "minimum guaranteed monthly rent" shall be increased effective on the first day of the thirteenth (13) month of the Lease term in direct proportion to the change in said Index ("adjusted minimum guaranteed monthly rent"). The adjusted minimum guaranteed monthly rent shall be subject to further adjustments on each anniversary of the commencement of the Lease term, based on the change in the Index from the date of the last adjustment to the month which is three months prior to each such anniversary date. Under no circumstances shall the adjusted minimum guaranteed monthly rent be decreased. Sub-Landlord's failure to notify Sub-Tenant in a timely manner of an adjustment to minimum guaranteed monthly rent shall not preclude Sub-Landlord from notifying Sub-Tenant thereof at a later date and collecting the applicable increase in minimum guaranteed monthly rent from the date of the scheduled adjustment to the date of such notice to Sub-Tenant.

3.10 Sub-Tenant acknowledges that late payment by Sub-Tenant to Sub-Landlord of rent will cause Sub-Landlord to incur costs not contemplated by this Lease, the exact amount of such costs being extremely difficult and impracticable to fix. Such costs include, without limitation, processing and accounting charges, and the late charges that may be imposed on Sub-Landlord by the terms of any encumbrance or note secured by any encumbrance covering the Premises. Therefore, if any installment of rent due from Sub-Tenant is not received by Sub-Landlord within seven (7) days of its due date, Sub-Tenant shall pay to Sub-Landlord an additional sum of ten percent (10%) of the overdue rent as a late charge. The parties agree that this late charge represents a fair and reasonable estimate of the costs that Sub-Landlord will incur by reason of late payment by Sub-Tenant. Acceptance of any late charge shall not constitute a waiver of Sub-Tenant's default with respect to the overdue amount, nor prevent Sub-Landlord from exercising any of the other rights and remedies available to Sub-Landlord.

3.11 All rentals payable hereunder shall be paid by Sub-Tenant to Sub-Landlord at Sub-Landlord's business office, 112 Fisherman's Wharf, Redondo Beach, CA, or at such other place as Sub-Landlord may from time to time designate in writing.

3.12 SECURITY DEPOSIT. Prior to the commencement of this Lease, Sub-Tenant will deposit with the Sub-Landlord the sum of \$4,500.00 as security for the faithful performance by Sub-Tenant of all the terms, covenants and conditions of this Lease on the part of Sub-Tenant to be performed, including the covenant to pay rent. In the event of breach of any of the terms of this Lease, including the covenant to pay rent, Sub-Landlord, at Sub-Landlord's option, may apply any or all of said security deposit to cure

said breach, or for any satisfaction of damages sustained by reason thereof without waiving any other right or remedy of Sub-Landlord hereunder or at law. After application of all or a portion of said security deposit to such damages or in curing such breach, Sub-Tenant shall immediately upon written demand by Sub-Landlord, pay to Sub-Landlord as security for its further performance hereunder a sum equivalent to the value of the collateral sci. used or applied by Sub-Landlord in curing any such breach or in satisfaction of such damages, so that the security deposit shall be restored to the amount of the original security deposit. If Sub-Tenant is not in default at the expiration or termination of this Lease Sub-Landlord shall return the security deposit to Sub-Tenant less any sum applied by Sub-Landlord to cure any such default or to satisfy any damages sustained by Sub-Landlord due to any such breach of Sub-Tenant. Sub-Landlord's obligations with respect to the security deposit are those of a debtor and not a Trustee. Sub-Landlord may maintain the security deposit separate and apart from Sub-Landlord's general funds or may commingle the security deposit with Sub-Landlord's general and other funds. Sub-Landlord shall not be required to pay Sub-Tenant interest on the security deposit.

ARTICLE IV USE

4.1 The Premises are leased to the Sub-Tenant for the purpose of conducting thereon a retail jewelry store including the extraction of pearls from live oysters, and for no other use without Sub-Landlord's consent. The business shall be operated under the name of "Mie Pearl".

4.2 Subject to the terms and conditions of Article XV hereof, Sub-Tenant shall keep the Premises open for business no fewer than seven (7) days per week, eight (8) hours per day.

ARTICLE V POSSESSION – IMPROVEMENTS

5.1 Sub-Tenant acknowledges, agrees and understands that the City maintains the architectural and structural controls for all improvements, plans, specifications, signs and property to be constructed, maintained or used in or on the Premises and which are subject to the approval of the City's architectural and/or Harbor Commission; that Sub-Landlord will prescribe and maintain also subject to tile approval of the City, an overall general design and theme of architecture of all the improvements on all of Sub-Landlord's Premises. All improvements to be erected by Sub-Tenant, and any and all alterations, remodeling or relocating thereof, shall at all times be in strict conformity with landlord's overall general design and theme of architecture and shall otherwise be of first-class quality.

5.2 Before the construction of any improvement, modification of improvement, building, fence, or other structure shall be commenced by Sub-Tenant upon the Premises, Sub-Tenant shall submit to the Sub-Landlord three complete sets of building plans accompanied by three sets of specifications for the erection thereof, together with three diagrams of the proposed locations thereof on the Premises. No structure or improvement of any kind shall be erected or maintained on the premises if the plans, elevations, specifications and proposed location of said structure or improvements have not received the written approval of the Sub-Landlord. Such approval shall be endorsed by Sub-Landlord upon plans and specifications. Sub-Tenant shall not relocate, remodel, alter or change any improvements erected on the Premises without first submitting the plans and specifications to landlord and after the same have been approved by Sub-Landlord in the manner hereinabove provided.

5.3 Except as provided below and in Article VII, Section 7.2, Sub-Landlord is not obligated to make any repairs, alterations, additions or improvements upon the Premises, or in or upon any structure hereafter placed thereon, but the Sub-Tenant shall, during the term of this Lease and at Sub-Tenant's sole costs and expense, keep and maintain all buildings and appurtenances and other improvements erected and placed on the Premises (including the exterior and interior thereof) by the Sub-Tenant in good condition and repair. Sub-Tenant shall, at his own cost and expense and without any cost, liability or expense to the Sub-Landlord, repair, replace and restore any part of said improvements which have been and may be injured by use or by the elements. Sub-Tenant shall maintain the utility lines extending from the Premises to the main line in the Building ("laterals").

5.4 Sub-Landlord shall not be responsible for any improvement to the Premises beyond that specifically set forth herein. Sub-Tenant, at Sub-Tenant's cost, shall be responsible for full compliance with the provisions of any applicable governmental law or regulations, including, but not limited to, the Americans with Disabilities Act, and any costs associated therewith.

ARTICLE VI MECHANICS LIENS

6.1 Sub-Tenant agrees to always keep the Premises and the improvements thereon during the term hereof, free and clear of mechanic's liens and other liens of any nature arising from Sub-Tenant's activities. Sub-Tenant agrees that Sub-Tenant will at all times fully indemnify, protect, defend and hold harmless Sub-Landlord against any and all such mechanic's liens or claims which may ripen into such liens and against any and all attorney's fees, costs and expenses which may accrue, grow out of, or be incurred by reason of, or on account of any such lien or claim of lien.

6.2 In the event Sub-Tenant fails to pay and fully discharge any such lien or claim of lien within fifteen (15) days after demand from Sub-Landlord, Sub-Landlord shall have the right at Sub-Landlord's option to pay the same or any portion thereof and shall be the sole judgment of the legality of the lien or claim of lien. Sub-Tenant has the option to contest any such claim or claims of lien provided Sub-Tenant gives Sub-Landlord written notice of intent to so contest within the 15-day period above referenced. In the event Sub-Tenant shall contest the claim and litigation ensues, Sub-Tenant shall first furnish such security as may be necessary or required to prevent any foreclosure proceedings against the Premises during the pendency of such contest. Sub-Tenant shall within fifteen (15) days after any final judgment which may be recovered against Sub-Tenant in said action, pay and fully discharge such judgment and the buildings and improvements on the Premises from said lien and judgment. In the event Sub-Tenant shall fail to do so, Sub-Landlord shall have the right to make such payments, and in such event Sub-Tenant shall forthwith repay the amount of such payment to Sub-Landlord, Sub-Tenant shall also pay interest thereon at the rate of twelve percent (12%) per annum, or the highest rate permitted by law, whichever is lower: If litigation should occur as hereinabove mentioned and appeal is taken by Sub-Tenant to a higher court from judgment rendered against Sub-Tenant, Sub-Tenant shall furnish an appeal bond or otherwise cause the stay of execution of such judgment pending such appeal. If the Sub-Tenant shall fail to do so the Sub-Landlord may pay said judgment so appealed from and discharge the leased premises therefrom, and at its option, terminate this Lease at any time after fifteen (15) days' written notice to the Sub-Tenant.

6.3 Sub-Tenant agrees to repay to Sub-Landlord all money Sub-Landlord may reasonably expend or pay in the discharge of any claim, lien, judgment and any attorney) fees, costs or expenses which may accrue, grow out of, or be incurred by reason of or on account of the same with interest at the rate of twelve percent (12%) per annum, or the highest rate permitted by law, whichever is lower, from the time of expenditure by Sub-Landlord until paid by Sub-Tenant, and such sums shall be paid by Sub-Tenant to Sub-Landlord immediately after written notice to Sub-Tenant of expenditure by Sub-Landlord.

