

MASTER LEASE

BETWEEN

HCHP AFFORDABLE MULTI-FAMILY, LLC,

a California limited liability company,

as "Landlord"

and

CITY OF PERRIS,

a municipal corporation,

as "Tenant"

PERRIS STATION APARTMENTS

MASTER LEASE

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MASTER LEASE

This Master Lease ("Lease") is entered into as of the date set forth in Section 1.1 by and between Landlord and Tenant.

ARTICLE 1 - BASIC LEASE PROVISIONS

1.1 Effective Date: February 12, 2014.

1.2 Landlord: HCHP Affordable Multi-Family, LLC, a California limited liability company

1.3 Tenant: City of Perris, a municipal corporation

1.4 Intentionally omitted.

1.5 Project: The "Project" is a retail/food use/service-oriented commercial project containing approximately nine thousand nine hundred seventy-eight (9,978) square feet of Floor Area located within the ground floor of the building at 24 S. "D" Street, in Perris, California. The Project is a portion of a larger affordable multifamily residential project (the "Larger Project"). Attached hereto as Exhibit A and incorporated herein by this reference is a site plan and elevations of the Larger Project, Project (also referred to as "Premises") and the Common Area.

1.6 Premises: The Premises leased under this Lease constitutes the entirety of the Project. (Article 2)

1.7 Floor Area: Approximately nine thousand nine hundred seventy-eight (9,978) square feet. (Article 2)

1.8 Term: One hundred eighty (180) months, with five (5) Option Terms of sixty (60) months each. (Article 3)

1.9 Common Area: The Common Area shall initially be substantially as depicted on Exhibit A.

1.10 Rent: Rent shall be One Dollar (\$1.00) per annum.

1.11 Use of Premises: The Premises shall be used for commercial uses such as restaurants, quick service retail and office uses, all consistent with and suitable for operation from the ground floor of a larger affordable, senior housing multifamily residential project (and uses incidental to these uses), each of which uses and the respective trade names under which such uses shall be operated shall be subject to the procedures described in Section 10.1, and for no other use or purpose. By way of example and without limitation, the Premises shall not be used for commercial uses that would not be consistent with and suitable for operation from the ground floor of a larger affordable senior housing multifamily residential project by reason of (i) generation of excessive noise, odors, lighting or other disturbance which is visible, audible or otherwise detectible outside of the Premises, or (ii) attracting a customer base that would detract from the first-class nature of the Larger Project. In addition, notwithstanding anything to the contrary contained in this Lease, in no event shall all or any part of the Premises be used for any of the uses specified on Exhibit D attached hereto and incorporated herein by this reference, unless agreed by Landlord and Tenant. (Article 10)

1.12 Intentionally Omitted.

1.13 Security Deposit: None. (Article 22)

1.14 Broker(s): None.

1.15 Notices: (Article 22)

To Landlord:

HCHP Affordable Multi-Family, LLC
330 W. Victoria
Gardena, CA 90271
Attn: Thomas Erickson
Telephone No.: (424) 258-2800
Fax No.: (424) 258-2801

To Tenant:

City of Perris
101 North "D" Street
Perris, CA 92570
Attn: City Manager
Telephone No. (951) 943-6100
Fax No.: (951) 657-1087

This Article 1 is intended to supplement and/or summarize the provisions set forth in the balance of this Lease. If there is any conflict between any provisions contained in this Article 1 and the balance of this Lease, the balance of this Lease shall control.

ARTICLE 2 - PREMISES

2.1 Premises. Landlord leases to Tenant and Tenant leases from Landlord, for the "Term" (as defined in Article 3) and upon the terms and conditions set forth in this Lease, the premises described in Section 1.6 ("Premises"). The parties agree and acknowledge that, notwithstanding the use of the terms "Lease", "Landlord", "Tenant" and the like, Landlord is the master lessee of the Premises pursuant to a separate master lease (the "Master Lease") entered into by and between Landlord, as "Tenant", and Perris Housing Investors, L.P., a California limited partnership ("Master Lessor"), as "Landlord", and that this Lease is in fact a sublease by Landlord to Tenant, which is subject and subordinate to the Master Lease. Further, the parties agree and acknowledge that the Premises may now or in the future be separated from the remainder of the Larger Project by air space parcelization or other means and, in such event, Tenant shall reasonably cooperate with Landlord in connection therewith (including, without limitation, by executing such documentation as may be reasonably required to effect such separate parcelization). Pursuant to Section 1938 of the California Civil Code, Landlord hereby advises Tenant that neither the Premises nor the Larger Project have undergone inspection by a Certified Access Specialist.

2.2 Reservation. Landlord reserves the right to use the exterior walls, floor, roof and plenum in, above and below the Premises for the repair, maintenance, use and replacement of pipes, ducts, utility lines and systems, structural elements serving the Project and/or other portions of the Larger Project and for such other purposes as Landlord deems necessary. In exercising its rights reserved herein, Landlord shall not unreasonably interfere with the operation of Tenant's business on the Premises. In addition, Landlord, at any time, may change the shape, size, location, number and extent of the improvements shown on Exhibit A and eliminate, add or relocate any improvements to any portion of the Larger Project, and may add land to and/or withdraw land from the Larger Project. Notwithstanding the foregoing, Landlord agrees that no changes or additions to the buildings or Common Area immediately adjacent to the Premises shall, except temporarily and for periods of reasonable duration during the construction of any such changes or additions, do any of the following: (a) materially and adversely interfere with Tenant's ability to operate its business from the Premises; or (b) materially and adversely impair ingress, egress or other access to or from the Premises. Landlord agrees that any such changes or additions shall be made in a manner to minimize any unreasonable impact upon the Premises occasioned by any such changes or additions.

2.3 Floor Area. The term "Floor Area", as used in this Lease, shall mean all areas designated in a tenant's lease for the exclusive use of a tenant (including Tenant as to the Premises) measured from the exterior surface of exterior walls and extensions of such walls, in the case of openings (except that in the event of recessed storefronts, such measurement shall be made from extensions of the face of the Building soffit, so that Floor Area shall also include the area from the soffit to the storefront glass line) and from the center of interior demising walls, and shall include, but not be limited to, restrooms, mezzanines, warehouse or storage areas, clerical or office areas and employee areas. The Premises contain approximately the number of square feet of Floor Area specified in Section 1.7. Landlord and Tenant shall each have the right during the first ninety (90) days following the "Commencement Date" (as hereinafter defined) to cause the Floor Area of the Premises to be remeasured by a licensed architect. If an error is found in the measurement of the Floor Area, the measuring party shall cause its architect to certify the correct measurement to the other party for approval, which approval shall not be unreasonably withheld or delayed. In the event that the non-measuring party notifies the measuring party of its

objection to the measuring party's determination of the Floor Area, then Landlord and Tenant and their respective architects shall promptly meet and/or confer by telephone and shall resolve any disputes and come to agreement on the actual Floor Area of the Premises in a manner consistent with the definition and manner of determination of the Floor Area of the Premises contained in this Section 2.3. Upon determination of the actual Floor Area of the Premises in the manner set forth herein, the Rent and all other charges payable by Tenant under this Lease which are determined with reference to the Floor Area of the Premises shall be adjusted accordingly.

ARTICLE 3 - TERM

3.1 Term. This Lease shall be effective from and after the Effective Date specified in Section 1.1. The term of this Lease ("Term") shall commence on the date (the "Commencement Date") of the "Substantial Completion of the Premises" (as hereinafter defined). The Term shall continue, unless sooner terminated in accordance with the provisions of this Lease, for the number of months specified in Section 1.8 from the Commencement Date (except that if the Commencement Date is not the first calendar day of a full calendar month, then the Term shall commence upon the Commencement Date but continue for the number of months specified in Section 1.8 from the first day of the first full calendar month following the Commencement Date).

3.2 Extension Options. Tenant shall have the option to extend the Term of this Lease for the additional period(s) set forth in Section 1.8 of this Lease (each such period being referred to herein as an "Option Term") only by giving Landlord written notice at least six (6) months before the expiration of the then applicable Term. All of the terms, covenants, conditions, provisions and agreements applicable to the initial Term shall be applicable to the Option Terms. Time is of the essence with respect to Tenant's exercise of the options to extend the Term of this Lease provided herein. The option to extend the Term pursuant hereto by the Option Terms shall be personal to the original Tenant signatory to this Lease and shall not be exercisable by or for the benefit of any assignee or subtenant of Tenant. All references in this Lease to the "Term" shall be deemed to mean the initial Term as extended by the Option Terms, as applicable.

ARTICLE 4 - POSSESSION

4.1 Substantial Completion. The term "Substantial Completion of the Premises", as used in this Lease, shall mean the date that is thirty (30) days after Landlord notifies Tenant in writing that "Landlord's Work" (as specified in Exhibit C attached hereto and incorporated herein by this reference) is substantially complete to the point that Tenant's contractor may commence the construction of "Tenant's Work" (as specified in Exhibit C) without unreasonable interference from Landlord's contractor performing Landlord's Work, if any.

4.2 Delivery of Possession. Tenant shall accept possession of the Premises from Landlord upon Substantial Completion of the Premises. Tenant shall deliver executed copies of policies of insurance or certificates thereof (as required under Article 14) to Landlord prior to taking possession of the Premises. At Landlord's option, Tenant shall be permitted to occupy the Premises prior to the Commencement Date for purposes of completion of any Tenant's Work and Tenant's fixturing of the Premises, provided that any such occupancy of the Premises prior to the Commencement Date shall be subject to all provisions of this Lease (other than Tenant's obligation for payment of Rent and Tenant's share of Taxes, Common Area Costs and Landlord's insurance costs), and such occupancy shall not interfere with, delay, or increase the costs of performance of, any work then being performed by Landlord in the Premises or elsewhere in the Project.

ARTICLE 5 - TENANT'S CONSTRUCTION

Subject to Tenant's leasing of portions of the Premises to individual subtenants from time to time, Tenant shall commence construction of Tenant's Work upon Substantial Completion of the Premises and delivery of possession of the Premises to Tenant, and shall diligently prosecute same to completion. Tenant shall deliver to Landlord a copy of the certificate of occupancy or other governmental sign-off permitting Tenant's occupancy of the Premises issued by the appropriate governmental agency upon completion of Tenant's Work.

ARTICLE 6 - RENTAL

6.1 Rent. Commencing on the Effective Date and continuing annually thereafter on January 1 of each year, Tenant shall pay to the Landlord as rent, for the Premises, the sum specified in Section 1.10 ("Rent") without prior demand and without offset or deduction (except as expressly and specifically provided in this Lease).

6.2 Intentionally Omitted.

6.3 Intentionally Omitted.

6.4 Additional Rent.

(a) Tenant shall pay, as "Additional Rent", all sums required to be paid by Tenant to Landlord pursuant to this Lease in addition to Rent. Landlord shall have the same rights and remedies for the nonpayment of Additional Rent as it has with respect to the nonpayment of Rent. It is the intention of Landlord and Tenant that the Rent and Additional Rent to be paid hereunder shall be paid to Landlord absolutely net without deduction of any amount of any nature whatsoever, except as otherwise expressly and specifically provided in this Lease.

(b) Tenant may audit Landlord's calculations as to any Additional Rent, including but not limited to, taxes, utilities, and Common Area Costs at any time Landlord has done an annual accounting pursuant to this Lease or at the termination of the Lease, for any reason, within six (6) months following receipt of the applicable billing from Landlord. To the extent Tenant disputes any of Landlord's calculations or accounting, Landlord agrees to confer with Tenant to resolve the dispute. If Tenant has been found to owe money to Landlord, the Tenant shall pay within thirty (30) days. If Landlord is found to owe money to Tenant, Landlord shall give a credit to Tenant for future payments of Additional Rent, or if the Lease is terminated, to pay Tenant, within thirty (30) days.

6.5 Place of Payment. Tenant shall pay Rent and Additional Rent to Landlord at the address specified in Section 1.15, or to such other address and/or person as Landlord may from time to time designate in writing to Tenant.