6.4 Sub-Landlord shall have the right to maintain such signs and notices on the Premises as may be necessary to protect Sub-Landlord against loss or liability from mechanic's liens, or otherwise.

6.5 Should any lien be filed against the Premises, or the improvements located thereon, or should any action of any character affecting title to the Premises be commenced, the Sub-Tenant shall give Sub-Landlord written notice thereof as soon as notice of such lien or action comes to the knowledge of Sub-Tenant.

6.6 Notwithstanding the foregoing, it is agreed that in the event that a lien is recorded under Sections 3109 et seq. of the California Civil Code against the Premises, and the

lienholder attempts to perfect such lien by a lawsuit, and the Sub-Tenant has failed to comply with the requirements of this Article, then, at the option of Sub-Landlord, this Lease shall automatically terminate sixty (60) days after service of summons in such lawsuit upon the Sub-Tenant.

ARTICLE VII MAINTENANCE

7.1 Sub-Tenant shall keep and maintain the Premises and all improvements of any kind which may be erected or stored thereon by the Sub-Tenant in first-class repair and condition, including the painting thereof (Sub-Tenant shall touch-up paint the exterior of the Premises tri-annually, or more often as necessary), and shall make all necessary repairs and alterations thereto. Sub-Tenant shall be responsible for custodial and cleaning services for the interior and exterior of the Premises and shall be responsible for all interior and exterior cleaning, maintenance, repair and replacement of window glass for the Premises. All custodial services including glass cleaning shall be performed with sufficient frequency to maintain the appearance of the Premises in first-class pristine condition.

7.2 Sub-Tenant agrees that Sub-Landlord may maintain, at Sub-Landlord's expense, exterior lighting upon the premises which is utilized to illuminate other Premises owned or leased by Sub-Landlord. Sub-Tenant agrees to pay the cost of electrical consumption for such lighting in accordance with Article VIII, Section 8.3 herein.

7.3 Sub-Tenant shall provide proper containers for trash and garbage or shall be responsible for Sub-Tenant's pro rata share of such service if provided on a multi-tenant basis. Sub-Tenant shall keep the Premises free and clear of rubbish, debris and litter at all times. The holding containers or dumpsters shall be located so as not to be visible to members of the public. Sub-Tenant shall not permit the same to create, or permit to be created, a health or fire hazard.

7.4 Sub-Tenant shall permit Sub-Landlord and the authorized representatives of Sub-Landlord to enter the Premises at all reasonable times for the purpose of serving or posting or keeping posted thereon notices provided by Code of Civil Procedure of the State of California or by any other law of said State or which Sub-Landlord may deem necessary or appropriate for the protection of Sub-Landlord. Further, Sub-Tenant shall permit Sub-Landlord and the authorized representative of Sub-Landlord to enter the Premises for the purposes of inspecting and making any necessary repairs to the Premises, performing any work therein that may be necessary to comply with any laws, ordinances, rules, regulations or requirements of any public authority or any applicable standards that may from time to time be established by the National Board of Fire Underwriters, the National Protective Association or any similar bodies, or that Sub-

Landlord may deem necessary to prevent waste, loss, damage or deterioration to or in connection with the Premises.

Nothing herein shall imply any duty upon the part of Sub-Landlord to do work which, under any provision of this Lease Sub-Tenant may be required to perform, and the performance thereof by Sub-Landlord shall not constitute a waiver of Sub-Tenant's default in failing to perform the same. Sub-Landlord may, during the progress of any work in the Premises, keep and store upon the Premises all necessary materials, tools, and equipment. Sub-Landlord shall not in any event be liable for inconvenience, annoyance, disturbance, loss of business or other damage of Sub-Tenant by reason of making repairs or other performance of any work in the Premises, and the obligations of Sub-Tenant under this Lease shall not thereby be affected in any manner whatsoever. Sub-Landlord shall, however, in connection with the performance of any such work, cause as little inconvenience, annoyance, disturbance, loss of business or other damage to Sub-Tenant as may reasonably be possible under the circumstances.

Any unsatisfactory conditions relative to the maintenance of the Premises and the improvements contained thereon are to be corrected by Sub-Tenant at Sub-Tenant's own expense, said correction to be commenced within ten (10) days after receipt of written notice to do so from Sub-Landlord.

7.5 Sub-Tenant agrees to operate and maintain the premises in a clean, wholesome, safe and sanitary condition at all times in accordance with Municipal, County, State or Federal laws and to the satisfaction of the City of Redondo Beach, and Sub-Landlord.

7.6 Sub-Tenant agrees to waive the right to any and all business interruption claims and causes of action against Sub-Landlord and City for closure or disruption, resulting from maintenance and repair of pilings, bracings, stringers and decking on said pier and any extension of said pier as deemed necessary by City in City's sole and absolute discretion. Sub-Tenant further agrees to require its sub-lessee to likewise agree to waive the right to assert such business interruption claims and causes of action.

ARTICLE VIII TAXES, ASSESSMENTS AND UTILITIES

8.1 **TAXES AND ASSESSMENTS ON REAL PROPERTY.** Sub-Tenant agrees to pay to Sub-Landlord as additional rent, within ten (10) days after Sub-Landlord has provided an invoice to Sub-Tenant, a percentage of the amount of taxes and assessments levied against Sub-Landlord by any governmental body on the real property or building of which the Premises are a party which is in the same proportion to the total taxes or assessment levied against Sub-Landlord as the square footage of the Premises is to the total square footage being occupied by all tenants then leasing premises from Sub-Landlord as part

of the master leased premises from the City of Redondo Beach. In the event that a tax or assessment is otherwise allocated by the governmental body, such tax shall be allocated to Sub-Tenant in Sub-Landlord's sole discretion.

8.2 ALL OTHER TAXES AND ASSESSMENTS. Sub-Tenant agrees to pay before delinquency all lawful taxes, assessments, fees or charges which may be levied by the State of California, the County of Los Angeles, the City of Redondo Beach, any governmental agency, or any tax or assessment levying body upon any interest in this Lease or any possessory right which Sub-Tenant may have in or to the Premises covered hereby, as well as all taxes, assessments, fees and charges on goods, merchandise, fixtures, appliances, equipment and property owned by Sub-Tenant in, on or about the Premises.

Any future assessments, taxes or charges levied by any governmental agency against the Sub-Landlord after the effective date of this Lease will be paid by Sub-Landlord, and Sub-Tenant then agrees to pay to Sub-Landlord, as additional rent, within ten (10) days after billing, an amount which is in the same proportion to the total assessment or charges levied against Sub-Landlord as that square footage of the Premises leased hereunder is to the total square footage being occupied by all tenants then leasing premises from the Sub-Landlord under the Master Lease.

8.3 UTILITIES. In addition to the rents and other charges provided herein, Sub-Tenant shall pay all rates and charges for gas, water, electricity, and other utility services supplied to and used on the Premises or any part thereof (including electricity necessary for exterior lighting utilized to illuminate other property owned or leased by Sub-Landlord). All such charges shall be paid before delinquency and shall be deemed additional rent hereunder. No lien therefor shall be levied or imposed upon the Premises. Sub-Landlord shall have the option to supply gas, water, electricity and other utilities to Sub-Tenant, and charge Sub-Tenant a fair and reasonable price therefor as additional rental. Sub-Tenant undertakes and agrees that all services lines for public utility installations shall be made and maintained at Sub-Tenant's sole cost and expense, with the approval of Sub-Landlord. Such installations and maintenance shall be under the pier and no wires, poles, pipes, conduits or other facilities shall be placed, laid on or constructed on or above the surface of the pier. Sub-Landlord reserves the right to designate the method and the place for the introduction and maintenance of said service lines into the Premises.

ARTICLE IX ALIENATION OR ASSIGNMENT OF RIGHTS OR INTEREST

The parties acknowledge, by initialing in the space provided below, that the following were material facts in arriving at the provisions contained in this Article:

A. The Premises are near the entrance to Sub-Landlord's restaurant operation in the building in which the Premises are located. It is therefore essential that the Premises be maintained and operated in a first-class condition. Further, the Premises must be maintained and operated in a fashion to benefit, not burden, the balance of the leasehold.

B. Sub-Tenant acknowledges that in entering into this Lease, it plans to operate the subject Premises and is not looking to create an opportunity for a resale or transfer of the business.

Sub-Landlord's initials

Sub-Tenant's initials

9.1 Neither this Lease nor any interest herein, whether legal or equitable, shall be assigned or subleased in whole or in part, alienated, pledged, mortgaged or hypothecated, voluntarily or by operation of law, nor shall any concessions or licenses thereon be granted, without the prior written consent of the Sub-Landlord. Sub-Landlord may withhold, in Sub-Landlord's sole subjective discretion, such consent to the maximum extent permitted by law. Alternatively, Sub-Landlord may require additional or different security deposit and full and complete financial records on any proposed assignee or sub-lessee, and any and all such requirements are acknowledged by Sub-Tenant to be reasonable. This Lease shall not be subject to garnishment or sale under execution in any suit or proceeding which may be brought against or by the Sub-Tenant. Notwithstanding anything else provided herein, Sub-Landlord shall be entitled to withhold consent for reasons including, but not limited to the following: (i) a proposed assignee or sub-lessee whose proposed use is a prohibited use; (ii) a proposed assignee or sub-lessee whose proposed use is a primary use of another tenant of the premises leased to Sub-Landlord under the Master Lease; (iii) a proposed assignee or sub-lessee whose proposed use is reasonably expected to require or use a disproportionate amount of vehicular parking or other amenities or services of the premises leased to Sub-Landlord under the Master Lease; (iv) a proposed assignee or sub-lessee whose reputation and character is not in keeping with the standards of the premises leased to Sub-Landlord under the Master Lease; or (v) a proposed assignee or sub-lessee who is, in Sub-Landlord's sole judgment, financially incapable of performing the obligations under this Lease.