6.6 Late Payments. If Tenant fails to pay when the same is due any Rent or Additional Rent, the unpaid amounts shall bear interest at the rate per annum ("Interest Rate") equal to the then prevailing prime interest rate as most recently published in the Wall Street Journal (or the then prevailing prime interest rate as most recently published in a comparable source as reasonably designed by Landlord if the Wall Street Journal ceases to publish a prevailing prime interest rate) plus two (2) percentage points (but in no event to exceed the maximum lawful rate) from the date such amount was originally due to and including the date of payment. In addition, Tenant acknowledges that the late payment of any installment of Rent or Additional Rent will cause Landlord to incur certain costs and expenses, the exact amount of which are extremely difficult or impractical to fix. These costs and expenses may include, without limitation, administrative and collection costs and processing and accounting expenses. Landlord recognizes that occasionally circumstances beyond Tenant's control, such as clerical error or postal error, may occur which delay the receipt by Landlord of payments timely made by Tenant. As a reasonable allocation of responsibility for costs and expenses incurred by Landlord as a result of late payments, no late charge shall be payable by Tenant for the first time in any consecutive twelve (12) month period that any installment of Rent or Additional Rent is not received by Landlord from Tenant within five (5) days after such installment is due, unless Tenant fails to make payment of such installment to Landlord within five (5) days after written notice from Landlord that such installment has not been received. If Tenant fails to make payment of such installment to Landlord within such five (5) day period, Tenant shall immediately pay to Landlord a late charge equal to five percent (5%) of the overdue amount. In addition, without regard for the reason any installment is not received by Landlord when due, and without the need for any additional prior notice, the second (2nd) time in any consecutive twelve (12) month period, and each time thereafter in such consecutive twelve (12) month period, any installment of Rent or Additional Rent is not received by Landlord from Tenant within five (5) days after such installment is due, Tenant shall immediately pay to Landlord a late charge equal to five percent (5%) of the overdue amount. Landlord and Tenant agree that this late charge represents a reasonable estimate of the costs and expenses Landlord will incur and is fair compensation to Landlord for its loss suffered by reason of late payment by Tenant. Upon accrual, all such late charges shall be deemed Additional Rent. In addition, if Tenant incurs a late charge more than two (2) times in any period of twelve (12) months during the Lease Term, then, notwithstanding that Tenant cures the late

payments for which such late charges are imposed, Landlord will have the right to require Tenant thereafter to pay all installments of Rent quarterly in advance throughout the remainder of the Lease Term.

ARTICLE 7 – INTENTIONALLY OMITTED

ARTICLE 8 - TAXES

8.1 Real Property Taxes.

(a) As used in this Lease, the term “Taxes” shall include any form of tax or assessment, license fee, license tax, possessory interest tax, tax or excise on rental or gross receipts, or any other levy, charge, expense or imposition imposed by any Federal, state, county or city authority having jurisdiction, or any political subdivision thereof, or any school, agricultural, lighting, drainage or other improvement or special assessment district on any interest of Landlord or Tenant (including any legal or equitable interest of Landlord or its mortgagee, if any) in the Premises, the remainder of the Larger Project or the underlying realty. The term “Taxes” shall not include Landlord’s general income taxes, inheritance, estate or gift taxes.

(b) From and after the Commencement Date, Tenant shall pay to Landlord, as Additional Rent, all Taxes actually allocated to the Premises. At Tenant’s option, Tenant may cause such Taxes allocable to the Premises to be paid directly to the taxing authorities by Tenant and/or Tenant’s subtenants and, in such event, Tenant shall not pay such Taxes to Landlord, but Tenant shall provide evidence of such payment to Landlord prior to the delinquency date of the applicable Taxes so paid directly to the taxing authorities. If the Premises is not separately assessed for purposes of determining any of the Taxes allocable to the Premises, then such Taxes allocable to the Premises shall be a fraction of the Taxes assessed against the larger Tax parcel of which the Premises is a part, the numerator of which is the Floor Area of the Premises and the denominator of which is the total Floor Area within such larger Tax parcel. Taxes for any year only partially within the Term shall be prorated. As to any Taxes allocable to the Premises not paid directly by Tenant or Tenant’s subtenants to the applicable taxing authorities, Tenant will pay to Landlord the Tenant’s estimated share of the Taxes in monthly installments, in advance, on the first (1st) day of each month during the Term, and following the end of each calendar year, Landlord shall furnish Tenant with a statement covering the year just expired showing the total Taxes actually allocated to the Premises for such year, the payments previously made by Tenant with respect to such year, and, if applicable, payments made by Tenant or Tenant’s subtenants direction to the taxing authorities, as set forth above. If the actual Taxes allocated to the Premises for such year exceed Tenant’s prior payments allocable thereto, Tenant shall pay to Landlord the deficiency within thirty (30) days after its receipt of the statement. If Tenant’s payments for Taxes allocated to the Premises for such year exceed the actual Taxes allocated to the Premises for such year, then Tenant shall be entitled to offset the excess against the next payment(s) of Taxes and/or other Additional Rent that become due to Landlord; provided that Landlord shall refund to Tenant the amount of any overpayment for the last year of the Term. Landlord and Tenant shall periodically review and adjust the Tenant’s estimated share of the Taxes based on prior year actual Taxes and such other issues as may be reasonably agreed upon by Landlord and Tenant.

(c) Tenant shall have the right to audit Landlord’s calculation of Taxes as provided in Section 6.4(b) above.

8.2 Other Property Taxes. Tenant shall pay, prior to delinquency, all taxes, assessments, license fees and public charges levied, assessed or imposed upon its business operation, trade fixtures, merchandise and other personal property in, on or upon the Premises. When possible, the Tenant shall cause such personal property to be assessed and billed separately from the property of the Landlord. If any such items of property are assessed with property of Landlord, then the assessment shall be equitably divided between Landlord and Tenant.

8.3 Contesting Taxes. If Landlord contests any Taxes levied or assessed during the Term allocable to the Premises, Tenant shall not be required to pay any portion of the costs or expenses incurred by Landlord in connection with such contest; however, if Landlord is successful in such contest, Landlord may deduct from the portion of any refund received which is payable to Tenant, the Premises’ allocable share of all such costs and expenses, but in no event shall Tenant be responsible for paying any costs or expenses pursuant to this Section 8.3 in excess of the Tenant’s total liability for Taxes for the taxing period challenged. Landlord shall pay to Tenant that portion of the total refund remaining, if any, which is attributable to Taxes allocable to the Premises.

ARTICLE 9 - UTILITIES

It is the intent of the parties that all units in the Premises shall be separately metered or submetered for utilities, including electricity, gas and water. Tenant agrees to pay directly to the appropriate utility company all charges for utility services supplied to the Premises which are separately metered for the Premises or portions thereof. If any utility services supplied to the Premises (such as, by way of example and without limitation, sewer service), are not separately metered for the Premises, then Landlord shall bill Tenant the portion of the costs of such utility services reasonably allocable to the Premises from time to time during the Term (but not more often than monthly) and Tenant shall pay the amount so billed within thirty (30) days following receipt of such billing accompanied by reasonable supporting documentation with respect thereto. Tenant has the right to audit Landlord's calculations and accounting under Section 6.4(b).

ARTICLE 10 - CONDUCT OF BUSINESS

10.1 Permitted Trade Name and Use. Tenant shall use and allow use of the Premises by the Tenant Parties (defined below) solely for the uses specified in Section 1.11 and for no other use or purpose. Landlord acknowledges that Tenant is a public entity with its own land use authority and police power, including zoning regulations and a Downtown Specific Plan governing uses in and around the Larger Project and the surrounding area. Therefore, Tenant shall not be required to obtain Landlord's prior written approval as to the specific use (provided such use is permitted under Section 1.11 above) and trade name of each occupant of any part of the Premises. However, Tenant shall provide notice to Landlord of any potential occupant and meet and confer with Landlord if Landlord notifies Tenant of any reasonable objections to such potential occupant. Landlord is deemed to have no objections to the initial occupants of the Premises, which are Perris Station Bistro (Suites 108 & 110, Med Express Pharmacy (Suite 102), and TriLake Consultants (Suite 100).

10.2 Intentionally Omitted.

10.3 Intentionally Omitted.

10.4 Hours for Deliveries. Tenant shall use its reasonable efforts to require all deliveries, (exclusive of United Parcel Service and U.S. Postal Service), loading, unloading and services to the Premises to be completed between 7:00 a.m. and 10:00 a.m. each day. All deliveries, loading, unloading and services to the Premises shall be accomplished within the service areas of the Project, which the parties agree to be the service entrance on 1st Street unless the 1st Street entrance is impractical due to the nature or size of the deliveries and services.

10.5 Tenant's Signs.

(a) The exterior signage at the Premises shall be consistent with the City of Perris sign code, the Downtown Specific Plan, and other applicable regulations, and subject to the City's approval. All such signage shall be professionally prepared and maintained in a neat manner, shall comply with all applicable laws, ordinances and regulations.

(b) Tenant shall not allow to be affixed upon the exterior of the Premises any sign, advertising placard, name, insignia, trademark, descriptive material or other like item (collectively, the "Exterior Signs"), unless the Exterior Signs comply with all governmental requirements. All of the Exterior Signs shall be erected by Tenant at its sole cost and expense, and Tenant shall maintain all of its Exterior Signs in good condition and repair during the Term.

10.6 Project Name. Tenant may use the name of the Larger Project in its advertising as the address reference for the Premises. Landlord reserves the right, in its sole discretion, to change the name and logo of the Larger Project at any time.

ARTICLE 11 - MAINTENANCE, REPAIRS AND ALTERATIONS

11.1 Landlord's Maintenance Obligations. Landlord shall maintain in good condition and repair the structural components and foundations, and exterior surfaces of the exterior walls of all buildings (exclusive of doors, door frames, door checks, windows, window frames and, unless Landlord and Tenant agree to include cleaning of the storefronts and storefront awnings of tenants of the Project as part of Common Area maintenance pursuant to Section 12.2 below, storefronts and storefront awnings); provided, however, if any repairs or replacements are necessitated by the negligence or willful acts of Tenant or anyone claiming under Tenant or by reason of Tenant's failure to observe or perform any conditions or agreements contained in this Lease, or caused by alterations, additions or improvements made by Tenant or anyone claiming under Tenant, the cost of same shall be the sole responsibility of Tenant. It is acknowledged by Tenant that the cost of Landlord's maintenance obligations referenced in the preceding sentence shall be prorated and paid as Common Area Costs, provided that if Tenant and Landlord agree to allow Tenant or any of the Tenant Parties to perform cleaning of storefronts or storefront awnings, the Tenant's Share of Common Area Costs as to such work shall be adjusted accordingly. Notwithstanding anything to the contrary contained in this Lease, Landlord shall not be liable for failure to make repairs required to be made by Landlord under the provisions of this Lease unless Tenant has previously notified Landlord in writing of the need for such repairs and Landlord has failed to commence and complete the repairs within ten (10) days after receipt of Tenant's written notification of the need for such work, unless based upon the nature of the repair it cannot be reasonably completed in that period of time and so long as Landlord has begun taking action to repair and diligently pursues repairs to completion.

11.2 Landlord's Right of Entry. Landlord, its agents, contractors, servants and employees may enter the Premises following reasonable notice to Tenant and Landlord's good faith efforts to coordinate such entry with Tenant's on-site management so as to minimize interference with Tenant's business operations (except in a case of emergency): (a) to examine the Premises; (b) to perform any obligation or exercise any right or remedy of Landlord under this Lease; (c) to perform work necessary to comply with laws, ordinances, rules or regulations of any public authority or of any insurance underwriter; (d) to show the Premises to prospective tenants or purchasers, and (e) to perform work that Landlord reasonably deems necessary to prevent waste or deterioration in connection with the Premises should Tenant fail to commence such work within ten (10) days after written notice from Landlord of the need for such work (or if more than ten (10) days shall be required because of the nature of the work, if Tenant shall fail to diligently proceed to commence to perform such work after written notice). If Landlord makes any repairs which Tenant is obligated to make pursuant to the terms of this Lease (after notice pursuant to clause (e) above), Tenant shall pay the cost of such repairs to Landlord, as Additional Rent, promptly upon receipt of a bill from Landlord for same.