9.2 Sub-Tenant shall not effect a transfer, assignment, sub-lease, mortgage or hypothecation, or grant any concessions or licenses, or cause a transfer by operation of law, or subject the Lease to a garnishment under any execution in any suit or proceeding brought against or by the Sub-Tenant without securing prior written approval of the Sub-Landlord. In the event Sub-Tenant is adjudged insolvent by any court or upon the Sub-Tenant's making an assignment for the benefit of creditors, the Sub-Landlord may, at its

option, forthwith terminate this Lease upon written notice thereof to the Sub-Tenant and thereupon the Sub-Tenant shall have no further right hereunder.

9.3 Sub-Landlord's consent to any assignment, sub-leasing, hypothecation or occupation shall not relieve the Sub-Tenant of any liability under the Lease. Sub-Tenant shall be jointly and severally liable to any and all assignees and/or sub-lessees for the full performance of all of the Sub-Tenant's obligations hereunder.

9.4 The acceptance of rent from any person other than Sub-Tenant shall not be deemed to be a waiver of any of the provisions of this Lease or a consent to the assignment or sub-letting of the Premises.

9.5 All rent received by Sub-Tenant from its sub-tenants, including any sum in excess of the rent payable by Sub-Tenant to Sub-Landlord under this Lease, shall be paid to Sub-Landlord. Any sums to be paid by an assignee to Sub-Tenant in consideration of the assignment of this Lease shall be paid to Sub-Landlord. The assignment or sub-lease by Sub-Tenant shall not constitute a transfer of any of Sub-Tenant's security deposit at the time of execution of such contract. Sub-Landlord may, in its discretion, require a security deposit for any transfer.

9.6 Sub-Tenant shall pay all of Sub-Landlord's costs and attorney's fees incurred in considering any request for consent to proposed assignments or sub-letting, whether or not permission to assign or sub-let is granted.

ARTICLE X INSURANCE AND INDEMNIFICATION

10.1 Sub-Landlord shall not be liable to Sub-Tenant or property of Sub-Tenant for or on account of any injury or damage occasioned in or about the Premises to persons or property of any nature or source whatsoever, or wheresoever arising, or on account of any injury to persons or property that may result by reason of any patent or latent defect in the Premises, in the construction or condition, or lack of repair of the Premises, or improvements thereon, or by or from utility lines laid to the Premises, or by or from the use, misuse, or disuse of said Premises or improvements thereon, or any part thereof, or any equipment, furnishings, or fixtures therein or apparatus thereof by any person or persons lawfully or unlawfully upon the Premises, or by or from any act, omission or neglect of any such person, or by or from the acts of tenants of adjoining or contiguous property, or in any manner whatsoever growing out of the past, present or future condition or use of the Premises or improvements of any part thereof.

Sub-Tenant covenants and agrees to indemnify, protect, defend and hold Sub-Landlord, the Premises, the building in which the Premises are located, and Sub-

Landlord's other properties leased from the City of Redondo Beach, and the City of Redondo Beach, harmless from and on account of: (1) any and all loss, damage, claim of damage, liability, expense, costs and counsel fee, arising out of or resulting from or incurred in connection with the operation carried on by Sub-Tenant or by anyone holding under the Sub-Tenant on, or the use or occupancy of, the Premises; and (2) from and against any and all damage or liability arising from any accident or any occurrence causing injury to any person or property and due directly or indirectly to the use, misuse or disuse by Sub-Tenant or by any of its agents, contractors, servants, employees, members, guests or licensees, of the Premises or any part thereof, or any appurtenances or equipment thereof of therein, or arising out of any failure of Sub-Tenant in any respect to comply with any of the requirements or provisions in this Lease.

10.2 INSURANCE ON THE IMPROVEMENTS WHERE THE PREMISES ARE LOCATED. Sub-Tenant understands that landlord is required under its Master Lease from the City of Redondo Beach to maintain or have maintained in effect certain insurance, all of which is more specifically set forth in said Master lease. Sub-Tenant agrees that it will obtain and pay its pro rata share of the premiums for any policy or policies of insurance which are required under said Master Lease for the Premises.

10.3 PUBLIC LIABILITY AND PROPERTY DAMAGE INSURANCE. Sub-Tenant shall, at its sole cost and expense, procure for the Premises a policy or policies of comprehensive public liability and property damage insurance, with limits of not less than ONE MILLION DOLLARS (\$1,000,000.00) for injuries to or death of any persons: and ONE MILLION DOLLARS (\$1,000,000.00) for property damage, issued by insurers either approved in writing by Sub-Landlord, or rated in Best's as "A-1", or better. Sub-Landlord and the City of Redondo Beach shall be named as additional insureds. An endorsement to said insurance policy adding Sub-Landlord and the City of Redondo Beach and requiring thirty (30) days' notice of cancellation, plus certificates of said insurance, together with the receipts for payments of premiums for the term thereof, shall be delivered to the Sub-Landlord and the City of Redondo Beach within ten (10) days after the execution of this Lease, and thereafter within thirty (30) days prior to the expiration of the term of each such policy. Said policies shall contain a noncancellation without notice clause and shall provide those copies of all cancellation notices be sent to the Sub-Landlord and to the City of Redondo Beach. If the Sub-Landlord determines that the Premises are not properly insured, it shall have the power and authority to purchase necessary and proper insurance for the Premises and to charge the Sub-Tenant therefor. However, this right shall not be construed to give rise to any liability for Sub-Landlord's failure to obtain such insurance. Sub-Tenant shall remain solely liable for its failure to purchase and maintain adequate insurance coverage.

10.4 WAIVER OF CLAIMS. Sub-Tenant, as a material part of the consideration for the Lease, hereby waives all claims against the Sub-Landlord, or the City of Redondo Beach,

for damage to goods, wares, merchandise, buildings, installation, or other improvements in, upon or about the premises, and for injuries to the Sub-Tenant, its agents or employees, or third persons in or about the Premises from any cause arising any time. Sub-Tenant will hold Sub-Landlord and the City of Redondo Beach exempt and harmless from any damages or injury to any person, or to the goods, wares, merchandise, watercraft, facilities, or other property of any person, arising from the use of the Premises by Sub-Tenant, or from the failure of Sub-Tenant to keep the Premises in good condition and repair, as herein provided, whether this damage or injury shall be caused in part or in whole by the negligence, fault, or omission of any duty with respect to the same by landlord.

10.5 PROHIBITION AGAINST HAZARDOUS USE. No use shall be made or permitted to be made on the Premises, nor acts done by Sub-Tenant which will cause a cancellation of any insurance policy covering the premises, or any part thereof, or any building or improvement thereon. Sub-Tenant shall not sell or permit to be kept, used, or sold, in or about the Premises or any building or improvement thereon, any article which may be prohibited by any insurance policies covering the premises. Sub-Tenant shall, at its sole cost and expense, comply with any and all requirements necessary for the maintenance of reasonable fire and public liability insurance covering the Premises or appurtenances thereon.

10.6 WORKER'S COMPENSATION INSURANCE. Sub-Tenant shall maintain in force, during the term of this Lease, worker's compensation insurance as required by law.

10.7 PLATE GLASS INSURANCE. Sub-Tenant shall maintain and keep in force plate glass insurance coverage on all exterior plate glass for the Premises. This insurance may be covered by a general policy covering all of Sub-Tenant's store locations. Sub-Tenant shall provide Sub-Landlord with a copy of certificate of said policy, including an endorsement which states that such insurance shall not be canceled except after ten (10) days' notice in writing to the Sub-Landlord.

10.8 WAIVER OF SUBROGATION RIGHTS. Sub-Tenant shall procure and cause each of the insureds under all policies of insurance issued at any time pertaining to the premises and to Sub-Tenant's business, to waive in writing, all rights of subrogation which such insurers may have against Sub-Landlord, its agents or employees. Any waiver of subrogation required hereunder shall include notification by Sub-Tenant of said waiver to the insurance carrier. Any failure to notify which has any impact on insurance coverage shall be the sole responsibility of the party failing to notify.

10.9 Sub-Landlord may at its option require other or additional insurance coverage of Sub-Tenant from time to time during this Lease. Sub-Tenant shall obtain such coverage within thirty (30) days of written notice from Sub-Landlord.

10.10 Sub-Tenant agrees to indemnify, defend, and hold Sub-Landlord harmless against any and all claims, damages, and liability of whatever nature, foreseen or unforeseen, under any Hazardous Substance Laws, including, but not limited to the following:

A. All fees incurred in defending any action or proceeding brought by a public or private entity and arising from the presence, containment, use, manufacture, handling, creation, storage, treatment, discharge, release, or burial on the Premises or the transportation to or from the Premises of any Hazardous Substance ("Hazardous Substance"), as is more particularly defined hereinafter. The fees for which Sub-Tenant shall be responsible shall include, but not be limited to, attorneys' fees, environmental consultants' fees, engineers' fees, surveyors' fees and expert witness fees.