11.3 Tenant's Maintenance Obligations. Except for the portions and components of the Premises to be maintained by Landlord as set forth in Section 11.1, Tenant, at its expense, shall keep the Premises and all utility facilities and systems exclusively serving the Premises ("Tenant Utility Facilities") and Rooftop Equipment pursuant to Section 11.6, in first-class order, condition and repair and shall make replacements necessary to keep the Premises and Tenant Utility Facilities in such condition. All replacements shall be of a quality equal to or exceeding that of the original. Without limiting the generality of the foregoing provisions of this Section 11.3, Tenant shall contract or cause its subtenants to contract with a professional, experienced and licensed service company reasonably acceptable to Landlord for the maintenance, repair, replacement and/or servicing (not less frequently than quarterly) of the heating, ventilating and air conditioning equipment serving the Project (the "HVAC System"), at Tenant's sole cost.

11.4 Alterations.

(a) Without first obtaining the written consent of Landlord, which consent shall not be unreasonably withheld, Tenant shall not make or cause to be made to the Premises or the Tenant Utility Facilities any addition, renovation, alteration, improvement, reconstruction or change (collectively, "Alterations"), including, without limitation, Alterations (i) involving structural changes or additions, (ii) affecting the exterior storefront, fire sprinkler systems, exterior walls, floor slab, or roof of the Premises, or (iii) requiring or resulting in any penetration of the roof, concrete ceiling, demising walls on either side of Landlord's clubhouse, or floor slab of the Premises. However, Tenant may make, without Landlord's prior consent, interior, non-structural Alterations to the Premises not affecting the mechanical, electrical or plumbing of the residential units or the clubhouse whatsoever, or the fire sprinkler or life-safety systems serving the Premises (collectively, "Permitted Alterations").

(b) All Alterations (other than Permitted Alterations) shall be made under the supervision of a competent licensed architect or competent licensed structural engineer satisfactory to Landlord and shall be made in accordance with plans and specifications with respect thereto, approved in writing by Landlord before the commencement of work.

(c) Tenant shall provide Landlord with not less than ten (10) days prior written notice of the commencement of any Alterations (other than Permitted Alterations) in the Premises and Landlord shall have the right to enter upon the Premises to post customary notices of non-responsibility with respect thereto. Tenant, at its cost, shall obtain all required governmental permits and approvals for all Alterations, copies of which shall be delivered to Landlord prior to the commencement of the applicable Alterations work, and all such Alterations shall be performed strictly in accordance with all applicable laws, ordinances, rules or regulations of any public authority, in a good and workmanlike manner and diligently prosecuted to completion to the end that the Premises shall at all times be a complete unit except during the period of work. Construction work in connection with any Alterations shall be performed in such manner as not to obstruct the access to the Premises or otherwise interfere with the operation of business by any other occupant of the Project. All improvements to the Premises by Tenant including, but not limited to, light fixtures, floor coverings and partitions and other items comprising Tenant's Work pursuant to Exhibit C, but excluding trade fixtures and signs, shall be deemed to be the property of Landlord upon installation thereof. Within thirty (30) days after the completion of any Alterations (other than Permitted Alterations), Tenant shall deliver to Landlord a set of "as built" plans depicting the Alterations as actually constructed or installed. If Tenant shall make any Alterations (other than Permitted Alterations), Tenant shall carry "Builder's Risk" insurance in an amount reasonably determined by Landlord covering the construction of such Alterations and such other insurance as Landlord may reasonably require.

11.5 Special Maintenance Obligations. If the use of all or any part of the Premises includes operation of a restaurant or a food service facility pursuant to this Lease, Tenant shall, at its sole cost and expense, in addition to the maintenance obligations set forth in Section 11.3: (a) be responsible for maintenance and repair of any grease-trap, roof exhaust or similar device serving the Premises (including, without limitation, pumping out of waste product therefrom) on at least a quarterly basis (or more frequently as reasonably required) and, upon Landlord's request, provide Landlord with reasonable evidence of Tenant's compliance with the requirements hereof by maintenance of a service contract therefor or otherwise; (b) be responsible for maintenance and repair of any ventilation and/or exhaust system serving the Premises on at least a quarterly basis (or more frequently as reasonably required); provided however, Landlord may, at its option, elect to provide or contract for such service itself, bill Tenant for the cost of same and the sum so billed to Tenant shall become immediately due to Landlord as Additional Rent; (c) be responsible for promptly cleaning any spills or waste in the Project occasioned by off-premises consumption of food items, if any, that are sold by Tenant or any of the Tenant Parties; (d) if found by Landlord to be necessary and related to the use of the Premises by Tenant or any of the Tenant Parties, steam clean all sidewalk areas on the Premises and within ten (10) feet of the Premises as necessary, but not less than once each month, to remove all food particles, grease and residue; and within fifteen (15) days after the Commencement Date, Tenant shall give Landlord written notice of Tenant's steam cleaning schedule and shall promptly notify Landlord in writing of any changes to such schedule; provided however, Landlord may, at its option, elect to provide or contract for such service itself, bill Tenant for the cost of same and the sum so billed to Tenant shall become immediately due to Landlord as Additional Rent; (e) scrub and wash all tables, chairs, dividers, fixtures and furnishings used by it with an approved detergent-disinfectant type of solvent to prevent build-up from food spills, dusts, dirt and other substances; (f) if found by Landlord to be necessary, install and operate mechanical, chemical or electrical insect traps, approved by Landlord in writing as to location and type, to eliminate all insects, gnats and flies from the Premises; (g) cause the trash containers located within the Premises to be emptied on a regular basis, prior to their overflowing, substitute a replacement container during the time period when the containers are being emptied and keep and maintain all containers in a clean and attractive condition and appearance at all times; (h) utilize dumpsters or other disposal facilities for the disposal of garbage and waste products; (i) cause signs (approved in advance by Landlord in writing) to be posted requesting patrons, invitees and employees of Tenant to deposit waste in trash containers; and (j) cause its exterior trash containers and dumpsters to be emptied daily, unless Tenant, at its expense, provides refrigerated storage of trash. In addition, if the Premises includes, or Landlord otherwise permits Tenant's use of, any exterior areas, Tenant may (at Tenant's sole risk and cost) provide for and arrange in such exterior area tables, chairs, umbrellas, waste receptacles and other customary items, the number, design, color and location of which shall be subject to the prior approval of Landlord, provided that such exterior area use shall in no event adversely affect pedestrian or vehicular traffic in other portions of the Common Area. If such exterior area is

a part of the Premises, such exterior area shall be maintained and repaired by Tenant as a part of the Premises. If such exterior area is a part of the Common Area, so long as Tenant shall so use such exterior area, Landlord shall not be responsible for the maintenance or repair of such exterior area (notwithstanding that such exterior area is a part of the Common Area), and Tenant shall maintain such exterior area in a clean and attractive manner at its sole cost, including, without limitation, the following: (i) Tenant shall daily clean and wash the exterior area and the furnishings in the exterior area with a detergent-disinfectant type of solvent to maintain the same in neat and clean condition, free from build up from food spills, dusts, dirt and other substances; (ii) Tenant shall cause trash containers serving the exterior area to be emptied on a daily basis, (iii) Tenant shall cause professionally prepared signs (approved in advance by Landlord) to be posted requesting patrons, invitees and employees of Tenant to deposit waste in trash containers serving the exterior area, (iv) Tenant shall cause tables in the exterior area to be continuously bused and wiped clean of spills during Tenant's hours of operation, and (v) Tenant shall maintain the Common Area in the immediate vicinity of the exterior area free of any debris from the use of the exterior area.

11.6 Rooftop Equipment.

(a) Subject to the provisions of this Section 11.6 and the other provisions of this Lease respecting Alterations by Tenant, but at no additional rental cost to Tenant, Tenant shall have the non-exclusive right during the Term, at Tenant's sole cost and expense, to install within an area on the roof of the Building reasonably designated by Landlord, HVAC and related equipment and exhaust venting systems to service the Premises (collectively, the "Rooftop Equipment"), which Rooftop Equipment shall include, without limitation, the related vertical and horizontal utility lines and conduits ("Rooftop Equipment Lines") from the Building roof to the Premises, which are compatible with the Building structure and/or mechanical and utility systems, which Rooftop Equipment shall be of such size, weight and quantity, and at such location as is reasonably approved by Landlord and Landlord's structural engineer. Tenant shall reimburse Landlord for the reasonable fees of Landlord's structural engineer incurred in evaluating Tenant's plans for installation of the Rooftop Equipment and any modifications thereto, within thirty (30) days following submission by Landlord to Tenant of invoices therefor. Tenant's Rooftop Equipment shall not take up more than a pro rata amount of the roof space available for rooftop equipment, based upon the proportion of area within the Building leased by Tenant, unless otherwise approved by Landlord.

(b) The installation, maintenance, repair, operation and removal (as hereinafter provided) of such Rooftop Equipment shall be completed in a good and workmanlike manner so as not void any existing roof warranty and in conformity with (i) plans and specifications therefor (the "Rooftop Equipment Plans") showing matters including, without limitation, equipment size, location, weight and composition, and Tenant's plan for assembly, installation, maintenance and removal of such equipment, which Rooftop Equipment Plans shall be subject to Landlord's prior written approval, which approval shall not be unreasonably withheld or delayed, and (ii) all applicable laws, including, without limitation, Tenant's obtaining and keeping in force any necessary governmental permits or approvals for the operation of such Rooftop Equipment. At Landlord's option, all work of installation, maintenance, repair and other work affecting the roof in connection with the Rooftop Equipment shall be performed, at Tenant's sole cost and expense, by Landlord or by Landlord's designated roof contractor. Tenant shall, at its sole cost and expense, install screening of such Rooftop Equipment to prevent visibility from the street level, as Landlord may reasonably require, and any other screening of such Rooftop Equipment as may be required by applicable laws. Tenant shall not be permitted to access the roof except when previously scheduled with Landlord or upon receipt of prior written approval from Landlord (which approval shall not be unreasonably withheld or delayed).

(c) Tenant shall be solely responsible for any liability, cost, claim, expense (including, without limitation, attorneys' fees) and/or damage to the Building and/or the Project resulting from Tenant's installation, maintenance, operation, use, presence or removal of such Rooftop Equipment. Tenant shall, at all times during the Term, pay to Landlord within thirty (30) days following demand therefor accompanied by reasonable evidence of such charges, all increased insurance premiums or other charges which may be incurred by or charged to Landlord as a result of the installation, operation, maintenance and/or removal of the Rooftop Equipment. Tenant shall pay all costs and expenses of operation of the Rooftop Equipment, including, without limitation, any necessary utility services therefor. Tenant shall be entirely responsible for all maintenance of and repairs to the Rooftop Equipment so that at all times the Rooftop Equipment is in good condition and repair. Tenant shall maintain such insurance upon the Rooftop Equipment as Tenant is obligated to maintain with respect to the Premises pursuant to this Lease. Tenant shall indemnify, defend (by counsel reasonably acceptable to Landlord) and hold harmless

Landlord from any and all claims, demands, liabilities, damages, judgments, costs and expenses (including, without limitation, reasonable attorneys' fees and costs) which Landlord may suffer or incur arising out of or related to the installation, use, operation, maintenance, replacement and/or removal of the Rooftop Equipment or any portion thereof. Subject to the provisions of Section 14.6 below, Landlord shall be responsible for any damage to the Rooftop Equipment caused by Landlord, or any agent, contractor or employee of Landlord.

ARTICLE 12 - COMMON AREA

12.1 Definition of Common Area. The term "Common Area", as used in this Lease with respect to Landlord and Tenant, shall mean all areas within the exterior boundaries of the Project or other portions of the Larger Project, now or later made available for the general use of Landlord and other persons entitled to occupy Floor Area in the Project or other portions of the Larger Project, which initially shall be as depicted on Exhibit A attached hereto. The Larger Project contains other common areas that are available for use by Landlord and the residential tenants of the Larger Project (excluding the Premises). The provisions of this Article 12 apply only to the Common Area depicted on Exhibit A and shared by Tenant.

12.2 Use of Common Area. The use and occupancy by Tenant of the Premises shall include the non-exclusive use of the Common Area (except areas used in the maintenance or operation of the Project or other portions of the Larger Project) in common with Landlord and the other tenants and occupants of the Larger Project and their customers and invitees. However, notwithstanding anything to the contrary contained in this Lease, in lieu of the right to use of any other parking within the Larger Project (notwithstanding any designation of parking areas as Common Areas), Tenant and the Tenant Parties shall have the exclusive right to use of the five (5) parking spaces approximately as depicted as the "Commercial Parking" spaces on Exhibit A attached hereto (the "Designated Parking Spaces") and may post signage identifying such Designated Parking Spaces as being for the exclusive use of the customers of the business operated from the Premises, but Landlord shall not be required to police or monitor Tenant's right to the exclusive use of the Designated Parking Spaces.

12.3 Control of and Changes to Common Area. Subject to Section 22.4, Landlord shall have the sole and exclusive control of the Common Area, and the right to make changes to the Common Area, subject to Tenant's reasonable approval. Landlord's rights shall include, but not be limited to, the right to (a) restrain the use of the Common Area by unauthorized persons; (b) utilize from time to time any portion of the Common Area for promotional, entertainment and related matters; (c) place permanent or temporary kiosks, displays, carts and stands in the Common Area and to lease same to tenants; provided, however, no such items will be placed in a manner which will interfere with Tenant's ability to operate its business from the Premises, impair ingress, egress or other access to or from the Premises, or impair the visibility of the Premises; and (d) temporarily close any portion of the Common Area for repairs, improvements or alterations, to discourage noncustomer use, to prevent dedication or an easement by prescription or for any other reason deemed sufficient in Landlord's reasonable judgment.

12.4 Common Area Costs. The term "Common Area Costs", as used in this Lease, shall mean all reasonable costs and expenses incurred by Landlord in (a) operating, managing, policing, insuring, repairing and maintaining the Common Area, (b) maintaining, repairing, repatching and repainting the exterior surface of exterior walls (and storefronts and storefront awnings unless the parties have agreed to allow Tenant to perform or cause the Tenant Parties to perform the cleaning of same), and (c) operating, insuring, repairing, replacing and maintaining all utility facilities and systems including, without limitation, sanitary sewer lines and systems, fire protection lines and systems, security lines and systems and storm drainage lines and systems not exclusively serving the premises of any tenant or store ("Common Utility Facilities"), seasonal and holiday decorations, Common Area lighting fixtures, any Project sign monuments or pylons (but not any tenant identification signs thereon) and directional signage. Common Area Costs shall include the reasonable actual costs incurred by Landlord for any personnel (whether employees of Landlord or third party contractors) employed in the management and operation of the Project (which personnel costs shall be equitably prorated as to personnel working also on projects other than the Project). Common Area Costs shall include, by way of example only and without limitation, the following: expenses for maintenance, landscaping, repaving, resurfacing, repairs, replacements, painting, lighting, cleaning, trash removal, security (if any is provided), fire protection and similar items; depreciation or rental on equipment; charges, surcharges and other levies related to the requirements of any Federal, state or local governmental agency; expenses related to the Common Utility Facilities; Taxes on the improvements and land comprising the Common Area; comprehensive or commercial general liability insurance on the Common Area; standard "all risks" fire and

extended coverage insurance with, at Landlord's option, an earthquake damage endorsement covering the Common Areas; costs of management of the Project (whether such management services are provided by Landlord or a third party contractor); and a sum (the "Supervision Fee") payable to Landlord for administration and overhead in an amount equal to ten percent (10%) of the Common Area Costs. Notwithstanding anything to the contrary contained in the foregoing, the parties hereby acknowledge that because it may not be feasible to segregate costs relating to the Common Area serving the Project from costs relating to the Common Area serving the Larger Project, if costs relate to the entire Common Area serving the Larger Project, then "Common Area Costs" for purposes hereof shall only include a fraction of such costs, the numerator of which is the total square feet of Floor Area contained within the Project and the denominator of which is the total square feet of Floor Area contained within the Larger Project. Common Area Costs shall not include costs for any capital improvements to the Larger Project (excluding the Premises) or the Common Area exclusively serving portions of the Larger Project other than the Premises).

12.5 Proration of Common Area Costs. The Common Area Costs shall be prorated in the following manner:

(a) As used herein, "Tenant's Share" of Common Area Costs as to a particular line item of Common Area Costs shall mean a fraction, the numerator of which is the Floor Area of the Premises and the denominator of which is the Floor Area of the portion of the Larger Project to which such line item of Common Area Costs relates as determined by Landlord in good faith (which may be less than all of the Larger Project if applicable), provided that Tenant shall have the right to reasonably approve any allocation of Tenant's Share made by Landlord which is not strictly made on the basis of the Floor Area of the Premises as compared with the total Floor Area of the Larger Project to which such expense item relates. From and after the Commencement Date, Tenant shall pay to Landlord, on the first (1st) day of each calendar month, an amount estimated by Landlord to be the monthly amount of Tenant's Share of the Common Area Costs. The estimated monthly charge may be adjusted periodically by Landlord, subject to Tenant's reasonable approval, on the basis of Landlord's actual costs incurred in prior years and reasonably anticipated charges for the current year. Notwithstanding the foregoing, the calculation of Common Area Costs for landscaping shall only include the landscaping within the Common Area depicted in the attached Exhibit A, and shall not include any landscaping in the residential courtyard, which will be a cost paid solely by the residential portion of the Larger Project.

(b) Following the end of each calendar year, Landlord shall furnish to Tenant a statement covering the calendar year just expired, showing by cost category the actual Common Area Costs for that year, the total Floor Area of the Project, the amount of Tenant's Share of the Common Area Costs for that year, and the monthly payments made by Tenant during that year for the estimated Common Area Costs. If Tenant's Share of the Common Area Costs exceeds Tenant's prior payments, Tenant shall pay to Landlord the deficiency within ten (10) days after receipt of such annual statement. If Tenant's payments for the calendar year exceed Tenant's actual share of the Common Area Costs, and provided Tenant is not in arrears as to the payment of any Rent or Additional Rent, Tenant may offset the excess against payments of Common Area Costs next due Landlord. An appropriate proration of Tenant's Share of the Common Area Costs as of the Commencement Date and the expiration date of the Term shall be made. Tenant shall have the right to audit Landlord's calculation and accounting pursuant to Section 6.4.

ARTICLE 13 - ASSIGNMENT AND SUBLETTING

13.1 Landlord's Consent Not Required for Subleasing. Tenant shall not assign, mortgage, pledge or encumber Tenant's interest in this Lease without the prior written consent of Landlord, which consent shall not be unreasonably withheld. However, Landlord acknowledges that the Larger Project is the result of a collaborative effort between Landlord, Tenant, and other parties, with significant financial investment, with the goal of creating a high-quality combination residential/commercial project, and with the specific intent that Tenant would control the uses in the Premises subject to this Lease and with all applicable laws and regulations. Therefore, Tenant shall have the right to sublet or enter into franchise, license or concession agreements for all or any part of the Premises (collectively, "Sublease") without Landlord's consent, provided that any use of the Premises must be only for the permitted uses authorized by this Lease. Landlord further acknowledges and expressly agrees that Tenant intends to enter into subleases for portions of the Premises (each, a "Sublease" and collectively, "Subleases") consistent with the terms, covenants and conditions contained in this Lease.

13.2 Procedures. Should Tenant desire to enter into a Sublease, Tenant shall notify Landlord of such Sublease at least thirty (30) days before the intended effective date of the proposed Sublease, which notice shall include the following: (a) full particulars of the proposed Sublease including its nature, effective date, terms and conditions, and (b) the proposed use and trade name of the proposed subtenant. Within ten (10) business days after receipt of Tenant's notice of the proposed Sublease, Landlord shall have the opportunity to respond and present to Tenant, in writing, any objections to the proposed Sublease. If Landlord does not present any written objections within such ten (10) business days, then Landlord will be deemed to have approved of the proposed Sublease.

13.3 Intentionally Omitted.

13.4 No Release; Form. No Sublease, assignment or other transfer shall relieve Tenant from its covenants and obligations under this Lease.

ARTICLE 14 - INSURANCE

14.1 Tenant's Insurance. Tenant, at its sole cost and expense, commencing on the earlier of the date of Substantial Completion of the Premises, or the date Tenant is given earlier access to the Premises, and continuing during the Term, shall procure, pay for and keep in full force and effect the following types of insurance, in at least the amounts and in the forms specified below:

(a) Commercial general liability insurance with coverage limits of not less than One Million Dollars (\$1,000,000.00) combined single limit per occurrence and Two Million Dollars (\$2,000,000.00) aggregate for bodily injury, personal injury, death and property damage liability or the limit carried by Tenant, whichever is greater, insuring against any and all liability of the insureds with respect to the Premises or arising out of the maintenance, use or occupancy of the Premises or related to the exercise of any rights of Tenant pursuant to this Lease, subject to increases, not more frequently than once every five (5) years, in amount as Landlord may reasonably require from time to time to insure that the insurance maintained by Tenant hereunder is in amounts consistent with prudent practice in the comparable shopping center industry. All such liability insurance shall specifically insure the performance by Tenant of the indemnity agreement as to liability for injury to or death of persons and injury or damage to property set forth in Section 14.6 to the extent of customary contractual liability coverage (but Tenant's indemnity obligations under this Lease shall not be limited by the extent of insurance coverage). Further, all such liability insurance shall include, but not be limited to, personal injury, blanket contractual, cross-liability and severability of interest clauses, broad form property damage, independent contractors, owned, non-owned and hired vehicles and, if alcoholic beverages are served, sold, consumed or obtained in the Premises, liquor law liability.

(b) Worker's compensation coverage in an amount adequate to comply with law, and employer's liability coverage with a limit of not less than One Million Dollars (\$1,000,000.00).

(c) Plate glass insurance covering all plate glass on the Premises at full replacement value. Tenant shall have the option either to insure this risk or to self-insure.

(d) Insurance covering all of Tenant's Work, Tenant's leasehold improvements and Alterations permitted under Article 11 and the Rooftop Equipment, in an amount not less than their full replacement value from time to time (subject to commercially reasonable deductible or self-insured amounts), including replacement cost endorsement, providing protection against any peril included within the classification Fire and Extended Coverage, sprinkler damage, vandalism, malicious mischief, and such other additional perils as covered in an "all risks" standard insurance policy and, at Landlord's option earthquake insurance coverage. Any policy proceeds shall be used for the repair or replacement of the property damaged or destroyed unless this Lease shall cease and terminate under the provisions of Article 15.

14.2 Policy Form. All policies of insurance required of Tenant herein shall be issued by insurance companies with a general policy holder's rating of not less than "A-" and a financial rating of not less than Class "X", as rated in the most current available "Best's Key Rating Guide", and which are qualified to do business in the State of California. All such policies, except for the Workers' Compensation coverage, shall name Landlord, Master

Lessor, and such of Landlord's affiliated entities, property manager and Lienholders, as designated by Landlord, each as an additional insured. The policies described in subparagraphs (c) and (d) of Section 14.1 shall also name Landlord and Landlord's mortgagee(s) or beneficiary(ies) as loss payees, and Landlord shall furnish to Tenant the names and addresses of such mortgagee(s) and beneficiary(ies). Executed copies of the policies of insurance or certificates thereof shall be delivered to Landlord prior to Tenant, its agents or employees entering the Premises for any purpose. Thereafter, executed copies of renewal policies or certificates thereof shall be delivered to Landlord within thirty (30) days prior to the expiration of the term of each policy. All policies of insurance delivered to Landlord must contain a provision that the company writing the policy will give to Landlord thirty (30) days' prior written notice of any cancellation or lapse or the effective date of any reduction in the amounts of insurance. All policies required of Tenant herein shall be endorsed to read that such policies are primary policies and any insurance carried by Landlord or Landlord's property manager shall be noncontributing with such policies. .