B. Any diminution in the value of the Premises attributable to any clean-up, detoxification, remediation, or other type of response action taken with regard to any Hazardous Substance on or under the Premises regardless of whether or not that action was mandated by the Federal, State, or Local government.

10.11 Hazardous Substance shall be interpreted to mean:

A. Any substance, product, waste, or other material of any nature that is or becomes listed, regulated, or addressed under one or more of the following "Hazardous Substance Laws":

- I. The Comprehensive Environmental Response, Compensation, and Liability Act, referred to as "CERCLA," in 42 USC Section 9601 et seq.
- II. The Hazardous Materials Transportation Act, in 49 USC Section 1801 et seq.
- III. The Resource Conservation and Recovery Act, referred to as "RCRA," in 42 USC Section 6901, et seq.
- IV. The Clean Water Act in 33 USC Section 1251 et seq.
- V. The Toxic Substances Control Act, in 15 USC Section 2601 et seq.
- VI. The California Carpenter-Presley-Tanner Hazardous Substance Account Act, referred to "HSAA," in Health & Safety Code Section 25100 et seq.
- VII. The California Porter-Cologne Water Quality Control Act, in Water Code Section 12000 et seq.
- VIII. The California Hazardous Waste Control Act, in Health & Safety Code Section 25100 et seq.
- IX. The California Safe Drinking Water and Toxic Enforcement Act, in Health & Safety Code Section 25249.5 et seq.

- X. The California Hazardous Waste Management Act, in Health & Safety Code Section 25170.1, et seq.
- XI. Any other federal, state or local law or ordinance or other rule concerning hazardous, toxic, or dangerous substances, wastes, or materials.

B. Any substance, product, waste, or other material that may give rise to liability under any of the laws designated in Article X, Section 10.11A or under any other statutory or common law tort theory.

C. Crude oil products, including petroleum.

D. Asbestos.

E. Polychlorinated biphenyl.

F. Fossil fuel combustion wastes, including, fly ash waste, bottom ash waste, slag waste, and flue gas emission control waste.

G. Solid waste resulting from the extraction processing of ore.

H. Cement kiln dust waste.

ARTICLE XI FIRE AND CASUALTY INSURANCE

11.1 At all times during the term of this Lease, Sub-Tenant shall maintain fire and extended coverage casualty insurance with replacement cost endorsement on the fixtures, equipment, stock-in-trade and all interior improvements within the Premises in amounts not less than eighty percent (80%) of the replacement value of the fixtures, equipment, stock and improvements placed on or constructed within the Premises.

11.2 Said policy shall provide that, in the event of any fire or other covered casualty loss, that portion of the proceeds allocable to repair of the Premises, shall be held in trust by any reputable bank or trust company. In the event the Sub-Tenant shall be required or elect to undertake the replacement or reconditioning of the Premises under this Sublease, said funds shall be released to the Sub-Tenant within thirty (30) days from the date payments are required for said purposes and upon presentation of bona fide invoices for labor and/or material. Upon the completion of such replacement or reconditioning, any balance of any funds remaining shall be paid to Sub-Tenant once releases of all mechanic's liens for labor or material have been obtained. Sub-Tenant agrees, after

commencing the repairs, replacement or reconstruction, to diligently prosecute the same to completion.

11.3 In the event the Sub-Tenant shall fail to undertake the replacement or reconditioning of such structures within thirty (30) days following any such loss (or within such longer period as the parties may specify by mutual agreement), Sub-Landlord may, at its option, terminate this Lease upon written notice to Sub-Tenant, and there shall be paid and released to the Sub-Landlord from such fund the following:

A. A sum equal to the cost of clearing the Premises in the event Sub-Tenant does not at its own expense clear the Premises within thirty (30) days;

B. A sum equal to the cost of restoration of the premises;

C. A sum equal to such compensation for the use of the Premises covered by this Lease which may be due and unpaid; as an when such amount may become due and unpaid under this Lease; and

D. A sum equal to any additional damages, including lost rentals sustained by the Sub-Landlord. Such damages shall be determined as of the date of the termination of this Lease or the date upon which the Premises may be relet, whichever shall occur first. Any balance then remaining shall be paid to the Sub-Tenant.

11.4 The provisions of Sections 5, 6, 7 and 8 of Article 10 of the Master Lease are incorporated herein by reference as though fully set forth herein.

ARTICLE XII EMINENT DOMAIN

12.1 If the whole or a substantial part of the Premises hereby leased shall be taken by any public authority under the power of eminent domain, then the term of this Lease shall cease as to the part so taken from the day the possession of that part shall be required for any public purpose. The rent shall be paid up to that day, and from that day the Sub-Landlord shall have the right either to cancel this Lease and declare the same null and void, or to continue Sub-Tenant in the possession of the remainder of the Premises under the terms herein provided except that the minimum rental shall be reduced in the proportion that the value of the amount of the Premises taken bears to the value of the entire leased Premises at that time. It is understood and agreed that from any damages awarded, the Sub-Tenant shall be entitled to a sum attributable to Sub-Tenant's improvements or alterations made to the Premises by Sub-Tenant in accordance with this Lease, which Sub-Tenant's improvements or alterations Sub-Tenant has the right to

remove from the Premises pursuant to the provisions of this Lease but elects not to remove. All other items of such award shall be payable to Sub-Landlord.

ARTICLE XIII DESTRUCTION OF PREMISES

13.1 If there is a partial or complete destruction of the exterior or interior of the Premises resulting from Sub-Tenant's own actions or Sub-Tenant's failure to exercise ordinary care, Sub-Tenant shall, as soon as reasonably possible, but in any event within sixty (60) days, repair said damage at Sub-Tenant's sole cost and expense. Sub-Tenant shall not be entitled to any rent abatement in such circumstance. For purpose of this Article XIII, "interior of the Premises" shall be defined as all plate glass, electrical, doors, floor coverings, wall coverings, drywall, as added by Sub-Tenant, fixtures and furnishings, but shall not include ceilings, wall framing, or floor substructure.

13.2 If there is a partial or complete destruction of the interior of the Premises through no fault of Sub-Tenant, Sub-Tenant shall, as soon as reasonably possible, repair said damage at Sub-Tenant's sole cost and expense, unless the damage or destruction is the fault of Sub-Landlord, in which case Sub-Landlord shall be responsible to pay for the cost of repair. Such partial or complete destruction shall not in any way terminate this Lease unless Sub-Landlord determines to terminate the Lease pursuant to Section 13.5 or Section 13.6, below, and Sub-Tenant hereby waives any right of Sub-Tenant at law to so terminate. Sub-Tenant may have a reduced proportionate minimum rental during the period of reconstruction or repair, in accordance with the provisions of Section 13.7 below.

13.3 Sub-Tenant agrees, to the extent possible, to continue the operation of its business on the premises to the extent reasonably practicable from the standpoint of good business during any period of reconstruction or repair.

13.4 In the event of damage or partial or complete destruction of the building in which the Premises are located, Sub-Landlord shall be solely responsible for the cost of repairs or restoration to or of the exterior of the building in which the Premises are located, with the exception of plate glass doors and windows for the Premises and signs and other fixtures installed on the exterior by Sub-Tenant, the cost of replacement or repair of which shall be the sole responsibility of Sub-Tenant; provided, however, that Sub-Landlord shall not be obligated to undertake any such repairs or restoration and any decision to or election to repair or not to repair is in the sole discretion of Sub-Landlord.

13.5 In the event more than fifty percent (50%) of the exterior of the Premises are damaged, and Sub-Landlord elects to repair, then this Lease shall remain in full force and effect except that minimum guaranteed monthly rental shall be reduced in accordance with Section 13.7 below. In the event Sub-Landlord elects not to repair, then this lease

shall terminate effective as of the date of occurrence of damage. Sub-Landlord's election hereunder shall be made within ninety (90) days of the date of the occurrence of damage.

13.6 In the event less than fifty percent (50%) of the exterior of the Premises are damaged, regardless of whether or not Sub-Landlord elects to repair, this Lease shall remain in full force and effect except that minimum guaranteed monthly rental shall be reduced in accordance with Section 13.7 below; provided, however, that if Sub-Landlord determines not to repair then Sub-Landlord may, in Sub-Landlord's sole discretion elect to terminate this Lease. Sub-Landlord's election hereunder shall be made within ninety (90) days of the date of the occurrence of damage.

13.7 In the event of complete destruction of the interior of the Premises not caused by Sub-Tenant, and rebuilding of the Premises is not or cannot be substantially completed within twelve (12) months of the date of destruction, then Sub-Tenant shall have the right to terminate this Sub-lease. In the event of damage or destruction to the exterior or interior of the Premises as set forth in Sections 13.2, 13.5 or 13.6 hereof the minimum guaranteed monthly rental shall be abated during any such reconstruction or repair provided in this Article proportionate to the amount of actual interference which is caused by the making of such repairs.