14.3 Blanket Policies. Notwithstanding anything to the contrary contained in this Article 14, Tenant's obligation to carry insurance may be satisfied by coverage under a so-called blanket policy or policies of insurance; provided, however, that the coverage afforded Landlord will not be reduced or diminished and the requirements set forth in this Lease are otherwise satisfied by such blanket policy or policies.

14.4 Reimbursement of Insurance Premiums by Tenant. Landlord, at all times from and after Substantial Completion of the Premises, shall maintain in effect during the Term a policy or policies of insurance covering the building of which the Premises are a part (including boiler and machinery) in an amount not less than ninety percent (90%) of the full replacement cost (exclusive of the cost of excavations, foundations and footings) or the amount of insurance Landlord's mortgagee(s) or beneficiary(ies) may require Landlord to maintain, whichever is the greater, providing protection against any peril generally included in the classification "Fire and Extended Coverage", loss of rental income insurance and such other additional insurance as covered in an "all risks" standard insurance policy, with earthquake coverage insurance if deemed necessary by Landlord in Landlord's sole judgment or if required by Landlord's mortgagee(s) or beneficiary(ies) or by any Federal, state, county, city or local authority. Landlord's obligation to carry this insurance may be brought within the coverage of any so-called blanket policy or policies of insurance carried and maintained by Landlord. From and after the Commencement Date, Tenant agrees to pay to Landlord, as Additional Rent, Tenant's share of the cost to Landlord of this insurance. The cost of such insurance for any partial year of the Term shall be prorated. Payment shall be made in the same manner set forth for payment of Taxes in Section 8.1(b). If any of such insurance is allocable to both the Project and to other portions of the Larger Project, Landlord shall reasonably and equitably allocate a portion of the premiums for such insurance to the Project. Tenant acknowledges that Landlord shall have the right to maintain commercially reasonable deductibles and/or self-insured retentions in connection with any insurance carried by Landlord pursuant to this Lease, as determined by Landlord in its reasonable business judgment, not to exceed \$100,000. In the event of an insurance loss covered by the insurance carried by Landlord pursuant to this Lease, Tenant shall be required to pay the Premises' allocable share of such deductibles or self-insured retentions, as determined pursuant to this Section 14.4 or Section 12.5, as applicable.

14.5 Subtenant's Insurance. Should Tenant desire to enter into a Sublease, Tenant shall require Subtenants to procure and maintain commercial general liability insurance in the amounts and form provided in Section 14.1 and 14.2. If the Subtenant is a use that typically requires a higher coverage limit in accordance with industry standards, then Landlord and Tenant shall reasonably agree on the coverage limit to be included in the Sublease. For the Sublease to the Perris Station Bistro (approved as an initial Subtenant pursuant to Section 10.1), the coverage limits shall be not less than Two Million Dollars (\$2,000,000.00) combined single limit per occurrence and Four Million Dollars (\$4,000,000.00) aggregate for bodily injury, personal injury, death and property damage liability.

14.6 Indemnity. "Landlord" for the purposes of this Section 14.6 shall mean and include Landlord and Landlord's directors, officers, shareholders, agents and employees. To the fullest extent permitted by law, Tenant covenants with Landlord that Landlord shall not be liable for any damage or liability of any kind or for any injury to or death of persons or damage to property of Tenant or any other person occurring from and after Substantial Completion of the Premises (or such earlier date if Tenant is given earlier access to the Premises) from any cause whatsoever related to the use, occupancy or enjoyment of the Premises by Tenant or any person thereon or holding under Tenant including, but not limited to, damages resulting from any labor dispute, provided such damage or liability was not the result of the negligence or willful misconduct of Landlord. Tenant shall pay for, defend (with

an attorney reasonably approved by Landlord), indemnify, and save Landlord harmless against and from any real or alleged damage or injury and from all claims, judgments, liabilities, costs and expenses, including attorney's fees and costs, arising out of or connected with the use of the Premises and its facilities, or any repairs, Alterations or improvements (including original improvements and fixtures specified as Tenant's Work) which may be made or caused to be made upon the Premises by Tenant, any subtenant of Tenant or any of their respective employees, agents, contractors, invitees or visitors (collectively, the "Tenant Parties"), any breach of this Lease by Tenant and any loss or interruption of business or loss of rental income resulting from any of the foregoing; provided, however, Tenant shall not be liable for such damage or injury to the extent and in the proportion that the same is ultimately determined to be attributable to the negligence or misconduct of Landlord, and Landlord shall pay for, defend, indemnify, and save Tenant harmless against and from any and all claims, judgments, liabilities, costs and expenses, including attorney's fees and costs, resulting from any such damage or injury. The obligations to indemnify set forth in this Section 14.6 shall include all attorneys' fees, litigation costs, investigation costs and court costs and all other costs, expenses and liabilities incurred by the indemnified party from the first notice that any claim or demand is to be made or may be made. All indemnity obligations under this Section 14.6 shall survive the expiration or termination of this Lease.

Landlord acknowledges that Tenant participates in a risk management pool as a member of the Public Entity Risk Management Authority ("PERMA"), and is subject to PERMA's insurance and indemnity policies, which include the right for PERMA to assign defense counsel for claims such as those described in this Section 14.6. Therefore, so long as Tenant is a member of PERMA or a similar risk management entity with similar policies, Landlord's right to reasonably approve defense counsel shall not apply.

14.7 Waiver of Subrogation. Landlord and Tenant each waive any rights each may have against the other on account of any loss or damage occasioned to Landlord or Tenant, as the case may be, their respective property or the property of persons or entities in the Premises of Project claiming under Tenant, the Premises or its contents, or to other portions of the Project arising from any liability, loss, damage or injury caused by fire or other casualty for which property insurance is carried or required to be carried pursuant to this Lease. The insurance policies obtained by Landlord and Tenant pursuant to this Lease shall contain endorsements waiving any right of subrogation which the insurer may otherwise have against the noninsuring party. If Landlord has contracted with a third party for the management of the Project, the waiver of subrogation by Tenant herein shall also run in favor of such third party.

14.8 Failure by Tenant to Maintain Insurance. If Tenant refuses or neglects to secure and maintain insurance policies complying with the provisions of this Article 14, or to provide copies of policies or certificates or copies of renewal policies or certificates within the time provided in Section 14.2 and the same is not cured within five (5) days following Tenant's receipt of written notice thereof from Landlord, then Landlord may, after providing written notice to Tenant of its intention to do so, secure the appropriate insurance policies and Tenant shall pay, upon thirty (30) days following demand, the cost of same to Landlord, as Additional Rent.

14.9 Self-Insurance by Tenant. So long as Tenant remains the original Tenant signatory to this Lease, all or any part the coverage required in this Lease to be provided by Tenant may be provided through self-insurance or through alternative risk management programs which Tenant provides or participates in from time to time (collectively and severally, "Self Insurance"). If Tenant elects to maintain Self Insurance, then the Self Insurance will: (i) satisfy the terms and conditions required in this Lease; and (ii) survive the expiration of the Term or earlier termination of this Lease, but only with respect to claims arising out of incidents that occurred before the expiration of the Term or earlier termination of this Lease, and only to the extent that the required third party insurance would have survived. To the extent Tenant chooses to provide any insurance required by this Lease by Self-Insurance, then Tenant shall have all of the obligations and liabilities of an insurer, and the protection afforded Landlord, Landlord's lender, and the Premises shall be the same as if provided by a third-party insurer under the coverages required under this Lease. Without limiting the generality of the foregoing, all amounts which Tenant pays or is required to pay and all losses or damages resulting from risks for which Tenant has elected to Self-Insure shall be subject to the waiver of subrogation provisions of Section 14.6 above, and shall not limit Tenant's indemnification obligations pursuant to this Lease.

ARTICLE 15 - DAMAGE

15.1 Insured Casualty. In the case of damage by fire or other perils covered by the insurance specified in Section 14.4, the following provisions shall apply:

(a) Within a period of sixty (60) days after all applicable permits have been obtained (which permits Landlord shall promptly apply for and diligently seek), Landlord shall commence such repair, reconstruction and restoration of the Premises as Landlord, in its reasonable business judgment, deems necessary, and shall diligently prosecute the same to completion; provided, however, that Tenant, at its cost, and its option, shall repair and restore all items of Tenant's Work and replace its stock in trade, trade fixtures, furniture, furnishings and equipment. If Tenant elects to restore the Tenant's Work, Tenant shall commence this work promptly upon delivery of possession of the Premises to Tenant and shall diligently prosecute same to completion.

(b) Notwithstanding the foregoing, if the Premises is totally destroyed, or if the Project is destroyed to an extent of at least fifty percent (50%) of the then full replacement cost thereof as of the date of destruction, then (i) if the destruction occurs during the last two (2) years of the Term, or at any time if it is reasonably estimated that repair or restoration after a casualty which Landlord is obligated under the Lease to undertake will take more than two hundred seventy (270) days after the issuance of the building permit for such work to complete, Landlord and Tenant shall each have the right to terminate this Lease, and (ii) if the destruction occurs prior to the last two (2) years of the Term, regardless of the estimated repair or restoration time, Landlord shall have the right to terminate this Lease. In each case, the termination right shall be exercised by the terminating party giving written notice to the other party within thirty (30) days after the date of destruction. If Landlord terminates this Lease pursuant to (ii) above, then Landlord shall be entitled to retain any insurance proceeds payable by insurance maintained by Landlord by reason of such destruction, and Tenant may retain any insurance proceeds received from insurance maintained by Tenant.

15.2 Uninsured Casualty. If the Premises or the Larger Project are damaged as a result of any casualty not covered by the insurance specified in Section 14.4, Landlord, within ninety (90) days following the date of such damage, shall commence repair, reconstruction or restoration of the Premises or the Larger Project to the extent provided herein and shall diligently prosecute the same to completion, or Landlord may elect within said ninety (90) days not to so repair, reconstruct or restore the damaged property, in which event, at Landlord's option, this Lease shall cease and terminate upon the expiration of such ninety (90) day period. In the event Landlord elects to restore the Premises, Tenant shall have the same repair, restoration and replacement obligations it has pursuant to Section 15.1(a).

15.3 Distribution of Proceeds. In the event of the termination of this Lease pursuant to this Article 15, all proceeds from the Fire and Extended Coverage insurance carried pursuant to Article 14 and all insurance covering Tenant's Work and Tenant's leasehold improvements (but excluding proceeds of insurance maintained by Tenant for trade fixtures, merchandise, signs and other personal property, which may be retained by Tenant), shall be disbursed and paid to Landlord.

15.4 Abatement. In the event of repair, reconstruction and restoration, as provided in this Article 15, the Rent and Additional Rent payable hereunder shall be thereafter abated proportionately with the degree to which Tenant's use of the Premises is impaired during the remainder of the period of repair, reconstruction and restoration. Other than such rent abatement, Tenant shall not be entitled to any compensation or damages from Landlord for loss of use of the whole or any part of the Premises or the building of which the Premises are a part, Tenant's personal property or any inconvenience or annoyance occasioned by such damage, repair, reconstruction or restoration, except to the extent of Landlord's indemnity provided in Section 14.6, or for Landlord's negligence or misconduct, subject to the provisions of Sections 14.6 above and 18.1 below.

15.5 Waiver of Termination. Tenant waives any statutory rights of termination which may arise by reason of any partial or total destruction of the Premises.

ARTICLE 16 - EMINENT DOMAIN

16.1 Taking. The term "Taking", as used in this Article 16, shall mean an appropriation or taking under the power of eminent domain by any public or quasi-public authority or a voluntary sale or conveyance in lieu of condemnation but under threat of condemnation.

16.2 Total Taking. In the event of a Taking of the entire Premises, this Lease shall terminate and expire as of the date possession is delivered to the condemning authority and Landlord and Tenant shall each be released from any liability accruing pursuant to this Lease after the date of such termination, but Rent and Additional Rent for the last month of Tenant's occupancy shall be prorated and Landlord shall refund to Tenant any Rent and Additional Rent paid in advance.