13.8 Nothing in this Article shall be construed to refer to the condition of the Premises as of the date of this Lease. Sub-Tenant has examined the Premises and agrees to undertake the initial completion of improvements to the Premises as Sub-Tenant's sole obligation, except as otherwise set forth herein.

ARTICLE XIV RECORDS AND ACCOUNTS

14.1 Sub-Tenant covenants and agrees that it will at all times during the term of this Lease, keep or cause to be kept true and complete books, records and accounts of all financial transactions in the operation of all businesses, concessions, services and activities of whatever nature conducted on or from the Premises. The records must be supported by documents from which the original entry of the transaction was made, including sales slips cash register tapes, and purchase invoices.

All sales and charges shall be recorded by means of cash registers which display to the customers the amount of the transaction and automatically issue receipts certifying the amounts recorded. Sub-Tenant covenants and agrees that all take out sales and charges shall be recorded by means of a separate cash register in the event the City so requires. The registers shall be equipped with devices which lock in sale totals, transaction numbers and sales details. Cash register readings shall be recorded at the beginning and end of each day.

Sub-Tenant covenants and agrees that it will comply with and require all of its agents and employees, subtenants and concessionaires to comply with the foregoing requirements.

14.2 All of the aforesaid books, records and accounts shall be kept at Sub-Tenant's principal office and will be made available at the Premises. Sub-Landlord shall have the right at any time to inspect and to audit all of the books of accounts, documents, records, returns, papers and files of the Sub-Tenant and sub-tenants and concessionaires of Sub-Tenant, if any, and Sub-Tenant on request by Sub-Landlord shall make all such matters available for such examination at said principal office on the Premises, at any reasonable time. In conducting its inspection or audit, Sub-Landlord may do the same by itself, its employees or any agents.

14.3 Tenant shall not be required to keep books and records any longer or be subject to audit at any later dates than those required of Sub-Landlord by the City of Redondo Beach.

ARTICLE XV OPERATIONS AND CHARGES

15.1 It is understood and agreed by the parties hereto that a principal consideration and inducement which has caused landlord to execute this Lease is the confidence reposed by Sub-Landlord in Sub-Tenant and the Sub-Tenant's ability to carry on and conduct its business in the Premises in a manner consistent with the reasonable and customary operations of a retail jewelry store including the extraction of pearls from live oysters. Accordingly, and subject to any provisions hereinafter contained, Sub-Tenant agrees that Sub-Tenant shall continuously during the term of this Lease, occupy and use the Premises for the purposes herein before set forth in this Lease during all usual and customary business hours for similar operations in the Southern California area (or more at Sub-Tenant's option). Provided, however, that Sub-Tenant shall also keep the premises and the concession services and facilities located thereon, open and in operation during such days and hours as may be from time to time prescribed by the Sub-Landlord. Provided, however, that the Sub-Landlord shall give Sub-Tenant not less than twenty (20) days' notice of the adoption of or modification of such schedule.

15.2 Sub-Tenant understands and agrees that it is leasing and operating only a portion of the entire Premises which are leased by Sub-Landlord from the City of Redondo Beach, and which are owned and/or operated by Sub-Landlord. Sub-Tenant further understands and agrees that its operation must conform to and be in harmony with Sub-Landlord's entire plan in the area. Accordingly, and in addition to other things agreed to herein by Sub-Tenant, Sub-Tenant agrees as follows:

A. To employ or provide at its own expense such competent personnel to provide such services as are necessary and reasonably required for the operation of Sub-Tenant's business. Such personnel shall be kept on duty at all times when the Premises are open to the public. Competent personnel is defined as including, but not limited to, personnel who speak and understand the English language.

B. To keep the Premises neat, clean, and safe, and shall clean the Premises and surrounding area each day prior to the commencement of operation.

C. To sell and provide only high-quality services, goods and merchandise.

D. To keep the Premises adequately lit after daylight hours and at such other times as public safety or convenience requires, in the Sub-Landlord's discretion.

E. No signs shall be erected on the Premises without having first obtained the written consent of Sub-Landlord, which consent may be withheld in Sub-Landlord's sole discretion. Any signs erected by Sub-Tenant shall meet all requirements of the City or any other governmental or regulatory agency.

F. To refrain and cause its employees and agents to refrain from burning any papers, trash or garbage of any kind in or about the Premises.

G. To not keep or display any merchandise or other objects on or otherwise obstructing any sidewalks, walkways or areaways without the prior written consent of Sub-Landlord.

H. To not permit any handbills or other advertising materials to be distributed on or about the sidewalks, streets, passageways or public area within or surrounding the Premises.

I. To not conduct or permit to be conducted any fire; bankruptcy, or auction sale in or about the Premises.

J. To not change the interior or exterior color of the Premises or any part thereof, or the color, size, location or composition of any signs or advertisements without the written consent of Sub-Landlord, which may be withheld in Sub-Landlord's sole discretion.

K. To not install or use any facilities, or use in, on or about the Premises any facilities which may be heard or experienced outside the Premises such as flashing lights,

searchlights, loudspeakers, phonograph or radio broadcasts⁷ without first obtaining the prior written consent of Sub-Landlord.

L. To not and shall not permit its employees to keep or permit the keeping of any animals of any kind, in, about or upon the Premises.

M. To not use or permit to be used on any sidewalks adjacent to the Premises or upon the Premises any vending machine, amusement device, scales, newsstand, cigar stand, sidewalk shop or other business, occupation or undertaking.

15.3 Sub-Landlord shall have the right at any time to amend or revise the applicable standards of operation and maintenance or rules and regulations herein contained, and from time to time to adopt such additional standards or rules and regulations relating to the maintenance and operation of the Premises or of any services or businesses conducted or maintained on the Premises, as Sub-Landlord in its reasonable judgment may deem necessary. Sub-Tenant covenants and agrees to abide by all such applicable standards and rules and regulations and to enforce compliance therewith by all of its agents and employees immediately upon written notice to Sub-Tenant of their adoption.

15.4 In the event Sub-Landlord believes that the standards of operation and maintenance or the rules and regulations are not being observed or enforced by Sub-Tenant, then Sub-Landlord may give written notice thereof to the Sub-Tenant who shall immediately upon receipt of such notice, cause any such deficiency to be corrected, or, where it is physically impossible to correct such deficiency immediately, Sub-Tenant shall in good faith commence the correction immediately upon receipt of notice and thereafter diligently prosecute the same to completion.

15.5 Sub-Tenant covenants and agrees to abide by all standards of operations and maintenance, or rules and regulations of any nature whatsoever, which may at any time be adopted by the City of Redondo Beach, including any amendments or revisions thereto, relating to the maintenance and operation of the Premises, or of any services or businesses conducted or maintained on the Premises. Sub-Tenant covenants and agrees to abide by all such standards, rules and regulations to enforce compliance therewith by all of its members, guests, agents, and employees immediately upon written notice to Sub-Tenant of their adoption.

15.6 Sub-Landlord reserves the right by its authorized agents, employees or representatives to enter the Premises to inspect the same or any part thereof at any reasonable time and to protect the Sub-Landlord's interest under this Lease.

15.7 Sub-Tenant covenants and agrees to comply with all rules, regulations, statutes, ordinances and laws of the State of California, County_ of Los Angeles, City of Redondo

Beach, or any other governmental body or agency having lawful jurisdiction over the Premises, or the business, enterprises or activities conducted thereon. Sub-Tenant shall not use or suffer or permit to be used the Premises or any part thereof in any manner that will constitute a nuisance.

ARTICLE XVI ENCUMBRANCES BY LANDLORD

16.1 This Lease and the leasehold interest created hereby is, are, and shall be, at the option and upon the declaration of Sub-Landlord, subordinate and inferior to any liens or encumbrances, renewals, extensions or replacements which may be imposed upon the Premises or any part thereof by Sub-Landlord, upon the following terms and conditions:

A. The execution by Sub-Landlord and recordation in the office of the County Recorder of Los Angeles County, California, of such lien or encumbrance shall make this Lease subject, subordinate and inferior thereto. After written request made upon Sub-Tenant by Sub-Landlord or the title company issuing a policy of title insurance insuring the lien, estate or effect of said lien or encumbrance, Sub-Tenant shall with all reasonable diligence execute and deliver to said title company or landlord any agreement of subordination, or any covenants and conditions which said title company or landlord shall designate.

B. The mortgagee or beneficiary in such mortgages or deeds of trust shall recognize this Lease and be bound by the terms of the Lease in the event of foreclosure, if Sub-Tenant is not in default under the terms of this Lease and provided that Sub-Tenant attorns to such mortgagee or beneficiary.

C. If any mortgagee or beneficiary elects to have this Lease superior to its mortgage or deed of trust and gives notice of its election to Sub-Tenant, then this Lease shall be superior to the lien of any such mortgage or deed of trust, whether this Lease is dated or recorded before or after the mortgage or deed of trust.

D. Sub-Tenant agrees to cooperate with and execute such documents as are necessary to subordinate this Leasehold to the reasonable satisfaction of a mortgagee or beneficiary.

ARTICLE XVII PAYMENTS, DEFAULT AND TERMINATION OF LEASE

17.1 Time, and each of the terms, covenants and conditions hereof are expressly made the essence of this Lease.

17.2 Each term and each provision of this Lease performable by Sub-Tenant shall be construed to be both a covenant and a condition.

17.3 One or more waivers by Sub-Landlord of any covenant or condition shall not be construed as a waiver of a subsequent breach of the same or any other covenant or condition. Sub-Landlord's consent to or approval of any act by Sub-Tenant requiring Sub-Landlord's consent to or approval of shall not be deemed to waive or render unnecessary Sub-Landlord's consent to or approval of any subsequent act.

17.4 It is an express covenant and agreement of the parties hereto, and a material consideration flowing from Sub-Tenant to Sub-Landlord for the execution of this Lease, that Sub-Landlord may, at its election, terminate this Lease by giving not less than ten (10) days' written notice to Sub-Tenant, upon the occurrence of any of the following events:

A. Upon the sale or transfer of all or substantially all of the Sub-Tenant's assets used in the business conducted on the Premises;

B. If at any time during the term of this Lease or any, extension thereof, the tenancy hereunder interferes with the use of any of the tidelands of Redondo Beach, or in any manner becomes inconsistent with the trust under which said tidelands are held from the State of California, whether such interference or inconsistency results from the use of the Premises or the tenancy created hereunder; or

C. If, at any time during the term of this Lease or any extension thereof, any order of abatement or any order of judgment preventing the use of the Premises or any part thereof to be made upon the ground that the Premises or any part thereof, are used, or have been used, in violation of law.

17.5 In the event that Sub-Landlord terminates this Lease by reason of any of the matters set forth herein, Sub-Landlord, at its election, may re-enter the Premises. The Lease shall not be treated as an asset of Sub-Tenant, and all of the improvements owned by Sub-Tenant, including any and all fixtures and equipment (except those fixtures removable without damage to the Premises), shall become the property of Sub-Landlord. It is further expressly understood and agreed that Sub-Landlord shall be entitled, upon such re-entry, notwithstanding any other provisions of this Lease, to exercise such rights and remedies and to recover from Sub-Tenant as damages for loss of the bargain resulting from such occurrence(s), and not as a penalty such rights and remedies as are provided by law, and in addition thereto such rights and remedies and amounts as are specified in Article XVIII of this Lease, unless any statute or rule of law governing the proceeding in which such damages are to be proved shall lawfully limit the amount of such claims capable of being so proved, in which case Sub-Landlord shall be entitled to recover as and for liquidated damages the maximum which may be allowed under any

such statute or rule of law. Provided, however, that in the event that Sub-Landlord receives any funds from the City of Redondo Beach for Sub-Tenant's improvements and/or fixtures and equipment, by reason of any occurrences set forth in subparagraph "B" of Section 4 of this Article, Sub-Landlord shall pay the amount thereof when received to Sub-Tenant or set off the amount against any amounts owing from Sub-Tenant to landlord.

ARTICLE XVIII REMEDIES

18.1 If Sub-Tenant should, after notice, fail to remedy and default in the payment of any sum of money due under this Lease for three (3) days, or, if Sub-Tenant shall fail to comply with any of the terms, covenants, promises or conditions of this lease to be kept or performed by Sub-Tenant within a period of thirty (30) days, plus such period of delay as Sub-Tenant may encounter by reason of governmental regulations or inability to obtain labor or materials, strikes, fire, earthquakes or other acts of God, or, upon the occurrence of any of the events set forth in Article XVII of this Lease, or, if Sub-Tenant shall abandon or vacate the Premises, Sub-Landlord may, at its option and without limiting Sub-Landlord in the exercise of any other right or remedy it may have on account of such default, and without any further demand or notice:

A. Continue this Lease in full force and effect. The Lease will continue in effect as long as Sub-Landlord does not terminate Sub-Tenant's right to possession. Sub-Landlord shall have the right to collect rent when due. During the period Sub-Tenant is in default, Sub-Landlord can enter the Premises and relet them, or any part of them, to third parties for Sub-Tenant's account. Sub-Tenant shall be liable immediately to Sub-Landlord for all costs Landlord incurs in reletting the Premises, including, without limitation, broker's commissions, expenses of remodeling the Premises required by the reletting and like costs. Reletting can be for a period shorter or longer than the remaining term of this Lease. Sub-Tenant shall pay to Sub-Landlord the rent due under this Lease on the dates the rent is due, less the rent Sub-Landlord receives from any reletting. No act by Sub-Landlord allowed by this paragraph shall terminate this Lease unless Sub-Landlord notifies Sub-Tenant that Sub-Landlord elects to terminate this Lease. After Sub-Tenant's default and for as long as Sub-Landlord does not obtain Sub-Tenant's right to possession of the Premises, if Sub-Tenant obtains Sub-Landlord's consent Sub-Tenant shall have the right to assign or sublet its interest in this Lease, but Sub-Tenant shall not be released from liability.

If Sub-Landlord elects to relet the Premises as provided in this paragraph, rent that Sub-Landlord receives from reletting shall be applied to the payment of: First, any indebtedness from Sub-Tenant to Sub-Landlord other than rent due from Sub-Tenant; second, all costs, including maintenance, real estate commissions and Sub-Tenant

expenses incurred by landlord in reletting; and third, rent due and unpaid under this Lease. After deducting the payments referred to in this paragraph, any sum remaining from the rent Sub-Landlord receives from reletting shall be held by Sub-Landlord and applied in payment of future rent as rent becomes due under this Lease. In no event shall Sub-Tenant be entitled to any excess rent received by landlord. If on the date rent is due under this Lease, the rent received from the reletting is less than the rent due on that date, Sub-Tenant shall pay to Sub-Landlord, in addition to the remaining rent due, all costs, including for maintenance, Sub-Landlord incurred in reletting that remain after applying the rent received from the reletting as provided in this paragraph.

B. Terminate Sub-Tenant's right to possession of the Premises at any time. No act by Sub-Landlord other than giving notice to Sub-Tenant shall terminate this Lease. Acts of maintenance, efforts to relet the Premises, or the appointment of a receiver on Sub-Landlord's initiative to protect Sub-Landlord's interest under this Lease shall not constitute a termination of Sub-Tenant's right to possession. On termination, Sub-Landlord has the right to recover from Sub-Tenant:

(1) The worth, at the time of the award, of the unpaid rent that had been earned at the time of termination of this Lease;

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

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

(4) Any other amount, and court costs, necessary to compensate Sub-Landlord for all detriment proximately caused by Sub-Tenant's default.

"The worth, at the time of the award", as used in (1) and (2) of this paragraph, is to be computed by allowing interest at the maximum rate an individual is permitted by law to charge. "The worth, at the time of the award", as referred to in (3) of this paragraph, is to be computed by discounting the amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus one percent (1%).

C. If Sub-Tenant is in default of this Lease, Sub-Landlord shall have the right to have a receiver appointed to collect rent and conduct Sub-Tenant's business. Neither

the filing of a petition for the appointment of a receiver nor the appointment itself shall constitute an election by landlord to terminate this lease.

D. Sub-Landlord, at any time after Sub-Tenant commits a default, can cure the default at Sub-Tenant's cost. If Sub-Landlord at any time, by reason of Sub-Tenant's default, pays any sum or does any act that requires the payment of any sum, the sum paid by Sub-Landlord shall be due immediately from Sub-Tenant to Sub-Landlord at the time the sum is paid, and if paid at a later date shall bear interest at the maximum rate an individual is permitted by law to charge from the date the sum is paid by Sub-Landlord until Sub-Landlord is reimbursed by Sub-Tenant. The sum, together with interest on it, shall be additional rent.

18.2 The rights of Sub-Landlord provided for herein shall be cumulative to all other rights or remedies now or hereafter given to Sub-Landlord by law or by any of the terms of this Lease.

18.3 Sub-Landlord shall in no event be in default in the performance of any of its obligations contained in this Lease unless and until Sub-Landlord shall have failed to perform such obligations within thirty (30) days after written notice from Sub-Tenant to Sub-Landlord, or such additional time as is reasonably required to correct any such default, after written notice by Sub-Tenant to Sub-Landlord properly and specifically specifying in detail wherein Sub-Landlord has failed to perform any such obligation.

18.4 Any re-entry as provided for herein shall be allowed by Sub-Tenant without hindrance, and Sub-Landlord shall not be liable in damages or otherwise, for any such re-entry, or be guilty of trespass.

ARTICLE XIX BANKRUPTCY, INSOLVENCY, OR LITIGATION

19.1 If, during the term of this Lease, (a) a petition to have Sub-Tenant adjudicated as bankrupt, or a petition for reorganization or bankruptcy is filed by Sub-Tenant, or is filed against Sub-Tenant and not dismissed within thirty (30) days from the date of such filing; (b) the assets of Sub-Tenant or the business conducted by Sub-Tenant on the Premises is assumed by any trustee, receiver, or other person pursuant to any judicial proceeding; or (c) Sub-Tenant becomes insolvent or fails in business or makes an assignment of the benefit of creditors, the occurrence of such contingency shall be deemed to constitute and shall be construed as a repudiation of the obligations of Sub-Tenant and a breach of the Lease. It is an express covenant and agreement of Sub-Landlord and Sub-Tenant that Sub-Landlord may, at its election, terminate this Lease in the event of the occurrence of any of the events in this Article above-described by giving not less than three (3) days' written notice to Sub-Tenant, and when so terminated, Sub-Landlord may re-enter the

Premises. The Lease shall not be treated as an asset of Sub-Tenant's estate. It is further expressly understood and agreed that Sub-Landlord shall be entitled, upon such re-entry, notwithstanding any other provisions of this Lease, to exercise such rights and remedies and to recover from Sub-Tenant as damages for loss of the bargain resulting from such breach, and not as a penalty such amounts as are specified in Article XVIII above, unless any statute or rule of law governing the proceeding in which such damages are to be proved shall lawfully limit the amount of such claims capable of being so proved, in which case Sub-Landlord shall be entitled to recover as and for liquidated damages the maximum amount which may be allowed under any such statute or rule of law.