16.3 Partial Taking. If (a) there is a Taking of a material portion of the Premises and, regardless of the amount taken, the remainder of the Premises is not, in Tenant's sole but reasonable business judgment, suitable for the continued operation of Tenant's business, Tenant may terminate this Lease; or (b) there is a Taking of a portion of the Premises and, regardless of the amount taken, the remainder of the Premises is not one (1) undivided parcel of property, either Landlord or Tenant may terminate this Lease, upon giving notice in writing of such election to the other party within thirty (30) days after receipt by Tenant from Landlord of written notice that a portion of the Premises has been so appropriated or taken. In each case, the termination of this Lease shall be effective as of the date Tenant is required to vacate the Premises, or the portion of the Premises taken.

16.4 Award. The entire award or compensation in any such condemnation proceeding, whether for a total or partial Taking, or for diminution in the value of the leasehold or for the fee, shall belong to and be the property of Landlord; and, in any event, the holder of any mortgage or deed of trust encumbering the Project shall have a first priority to the extent of the unpaid balance of principal and interest on its loan. Without derogating the rights of Landlord or said lender under the preceding sentence, Tenant shall be entitled to recover from the condemning authority such compensation as may be separately awarded by the condemning authority to Tenant or recoverable from the condemning authority by Tenant in its own right for the taking of trade fixtures and equipment owned by Tenant and for the expense of removing and relocating its trade fixtures and equipment, but only in the event that the compensation awarded to Tenant shall be in addition to and shall not diminish the compensation awarded to Landlord as provided above.

16.5 Continuation of Lease. In the event of a Taking, if Landlord and Tenant elect not to terminate this Lease as provided above (or have no right to so terminate), Landlord agrees, at Landlord's cost and expense as soon as reasonably possible after the Taking, to restore the Premises (to the extent of the condemnation proceeds) on the land remaining to a complete unit of like quality and character as existed prior to the Taking and, thereafter, Rent and Additional Rent payable by Tenant hereunder shall be reduced on an equitable basis, taking into account the relative value of the portion taken as compared to the portion remaining, and Landlord shall be entitled to receive the total award or compensation in such proceedings.

ARTICLE 17 – TERMINATION OF LEASE

17.1 Events of Default. Should Tenant at any time be in default with respect to any payment of Rent, Additional Rent or any other charge payable by Tenant pursuant to this Lease for a period of thirty (30) days after written notice from Landlord to Tenant (provided, however, any notice shall be in lieu of, and not in addition to, any notice required under Section 1161 of the Code of Civil Procedure of California or any similar, superseding statute), or should Tenant be in material default in the prompt and full performance of any other of its promises, covenants or agreements herein contained for more than ninety (90) days (provided, however, if the default cannot be rectified or cured within such ninety (90) day period, the default shall be deemed to be rectified or cured if Tenant, within such ninety (90) day period, shall have commenced to rectify or cure the default and shall thereafter diligently and continuously prosecute same to completion) after written notice thereof from Landlord to Tenant specifying the particulars of the default (provided, however, any notice shall be in lieu of, and not in addition to, any notice required under Section 1161 of the Code of Civil Procedure of California or any similar, superseding statute), then Landlord may treat the occurrence of any one (1) or more of the foregoing events as a breach of this Lease and, in addition to any or all other rights or remedies of Landlord by law provided, Landlord shall have the right to terminate this Lease.

17.2 Termination of Lease by Landlord for Default of Tenant. Should Landlord elect to terminate this Lease pursuant to the provisions of Section 17.1, Landlord may recover from Tenant, as damages, any unpaid Rent or Additional Rent. Following termination of this Lease, Landlord will assume all of the rights, title and interest of Tenant under any then-existing Sublease, and shall have the right to terminate any such Sublease.

17.3 Termination of Lease by Tenant. Tenant shall have the right to terminate this Lease for convenience, including but not limited to circumstances such as changes in the law, public policy, or budget considerations. Should Tenant elect to terminate this Lease pursuant to this Section 17.3, Landlord will in good faith reasonably consider accepting the assignment of any then-existing Subleases.

ARTICLE 18 - DEFAULTS BY LANDLORD

18.1 Landlord's Liability. If Landlord fails to perform any of the covenants, provisions or conditions contained in this Lease on its part to be performed within thirty (30) days after written notice of default (or if more than thirty (30) days shall be required because of the nature of the default, if Landlord shall fail to diligently proceed to commence to cure the default after written notice), then Landlord shall be liable to Tenant for all damages sustained by Tenant as a direct result of Landlord's breach and Tenant shall not be entitled to terminate this Lease as a result thereof. Notwithstanding anything contained in this Lease to the contrary, it is expressly understood and agreed that any judgment against Landlord resulting from any default or other claim under this Lease shall be satisfied only out of the net rents, issues, profits and other income actually received from the operation of the Project, and Tenant shall have no claim against Landlord (as Landlord is defined in Section 14.6) or any of Landlord's personal assets for satisfaction of any judgment with respect to this Lease. Notwithstanding the foregoing, in the case of a bona fide emergency, provided Tenant first makes a reasonable, good faith effort to notify Landlord or the manager of the Project, Tenant shall be entitled to make such repairs as are necessary to remove the emergency for Landlord's account and Landlord will reimburse Tenant for the cost paid by Tenant in doing so within thirty (30) days after Tenant's delivery to Landlord of an invoice, together with reasonable back up documentation, for same.

18.2 Cure by Lienholder. If any part of the Premises is at any time subject to a first mortgage or a first deed of trust, and this Lease or the rentals due from Tenant hereunder are assigned by Landlord to a mortgagee, trustee or beneficiary ("Lienholder") and Tenant is given written notice of the assignment including the post office address of Lienholder, then Tenant shall also give written notice of any default by Landlord to the Lienholder, specifying the default in reasonable detail and affording the Lienholder a reasonable opportunity to make performance for and on behalf of Landlord. If and when the Lienholder has made performance on behalf of Landlord, the default shall be deemed cured.

ARTICLE 19 - SUBORDINATION, ATTORNMENT AND TENANT'S CERTIFICATE

19.1 Subordination. Upon written request of Landlord, Landlord's mortgagee, the beneficiary of a deed of trust of Landlord or a lessor of Landlord (each, a "Lienholder"), Tenant will subordinate its rights pursuant to this Lease in writing to the lien of any mortgage, deed of trust or the interest of any lease in which Landlord is the lessee (or, at Landlord's option, cause the lien of said mortgage, deed of trust or the interest of any lease in which Landlord is the lessee to be subordinated to this Lease) and to all advances made or hereafter to be made upon the security thereof; provided, however, Tenant shall not be obligated to subordinate this Lease as set forth above unless it receives from the holder of any such mortgage or deed of trust or the lessor of any such ground lease a Subordination, Non-Disturbance and Attornment Agreement ("SNDA") in a form reasonably acceptable to Tenant. Such SNDA shall, at a minimum, include a reasonable notice period and opportunity for Tenant to cure any default of Landlord.

19.2 Attornment. In the event any proceedings are brought for foreclosure, or in the event of the exercise of the power of sale under any mortgage or deed of trust made by Landlord encumbering the Premises, or should a lease in which Landlord is the lessee be terminated, Tenant shall attorn to the purchaser or lessor under such lease upon any foreclosure, sale or lease termination and recognize the purchaser or lessor as Landlord under this Lease, provided that the purchaser or lessor shall acquire and accept the Premises subject to this Lease.

19.3 Estoppel Certificates. Tenant agrees, upon not less than ten (10) days prior notice by Landlord, to execute, acknowledge and deliver to Landlord, a statement in writing in such form as may reasonably be required by Landlord or Landlord's beneficiary or transferee ("Tenant's Certificate").

ARTICLE 20 - QUIET ENJOYMENT

Upon Tenant's payment of Rent and Additional Rent and its observation and performance of all of the covenants, terms and conditions of this Lease to be observed and performed by Tenant, Tenant shall peaceably and quietly hold and enjoy the Premises from and after delivery thereof to Tenant; subject, however, to (a) the rights of the parties as set forth in this Lease, (b) any deed of trust or ground or underlying leases to which this Lease is subordinate, and (c) all matters of record to which this Lease is subject; provided that none of the items specified in clause (c) above shall materially diminish the rights or materially increase the obligations of Tenant under this Lease, or materially interfere with or prevent the use of the Premises for the use specified in Section 1.11.

ARTICLE 21 - TITLE OF LANDLORD

Landlord covenants that, as of the date of this Lease, there are no liens upon its estate other than (a) covenants, conditions, restrictions, easements, ground leases, mortgages or deeds of trust currently of record (collectively, "Agreements"); (b) the effect of any zoning laws of the city, county and state where the Project is situated, and (c) general and special taxes not delinquent. Tenant agrees that (i) as to its leasehold estate, it and all persons in possession or holding under it will conform to and will not violate the terms of the Agreements or any matters of record, and (ii) this Lease is subordinate to the Agreements and any amendments or modifications thereto; provided, however, if the Agreements are not of record as of the date of this Lease, then this Lease shall automatically become subordinate to the Agreements upon recordation so long as the Agreements do not materially interfere with or prevent Tenant from using the Premises for the use set forth in Section 1.11, and do not materially diminish the rights or materially increase the obligations of Tenant under this Lease. Tenant further agrees to execute and return to Landlord, within twenty (20) days of written demand by Landlord, an agreement in recordable form reasonably acceptable to Tenant subordinating this Lease to the Agreements.

ARTICLE 22 - MISCELLANEOUS

22.1 Notices. Every notice, demand or request (collectively "Notice") required hereunder or by law to be given by either party to the other shall be in writing. Every provision of this Lease which provides that either party shall notify the other of any particular matter shall be governed by this Section. Notices shall be given by personal service or by United States certified or registered mail, postage prepaid, return receipt requested, or by facsimile transmission or same-day or next business day private courier, addressed to the party to be served at the address indicated in Section 1.15 or such other address as the party to be served may from time to time designate in a Notice to the other party. Notice personally served shall be effective when delivered to the party upon whom such Notice is served. If served by registered or certified mail, Notice shall be conclusively deemed served on the date shown on the return receipt, but if delivery is refused or the Notice is unclaimed, Notice shall conclusively be deemed given forty eight (48) hours after mailing. If served by facsimile transmission or private courier, Notice to the addressee shall be conclusively deemed given as confirmed by the telegraphic agency or private courier service making delivery, except that if such Notice is not delivered on a business day, then such Notice shall be deemed given on the next business day following delivery. Copies of any Notice shall be sent to the addresses, if any, designated for service of copies of Notices in Section 1.15; but the inadvertent failure to serve a copy of a Notice, either to the address so designated or in the manner provided in this Section, shall not render service of Notice invalid if the original Notice is served in accordance with this Section. For purposes of this Lease, the term "business day" shall mean any day other than a Saturday, Sunday or federally-recognized holiday.

22.2 Rules and Regulations. Tenant shall observe and cause all subtenants under Subleases to faithfully and comply with, and to cause its employees, contractors, agents and invitees to observe faithfully and comply with, reasonable and nondiscriminatory rules and regulations governing the Project as may from time to time be promulgated by Landlord, which rules and regulations currently include the provisions of Exhibit B attached hereto and incorporated herein by this reference.

22.3 Hazardous Materials.

(a) Tenant, at its sole cost and expense, shall comply with and cause all Tenant Parties to comply with, all laws relating to the storage, use, handling and disposal of hazardous, toxic or radioactive matter including, without limitation, those materials identified in Sections 66680 and 66685 of Title 22 of the California Administrative Code, Division 4, Chapter 30 ("Title 22"), as amended from time to time (collectively, "Hazardous Materials"). Tenant covenants that, except for materials falling within the definition of "Hazardous Materials"

which are normally used and properly disposed of in the ordinary course of a subtenant's business, or which are sold in a subtenant's store in the ordinary course of such subtenant's business, neither Tenant nor any of the Tenant Parties, nor anyone else acting on behalf of Tenant or any of the Tenant Parties will store, dispose of, produce, use, transport or manufacture any Hazardous Materials on the Premises or any portion of the Project or Larger Project. Tenant shall notify Landlord and provide to Landlord a copy or copies of any environmental entitlements or inquiries related to the Premises.