19.2 If at any time during the term of this Lease, any litigation is commenced by parties other than Sub-Landlord or Sub-Tenant hereunder, or the City of Redondo Beach, and if said litigation results in the termination of the Master Lease, and/or this Lease, then this Lease shall forthwith terminate, and upon such event neither Sub-Landlord or Sub-Tenant shall have any liability one to the other. Provided, however, in the event that such litigation results in the termination of this Lease, all of the improvements then situated on the Premises shall become the property of Sub-Landlord and be owned by Sub-Landlord. Provided further that if upon such event Sub-Landlord receives any funds from the City of Redondo Beach by reason of such termination, for Sub-Tenant's improvements, then Sub-Landlord shall pay the amount thereof, as and when received, to Sub-Tenant. The provisions of this section do not and shall not relate to any litigation which relates to the performance of the terms of this Lease by Sub-Tenant or Sub-Landlord, or to the performance of any of the terms of the Master Lease by Sub-Landlord, but applies only to such litigation instituted by such third parties and which do not relate to the performance of the terms of this Lease by either of the parties hereto or by the performance or lack of performance of Sub-Landlord herein under the terms of the Master Lease.

ARTICLE XX OWNERSHIP OF IMPROVEMENTS AND SECURITY

20.1 Subject to the terms of this Lease, it is agreed that any and all improvements (not including trade fixtures) constructed on the Premises by the Sub-Tenant shall be, are, and shall remain, the property of the Sub-Landlord owned by the Sub-Landlord.

20.2 Upon the expiration of the term of this Lease if the Sub-Tenant is not in default under the terms of this Lease, Sub-Tenant shall have the right to remove all trade fixtures erected by it upon the Premises. The removal shall be completed prior to the expiration of the term of this Lease and shall be done at Sub-Tenant's own expense. Sub-Tenant shall not cause any damage to the Premises, or if any damage does occur, Sub-Tenant shall, at its own expense, repair and pay for the same and restore the Premises to as good condition as they were prior to the removal of the fixtures. Provided, however, that if such trade fixture improvements are not removed on or before the expiration of the term

of this Lease, Sub-Landlord shall have the right to remove and/or sell, and/or destroy the same at the expense of the Sub-Tenant. Sub-Tenant agrees to pay to the Sub-Landlord the reasonable cost of any such removal, sale or destruction, or, at the option of the Sub-Landlord, such improvements shall become the property of the Sub-Landlord and title therein shall rest with the Sub-Landlord.

20.3 Sub-Tenant shall, and does hereby, assign, sell, pledge and hypothecate to Sub-Landlord, all of the improvements, fixtures and equipment constructed or to be constructed, or which may hereafter ever exist on the Premises, together with all appurtenances thereof, except removable trade fixtures, as security for the faithful performance by Sub-Tenant of all of the terms, covenants and conditions of this Lease by Sub-Tenant to be kept and performed during the term hereof. Upon any termination of this Lease, all such improvements, fixtures and equipment shall become the property of Sub-Landlord. The lien imposed herein shall be prior to any other liens or encumbrances on said improvements, fixtures or equipment.

ARTICLE XXI

CHANGING LOCATION OF IMPROVEMENTS

21.1 Sub-Tenant, shall at its sole cost and expense, and without any cost to Sub-Landlord, move or remove any installations or improvements installed by it, upon the order of any governmental entity having jurisdiction to require such moving and removal. Provided, however, that Sub-Tenant shall have the right to contest by appropriate legal proceedings, without cost or expense to Sub-Landlord, the validity of any-such order, if, by the terms of any law relative thereto, compliance with such order may be held legally in abeyance without subjecting Sub-Tenant or Sub-Landlord to any liability whatsoever for the failure to comply therewith, and does not interfere with the use or occupancy of adjacent premises. In that event Sub-Tenant shall prosecute the matter with due diligence and dispatch. Any such order, or any removal or moving occasioned thereby shall not in any way affect the validity of this Lease, or the Sub-Tenant's obligations hereunder, including Sub-Tenant's obligations to pay rent.

ARTICLE XXII

SUB-LEASE APPROVAL CONTINGENCY

22.1 Sub-Landlord is the Sub-Tenant of the Premises leased hereby under the Master Lease. It is mutually understood and agreed by the parties that this Lease is made under and pursuant to said Master Lease and is subject and subordinate to all of the provisions thereof, any amendments thereto. Sub-Tenant acknowledges that it has examined said Master Lease.

22.2 This Lease shall ipso facto be canceled and not binding on either of the parties and without liability to either of the parties if the City of Redondo Beach does not give its written approval of this Lease as provided in the Master Lease between the City of Redondo Beach and Sub-Landlord herein.

ARTICLE XXIII COMPLIANCE WITH LAW

23.1 Sub-Tenant agrees that in all activities on or in connection with the Premises and in all uses thereof, including the making of any alterations or changes in the installation of any machines and other improvements, it will abide by and confirm to all rules and regulations prescribed by the City Charter of Redondo Beach, any ordinances of said City, including Building Code thereof, any general rules of the Harbor Department and Fire Department of said City, and any applicable Federal, State and Municipal laws as any of the same may exist or be hereafter promulgated or amended.

23.2 In the event of the charging or assessing of any fees for the inspection or examination of the Premises, or any part thereof, or anything pertaining thereto, by any public authority having jurisdiction over the Premises during the term of this Lease, Sub-Tenant shall pay all such fees for inspection or examination by reason of the manner or use or maintenance of and the business conducted in the Premises by Sub-Tenant.

23.3 If during the term of this Lease, any order of abatement or any order of judgment preventing the use of the Premises or any part thereof be made upon the ground that the Premises or any part thereof are used or have been used in violation of law, Sub-Tenant covenants and agrees that it will not be relieved thereby or by reason of its loss of the possession of the Premises and personal property, or any part thereof, from any of its liabilities or obligations under the terms of this Lease.

ARTICLE XXIV SURRENDER OF PREMISES

24.1 Sub-Tenant shall, upon the expiration of the term of this Lease, surrender to Sub-Landlord the Premises in good condition and repair, reasonable wear and tear excepted, and will peaceably yield up and surrender the Premises and the whole thereof and allow the Sub-Landlord to take peaceable possession thereof. Sub-Tenant shall have the right to remove trade fixtures as provided for in Article XX herein, if it is at that time not in default under any of the terms or conditions of this Lease.

24.2 If upon the expiration of the term Sub-Tenant is in default under any of the terms or conditions of this Lease, or, upon the earlier termination of this Lease prior to the expiration of the term, then upon the occurrence of either of such events Sub-Tenant shall

surrender the Premises to Sub-Landlord, including without limitation, all buildings, apparatus and fixtures, improvements, (except trade fixtures and equipment as may be provided for herein), then on the Premises, in good condition and repair, reasonable wear and tear excepted in, upon or about the Premises, without any injury, damage or disturbance thereto or payment therefor. Sub-Tenant will peaceably yield up and surrender the Premises and allow the Sub-Landlord to take peaceable possession thereof.

ARTICLE XXV MISCELLANEOUS

25.1 Sub-Tenant shall from time to time upon not less than twenty (20) days' prior written request by Sub-Landlord, execute, acknowledge and deliver to Sub-Landlord a statement in writing certifying that this Lease is unmodified and in full force and effect, or if there has been any modification thereof that the same is in full force and effect as modified, and stating the modification or modifications and the dates to which the minimum rent and other charges have been paid in advance and the defaults of Sub-Landlord, if any. It is expressly understood and agreed that any such statement delivered pursuant to this paragraph may be relied upon by any prospective purchaser of the Sub-Landlord's interest or the mortgagee or assignee of any mortgage or trustee or any beneficiary of any deed of trust executed by the Sub-Landlord as trustor, or mortgagor. It is further agreed that such request for a statement shall not be made more often than once every six (6) months except if demand is made by escrow if Sub-Landlord's interest is being sold or encumbered.

25.2 Sub-Tenant does hereby warrant that it has examined and is familiar with the Premises leased hereby and accepts the same in their present condition.

25.3 It is mutually agreed that if the Sub-Tenant shall hold over after the expiration of this Lease for any cause, such holding over shall be deemed a tenancy from month to month only, at the same rental per month and upon the same terms, conditions and provisions agreed upon in writing by the Sub-Landlord and Sub-Tenant as adjusted in accordance with Article III, Section 3.9 herein. Such holding over shall include any time employed by the Sub-Tenant to remove machines, appliances and other improvements during the fifteen (15) day period hereinabove mentioned for such removal.

25.4 The word "persons" wherever used shall include individuals, firms, associations and corporations. The obligations of Sub-Tenant (including any approved assignee or sub-tenant) shall be joint and several.