(b) The clean-up and disposal of any Hazardous Materials located or released onto or about the Project or Larger Project by Tenant or any of the Tenant Parties shall be performed by Tenant at Tenant's sole cost and expense and shall be performed in accordance with all applicable laws, rules, regulations and ordinances, pursuant to a site assessment and removal/remediation plan prepared by a licensed and qualified geotechnical engineer and submitted to and approved in writing by Landlord prior to the commencement of any work. The foregoing notwithstanding, Landlord in Landlord's sole and absolute discretion may elect, by written notice to Tenant, to perform the clean-up and disposal of such Hazardous Materials from the Premises, Project and/or other portions of the Larger Project. In such event, Tenant shall pay to Landlord the actual cost of same upon receipt from Landlord of Landlord's written invoice therefor.

(c) Notwithstanding any other term or provision of this Lease, Tenant shall permit Landlord or Landlord's agents or employees to enter the Premises at any time, upon reasonable notice, to inspect, monitor and/or take emergency or long-term remedial action with respect to Hazardous Materials on or affecting the Premises or to discharge Tenant's obligations hereunder with respect to such Hazardous Materials when Tenant has failed, after demand by Landlord, to do so. All costs and expenses incurred by Landlord in connection with performing Tenant's obligations hereunder shall be reimbursed by Tenant to Landlord within ten (10) days of Tenant's receipt of written request therefor.

22.4 Project Remodeling. At any time during the Term, Landlord may remodel or expand, in any manner, the existing Project and/or other portions of the Larger Project, which work may include the addition of shops and/or the addition of new buildings to the Project and/or other portions of the Larger Project, provided that any such remodeling or expansion shall not materially affect Tenant's use of the Project.

22.5 Intentionally Omitted.

22.6 Force Majeure. If any party to the Lease shall be delayed or prevented from the performance of any act required under the Lease due to strikes, lockouts, labor disputes, acts of God, inability to obtain labor or materials or reasonable substitutes therefor, governmental restrictions, governmental regulations, governmental controls, judicial orders, enemy or hostile governmental action, civil commotion, fire or other casualty, and other causes (except financial) beyond the reasonable control of the party obligated to perform, performance of any such act shall be excused for the period of the delay and the period for the performance of such act shall be extended for a period equivalent to the period of such delay, provided the party prevented, delayed or stopped shall have given the other party written notice thereof within thirty (30) days of such event causing the prevention, delay or stoppage; provided however, nothing in this Section shall excuse Tenant from the prompt payment of Rent and Additional Rent.

22.7 Termination and Holding Over. This Lease shall terminate without further notice upon the expiration of the Term. Tenant shall have no right to extend or renew this Lease upon the expiration of the Term. Upon the expiration or earlier termination of the Term, Tenant shall peaceably and quietly surrender the Premises broom-clean and in the same condition (including, at Landlord's option, the demolition and removal of any Alterations made by Tenant to the Premises, unless at the time Landlord gave its consent to such Alterations Landlord agreed in writing that Tenant would not have to demolish and remove such Alterations upon the termination of this Lease) as the Premises were in upon delivery of possession of same to Tenant by Landlord, reasonable wear and tear and any damage to the Premises which Tenant is not required to repair pursuant to Article 15 or Article 16 excepted. Subject to the foregoing, Tenant shall remove from the Premises all of Tenant's trade fixtures, furniture, equipment, signs, improvements, additions and Alterations to the extent such items are not permanently affixed to the Premises, and immediately repair any damage occasioned to the Premises by reason of such removal so as to leave the Premises in a neat and clean condition. Should Tenant hold over in the Premises beyond the expiration or earlier termination of this Lease, the holding over shall not constitute a renewal or

extension of this Lease or give Tenant any rights under this Lease. In such event, Landlord may, in its sole discretion, treat Tenant as a tenant at will, subject to all of the terms and conditions in this Lease, except that Rent shall be an amount equal to two hundred percent (200%) of the Rent which was payable by Tenant for the twelve (12) month period immediately preceding the expiration or earlier termination of this Lease.

22.8 Miscellaneous Provisions.

(a) Any waiver by either party of a breach by the other party of a covenant of this Lease shall not be construed as a waiver of a subsequent breach of the same covenant. The consent or approval by either party to anything requiring such party's consent or approval shall not be deemed a waiver of such party's right to withhold consent or approval of any subsequent similar act. No breach of a covenant of this Lease shall be deemed to have been waived by the other party unless the waiver is in writing and is signed by such party.

(b) Except as provided herein to the contrary, and subject to the specific limitations contained in Article 18, the respective rights and remedies of the parties specified in this Lease shall be cumulative and in addition to any rights and remedies not specified in this Lease. This Lease constitutes the entire agreement between Landlord and Tenant as to the subject matter hereof. There are no other oral or written agreements or representations between Landlord and Tenant affecting this Lease and this Lease supersedes and cancels any and all previous negotiations, arrangements, representations, brochures, agreements and understandings, if any, between Landlord and Tenant. No provision of this Lease may be amended except by an agreement in writing signed by Landlord and Tenant. If any provision of this Lease or the application of such provision to any person, entity or circumstance is found invalid or unenforceable by a court of competent jurisdiction, such determination shall not affect the other provisions of this Lease and all other provisions of this Lease shall be deemed valid and enforceable.

(c) This Lease shall be governed by and construed in accordance with the laws of the State of California without giving effect to the choice of law provisions thereof.

(d) Subject to the terms of this Lease, all rights and obligations of Landlord and Tenant under this Lease shall extend to and bind the respective heirs, executors, administrators and the permitted concessionaires, successors, subtenants and assignees of the parties.

(e) If Tenant or Landlord is a corporation or partnership, each individual executing this Lease on behalf of the corporation or partnership (in his/her representative capacity only) represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of the corporation or partnership and that this Lease is binding upon the corporation or partnership.

(f) Landlord and Tenant each represent and warrant that it has had no dealings with any real estate broker or agent in connection with the negotiation of this Lease, and that it knows of no real estate broker, agent or finder who is or might be entitled to a commission or fee in connection with this Lease. In the event of any claim for broker's or finder's fees or commissions in connection with this Lease, Landlord shall indemnify, hold harmless and defend Tenant from and against any and all liability, claims, demands, damages and costs (including, without limitation, reasonable attorneys' fees and other litigation expenses) on account of such claim if it shall be based upon any statement, representation or agreement claimed to have been made by Landlord and Tenant shall indemnify, hold harmless and defend Landlord from and against any and all liability, claims, demands, damages and costs (including, without limitation, reasonable attorneys' fees and other litigation expenses) on account of such claim if it shall be based upon any statement, representation or agreement claimed to have been made by Tenant.

(g) Neither this Lease nor any memorandum hereof shall be recorded by either of the parties hereto.

(h) Should Landlord sell, exchange or assign this Lease (other than a conditional assignment as security for a loan), then Landlord, as transferor, shall be relieved of any and all obligations on the part of Landlord accruing under this Lease from and after the date of such transfer provided that Landlord's successor in interest shall agree in writing to assume such obligations from and after such date.

(i) Tenant shall pay all costs for work performed by or on account of it and shall keep the Premises and the Project free and clear of mechanics' liens or any other liens. Tenant shall give Landlord immediate notice of any lien filed against the Premises or the Project as a result of any work of improvement performed by or on behalf of Tenant. Tenant shall immediately cause any lien to be discharged or removed of record by either paying the amount thereof or recording a statutory lien release bond in an amount equal to one hundred fifty percent (150%) of the amount of said lien, or such other amount as may be adequate to cause the lien to be released as an encumbrance against the Premises and the Project. If Tenant fails to do so, Landlord shall have the right, but not the obligation, in addition to all other rights and remedies available to Landlord under this Lease, and after ten (10) days prior written notice to Tenant, to either pay and discharge such lien, without regard to the validity thereof, or procure and cause to be recorded a statutory lien release bond and to (i) collect from Tenant as Additional Rent; or (ii) deduct from any tenant improvement allowance or any other amount payable by Landlord to Tenant under this Lease (A) all costs incurred by Landlord in paying and discharging such lien, or in procuring such bond, and (B) all expenses incurred by Landlord in connection with such lien, including attorneys' fees and costs, recording fees and administrative costs and expenses.

(j) Landlord and Tenant desire and intend that any disputes arising between them with respect to or in connection with this Lease be subject to expeditious resolution in a court trial without a jury. Therefore, Landlord and Tenant each hereby waive the right to trial by jury of any cause of action, claim, counterclaim or cross-complaint in any action, proceeding or other hearing brought by either Landlord against Tenant or Tenant against Landlord on any matter whatsoever arising out of, or in any way connected with, this Lease, the relationship of Landlord and Tenant, Tenant's use or occupancy of the Premises or any claim of injury or damage, or the enforcement of any remedy under any law, statute, or regulation, emergency or otherwise, now or hereafter in effect.

(k) In the event that, at any time after the date of this Lease, either Landlord or Tenant shall institute any action or proceeding against the other relating to the provisions of this Lease or any default hereunder, the party not prevailing in such action or proceeding shall reimburse the prevailing party for its actual attorneys' fees, and all fees, costs and expenses incurred in connection with such action or proceeding, including, without limitation, any post-judgment fees, costs or expenses incurred on any appeal or in collection of any judgment.

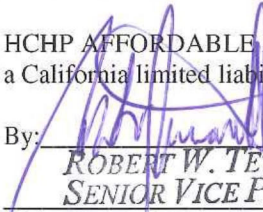
(l) This Lease may be executed in any number of counterparts, each of which shall be deemed to be an original, but any number of which, taken together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, Landlord and Tenant have duly executed this Lease on the day and year first above written.

LANDLORD:

HCHP AFFORDABLE MULTI-FAMILY, LLC,
a California limited liability company

By:

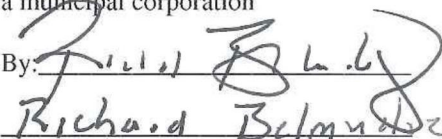

ROBERT W. TETRAULT
SENIOR VICE PRESIDENT

(Print Name and Title)

TENANT:

CITY OF PERRIS,
a municipal corporation

By:


Richard Belmonte

(Print Name and Title)