25.5 The various rights, options, elections, powers and remedies of the Sub-Landlord contained in this Lease shall be construed as cumulative, and no one of them is exclusive of any others or of any other legal or equitable remedy which Sub-Landlord might

otherwise have in the event of breach or default in the terms hereof. The exercise of one right or remedy by Sub-Landlord shall not impair its right to any other right or remedy until all obligations imposed upon Sub-Tenant have been fully performed.

25.6 Sub-Tenant hereby agrees to each and all of the terms and conditions of this Lease. It is agreed that each and all of the covenants and obligations of this Lease shall be binding upon and inure to the benefit of the parties, their respective heirs, executors, administrators, successors and assigns, as the case may require, subject at all times to all agreements and restrictions herein contained with respect to assignment, sub-letting or hypothecation of Sub-Tenant's interest in this Lease.

25.7 For the purpose of this Lease, any concessionaire of Sub-Tenant shall be deemed to be a sub-tenant of Sub-Tenant. All of the provisions of this Lease applicable to sub-letting, sublessees and sub-tenants shall be equally applicable to the granting of any concession, and to concessionaires with the same force and effect as though specifically provided herein.

25.8 Nothing contained in this Lease shall be deemed or construed by the parties hereto or by any third person to create the relationship of principal or agent, partnership, joint venture, or any association between Sub-Landlord and Sub-Tenant. Neither the method of computation of rent nor any other provisions contained in this Lease nor any acts of the parties hereto shall be deemed to create any relationship between Sub-Landlord and Sub-Tenant other than the relationship of landlord and tenant.

25.9 It is hereby expressly agreed that this Lease contains all of the terms, covenants, conditions and agreements between the parties hereto relating in any manner to this Lease, including but not by way of limitation, the rental, use, construction and occupancy of the Premises. No prior agreement or oral representation or understanding pertaining to the same shall be valid or of any force or effect. All oral statements and representations have been merged into this written Lease. The terms, covenants, conditions and provisions of this Lease cannot be altered, changed, modified or added to except in writing signed by the parties hereto.

25.10 Sub-Landlord shall not be responsible for damages or otherwise, (which might be deemed a breach of the covenant of quiet enjoyment), for any interference, picketing or any other act or omission by any labor union, strikers, or any other individual(s), or by any governmental entity which may be exerted against the Sub-Landlord, or any of its Premises leased from the City of Redondo Beach, or any other tenant of the Sub-Landlord.

25.11 If any controversy, litigation or court proceeding is prosecuted or defended by Sub-Landlord in connection with the Premises, Sub-Tenant will render all reasonable assistance to Sub-Landlord.

25.12 It is understood and agreed that all of the provisions of this Lease are to be construed as covenants and agreements, as though the words importing such covenants and agreements were used in each separate provision hereof. It is further agreed that all of the Sub-Tenant's covenants and agreements herein contained are conditions, and that the time of the performance of each is of the essence of this Lease, and that the strict performance of each is of the essence of this Lease, and that the strict performance of each shall be a condition precedent to the right of Sub-Tenant to remain in possession of the Premises or to have the Lease continue in effect.

25.13 All notices, statements, demands, requests, consents, approvals, authorizations, offers, agreements, appointments, or designations under this Lease by either party to the other shall be in writing and shall be sufficiently given and served upon the other party. If sent by certified mail, return receipt requested, postage prepaid and addressed as follows:

A. To Sub-Tenant at 131 Fisherman's Wharf, Redondo Beach, California 90277.

B. To Sub-Landlord, at 131 Fisherman's Wharf, Redondo Beach, California 90277, with a copy to Daniel S. H. Lee, Lee & Oh, APLC, 3580 Wilshire Blvd. Suite 1050, Los Angeles, CA 90010, or to such other place as Sub-Landlord may from time to time designate by notice to Sub-Tenant.

C. To City, at 415 Diamond Street, P.O. Box 270, Redondo Beach, California 90277-0270.

25.14 As used in this Lease, all words in the masculine, feminine or neuter gender and plural or singular number shall each be construed to include the others whenever the context so requires. This Lease shall not be construed against the parties preparing it but shall be construed as if both parties jointly prepared this Lease without any uncertainty or ambiguity being interpreted against the other party, and the provisions of Civil Code Section 1654 are hereby waived.

25.15 The marginal headings or title to the paragraphs of this Leases are not a part of this Lease and shall have no effect upon the construction or interpretation of any part of this Lease.

25.16 Except as otherwise expressly stated, each payment required to be made by Sub-Tenant shall be in addition to and not in substitution for other payments to be made by Sub-Tenant.

25.17 Any provision of this Lease which shall prove invalid, void or illegal shall in no way affect, impair or invalidate any other provision hereof, and such remaining provisions shall remain in full force and effect.

25.18 If any action or proceeding arises from this Agreement, the prevailing parties shall be entitled to recover their reasonable costs, attorney's fees and necessary disbursements in addition to any other relief to which they may otherwise be entitled.

25.19 In the event that Sub-Landlord's interest in the Master lease should be terminated by reason of the fault of Sub-Landlord, then and in that event Sub-Tenant hereunder will attorn to the City of Redondo Beach and pay the rental provided herein directly to said City.

25.20 Any and all rights accruing to Sub-Landlord pursuant to Article 15 of the Master Lease shall accrue also to the benefit of Sub-Tenant hereunder so far as the same might apply to Sub-Tenant's Premises; provided, however, nothing contained herein shall be construed or interpreted as (a) assigning any rights of Sub-Landlord under the Master lease to Sub-Tenant, or (b) compelling Sub-Landlord to enforce the provisions of said Article against the City of Redondo Beach.

25.21 Nothing contained herein shall be construed as containing a warranty by Sub-Landlord as to the condition of the Premises and it is specifically understood and agreed that, except for work to be specifically performed by Sub-Landlord hereunder, Sub-Tenant is required to design and construct its improvements required hereunder at Sub-Tenant's own risk, and at no risk or liability whatsoever to Sub-Landlord.

25.22 It is understood and agreed that the City of Redondo Beach shall have the right of entry to, into and/or over the Premises in the event that it becomes necessary for the City to perform any of the responsibilities required of it under the Master Lease and/or the City to perform any of the responsibilities required of it under the Master Lease and/or to establish any new bulkheads, rebuild the seawall, or for the purposes of dredging. Sub-Landlord shall not be responsible for or liable to Sub-Tenant for any damages occasioned to Sub-Tenant by said City's right of entry.

25.23 Sub-Tenant hereby agrees to indemnify, protect, defend and hold harmless Sub-Landlord, its officers, directors, attorneys, employees, heirs and assigns, from any and all claims by a third party related to the execution of this Lease, or related to the premises which are the subject of this Lease, or the use thereof. Said defense shall be by counsel of Sub-Landlord's choosing.

25.24 Sub-Tenant agrees to supply any and all credit information which Sub-Landlord may request, including the information requested in Exhibit "B" attached hereto and

incorporated by reference herein. Failure to supply said information, or should any information provided hereunder be found materially false or misleading, shall entitle Sub-Landlord to cancel and terminate this Lease upon three (3) days' notice of the breach of this paragraph, and Sub-Landlord shall be entitled to any and all rights and remedies as provided herein, at law, or in equity.

ARTICLE XXVI TENANTS' ASSOCIATION

26.1 Sub-Tenant shall join and maintain a membership in the Redondo Beach Pier Association or any similar association for the benefit of merchants in the wharf and harbor area and shall pay such dues as may be impartially imposed by said association.

ARTICLE XXVII VENDING MACHINES

27.1 It is understood and agreed by and between Sub-Landlord and Sub-Tenant herein that there will be many types and numbers of businesses and business activities on the premises Sub-Landlord has leased from the City of Redondo Beach of which the Premises are a part. It is further recognized by the parties hereto that the means of ingress and egress to the Premises and to other parts of Sub-Landlord's premises leased from the City of Redondo Beach are relatively limited, and that it will be to the benefit of all of Sub-Landlord's tenants and to Sub-Tenant herein, if means are provided to control congestion, and means undertaken to provide for a free flow of traffic. It is further recognized that the entire Redondo Beach harbor area will benefit if vending machines which dispense chattels (and not coin operated machines which do not dispense chattels, such as laundromats, music and record players, etc.) are standardized. Sub-Tenant agrees not to install vending machines.

ARTICLE XXVIII MASTER LEASE

28.1 It is recognized that Sub-Landlord herein is the tenant under a certain Master Lease covering the Premises with the City of Redondo Beach as Master Lessor. Nothing in this Lease is intended to alter or interfere with the relationship between the City of Redondo Beach, as Master Lessor, and the Sub-Landlord herein, as the lessee, as set forth in the Master Lease. Sub-Tenant shall comply with all terms, covenants, obligations and conditions of the Master Lease. If any conflict between this Lease and the Master Lease should arise in that regard this Lease is deemed amended to conform to the Master Lease.

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

LANDLORD:

HK Pacific LLC, a California limited liability company

By:


James Kwon
Its: Manager

Sub-Tenant:

By:


Jorge-Anthony Hernandez

EXHIBIT "A"

Description of the Premises

Those Premises located at a portion of Unit No. 112 Fisherman's Wharf located on the Monstad Pier, Redondo Beach, California as designated by Sub-Landlord.