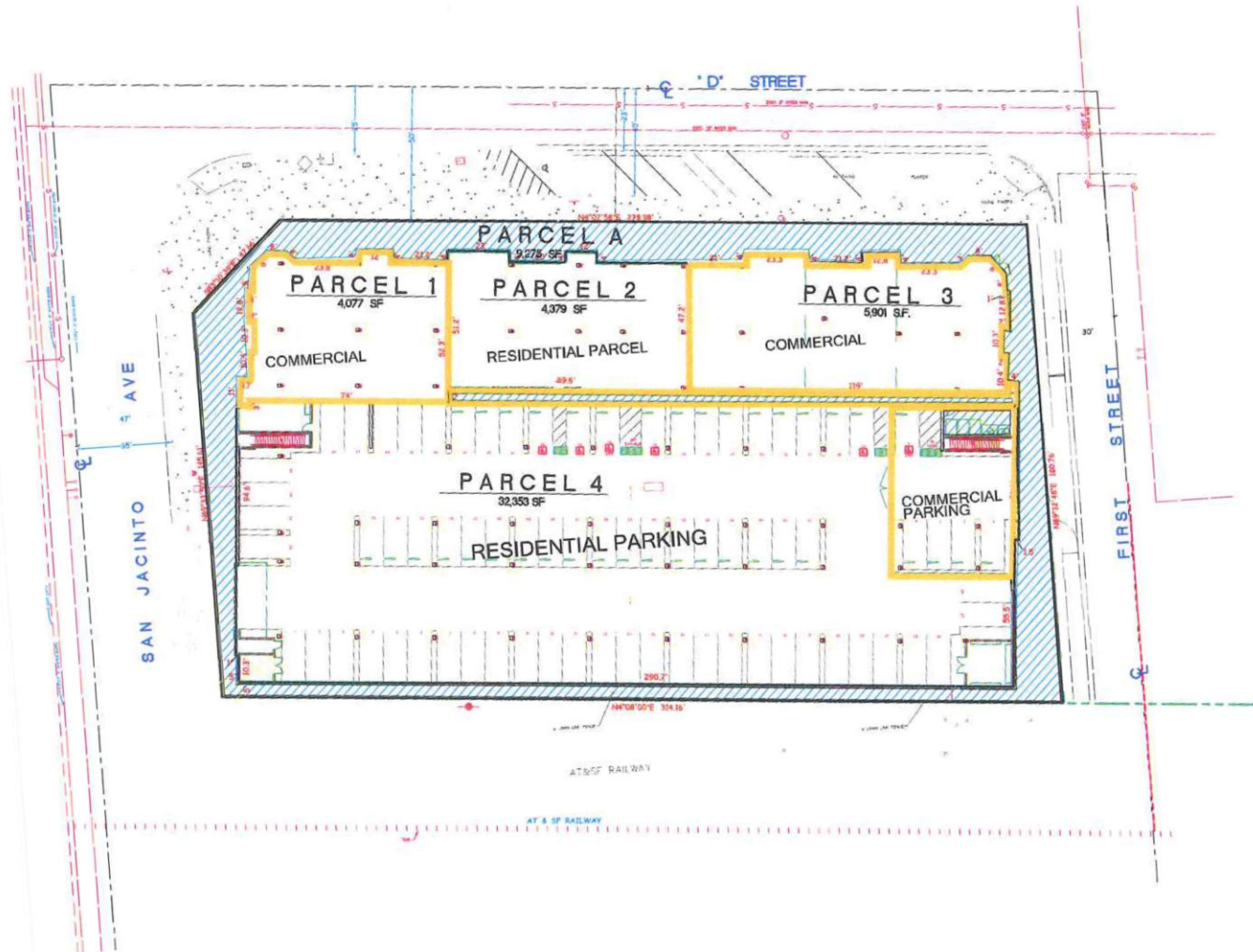
City Manager

EXHIBIT A

SITE PLAN DEPICTING PREMISES, COMMON AREAS AND DESIGNATED PARKING SPACES

PERRIS STATION CITY OF PERRIS, CA EXHIBIT "A"

SCALE 1"=20'



LEGEND
COMMON AREA

EXHIBIT B

RULES AND REGULATIONS

1. Tenant shall keep the Premises in a neat and clean condition, free from any objectionable noises, odors or nuisances, shall operate its business without unreasonable noise or vibration emanating from the Premises, and shall comply with all applicable health, safety and police laws, ordinances and regulations of any governmental authority having jurisdiction over the Premises or the Project; provided, however, the foregoing shall not be construed to require Tenant to perform any repairs which are the obligation of Landlord pursuant to this Lease.

2. Restrooms, toilets, urinals and wash basins shall not be used for any purpose other than those for which they were constructed, and no rubbish, newspapers, food or other substance of any kind shall be thrown into them. Tenant shall not mark, drive nails, screw or drill into, paint or in any way deface the exterior walls, floor foundations, bearing walls or pillars without the prior written consent of Landlord. The expense of repairing any breakage, stoppage or damage resulting from a violation of this rule shall be borne by Tenant.

3. Tenant shall not sell merchandise from vending machines or allow any coin or token operated vending machine on the Premises, except those provided for the convenience of Tenant's employees and pay telephones provided for the convenience of its customers.

4. Tenant shall deposit trash and rubbish only within receptacles approved by Landlord. Tenant shall separate trash from recyclable materials and use separate containers for recyclable materials. Landlord shall cause trash receptacles to be emptied at Tenant's cost and expense; provided, however, at Landlord's option, Landlord may provide trash removal services, the cost of which shall be paid for by Tenant either (a) as a Common Area Expense, or (b) pursuant to an equitable proration of said costs by Landlord. Tenant shall not display or sell merchandise or allow carts, signs or any other object to be stored or to remain outside the Premises. Tenant shall use at Tenant's cost a pest extermination contractor to be selected by Landlord and at such intervals as Landlord may require; provided that, at Landlord's option, Landlord shall retain such contractor for performance of such service for the Project as an item of Common Area Costs.

5. Tenant shall not erect any aerial or antenna on the roof, exterior walls or any other portion of the Premises. No awning or shade shall be affixed or installed over or in the show windows or the exterior of the Premises except with the consent of Landlord. If Tenant desires window drop curtains in the show windows of the Premises, the same must be of such uniform shape, color, material, and make as may be prescribed by Landlord and must be put up as directed by Landlord, and paid for by Tenant.

6. Tenant shall not solicit or distribute materials in the Common Area. Tenant shall not display, paint or place any handbill, bumper sticker or other advertising device on any vehicle parked in the Common Area. Tenant shall not distribute any handbills or other advertising matter in the Project.

7. Tenant shall neither conduct on the Premises, nor advertise with respect to the Premises, any liquidation, "going out of business", distress, "lost our lease" or similar sale.

8. Tenant shall not do anything in the premises, or bring or keep anything therein, which will in any way increase or tend to increase the risk of fire or the rate of fire insurance or which shall conflict with the regulations of the Fire Department or other applicable laws or with any insurance policy on the Project, and Tenant shall not use any machinery in the Premises or on the Building roof, even though its installation may have been permitted, which may cause any unreasonable noise or vibration to the floors or walls, or which by its weight might injure the floors of the Premises or the Building roof. Landlord may limit weight, size and position of all safes, fixtures and other equipment used in the Premises. In the event Tenant shall require extra heavy equipment, Tenant shall notify Landlord of such fact and shall pay the cost of structural bracing to accommodate same. All damage done to the Premises or Project by putting in or taking out, or maintaining extra heavy equipment shall be repaired at the expense of Tenant.

9. Deliveries of freight, supplies, equipment and/or inventory may be made to the Premises only according to such commercially reasonable regulations as may be reasonably designated from time to time by Landlord.

10. No advertising medium shall be utilized by Tenant which can be heard or seen outside the Premises including, without limitation, flashing lights, searchlights, loudspeakers, phonographs, radios or televisions; provided, however, Tenant shall be permitted to use music and video within the Premises as part of its merchandising so long as the volume of same is maintained at levels which do not cause disturbance of other tenants of the Project.

11. Any use of parking facilities in the Common Area shall be consistent with a parking agreement executed between the Landlord and Tenant, concurrent with this Lease.

12. Landlord, from time to time, may establish further reasonable rules and regulations for the Project, and Tenant shall abide by same provided that they do not conflict with any specific provisions of this Lease and neither materially increase Tenant's obligations nor materially diminish Tenant's rights under this Lease. Landlord shall not be responsible to Tenant or to any other person for the nonobservance or violation of the rules and regulations by any other tenant or other person.

EXHIBIT C

CONSTRUCTION PROVISIONS

1. Description of Landlord's Work. Attached hereto as Schedule 1 and incorporated herein by this reference is a description of the improvements within the Premises which will be provided by Landlord at Landlord's sole cost and expense (the "Landlord's Work"). For all purposes of this Lease the "Substantial Completion of the Premises" shall be deemed to occur on the date of substantial completion of all items of the Landlord's Work with the exception of customary punch-list items as do not materially interfere with Tenant's performance of the Tenant's Work, which punch-list items shall be promptly corrected by Landlord. Following the Substantial Completion of the Premises, Landlord shall not be liable for the condition of the Premises or for the performance of any work in the Premises except as specifically otherwise set forth in this Lease, provided that Landlord shall promptly correct any such punch-list items with respect to Landlord's Work identified in written notice from Tenant to Landlord within sixty (60) days following the delivery of possession of the Premises to Tenant. Where two (2) types of materials or structures are indicated, Landlord will have the option of using either.

2. Description of Tenant's Work.

The work to be done by Landlord in satisfying its obligation to construct the Premises under this Lease shall be limited to that described in Section 1 above. All other work to be done in the Premises shall be provided by Tenant at Tenant's sole cost and expense (the "Tenant's Work"). Tenant's Work shall include, but shall not be limited to, the purchase and/or installation and/or performance of the following (including any and all applicable architectural and engineering fees therefor):

- A. Floors: Tenant shall provide all floor coverings and base in the Premises.
 - B. Walls and Ceiling: Tenant shall construct all interior partition walls and shall provide all wall finishes and suspended or hard lid ceiling.
 - C. Plumbing: Landlord shall provide water service stubout(s) in accordance with Landlord's working drawings and specifications. Tenant shall provide all other plumbing for Premises.
 - D. Intentionally Omitted.
 - E. Telephone: Tenant shall provide all telephone equipment and distribution systems and connections to main terminal backboard. All equipment required for Tenant's telephone will be located within Tenant's Premises.
 - F. Fire Sprinklers: Tenant, at its sole cost and expense, shall modify the existing fire sprinkler system as required by building or fire officials.
 - G. Signs: Tenant shall provide all storefront signs in conformance with this Lease. No temporary or promotional signs shall be placed outside, on the exterior face or storefront of the Premises, or within five (5) feet of the interior face of the outermost portion of the storefront without Landlord's prior written approval. The above notwithstanding, Tenant shall be allowed temporary signs for at least thirty (30) days consistent with the Perris Municipal Code to announce a new business (e.g., a "Now Open" sign) or provide signage for a new business.
 - H. Utilities: Tenant shall apply for and pay all fees associated with all utility services and permits, any increase in the serving capacity of water, electrical, HVAC, sewer or gas services due to Tenant's requirements and any additional equipment necessitated thereby.
3. Provisions For Completion of Plans and Specifications and Construction of Premises.

(a) The procedure for approval of Tenant's plans and specifications for Tenant's Work (excluding any Permitted Alterations) is as follows:

(i) Within thirty (30) days of the execution of this Lease, Tenant shall submit to Landlord four (4) sets of fully-dimensioned one-quarter inch (1/4") scale drawings and specifications prepared by Tenant's licensed architect at Tenant's expense, which drawings shall indicate clearly and in detail all specific changes and alterations to the Premises including, but not limited to, the storefront, plumbing, lighting, electrical outlets and all of Tenant's Work, as described above. Any and all such plans shall be subject to Landlord's prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed. Landlord shall have fifteen (15) business days within which to approve or disapprove Tenant's proposed plans. In the event Landlord shall disapprove Tenant's plans, Landlord shall provide Tenant with written objections, and Tenant shall have fifteen (15) business days within which to amend its proposed plans and incorporate Landlord's required changes.

(ii) Upon Landlord's approval of Tenant's proposed plans, Tenant shall promptly submit such approved plans to the appropriate governmental authority for plan checking and the issuance of a building permit. In the event such governmental authority requires any changes to such approved plans prior to the issuance of a building permit, Tenant shall, at its sole cost and expense, promptly change such plans pursuant to such governmental request and submit such changed plans to Landlord for its approval, which approval shall not be unreasonably withheld, conditioned or delayed. Landlord shall have ten (10) business days within which to approve or disapprove such changed plans. In the event Landlord shall disapprove such changed plans, Landlord shall provide Tenant with written objections, and Tenant shall have ten (10) business days within which to amend such plans and incorporate Landlord's required changes. Upon Landlord's approval of the changed plans, Tenant shall promptly resubmit such plans to the appropriate governmental authority for plan checking and the issuance of a building permit as previously set forth in this Subparagraph (b). Upon Tenant's receipt of a building permit and any other necessary governmental approvals for Tenant's Work based upon plans approved by Landlord (the "Final Approved Plans"), and after the Substantial Completion of the Premises, Tenant shall immediately commence construction of Tenant's Work and shall diligently pursue such construction to completion in accordance with the Final Approved Plans.

(iii) No changes, modifications or alterations to the Final Approved Plans may be made without the prior written consent of Landlord. Any additional costs and expenses including, without limitation, increased fees which Landlord may be required to pay for architectural, engineering and other similar services arising by reason of any change, modification or alteration to the Final Approved Plans, any additional construction costs including costs of change orders charged by Landlord's contractor and any and all other costs, expenses and/or damages incurred or suffered by Landlord by reason of the changes, modifications or alterations to the Final Approved Plans and any delays directly or indirectly caused by such damages, modifications or alterations to the Final Approved Plans shall be at the sole cost and expense of Tenant and shall be paid by Tenant to Landlord before the performance of the work requested by Tenant.

(b) Tenant shall not commence any work in the Premises unless and until the following conditions have been met: (i) Final Approved Plans shall have been achieved; (ii) Landlord shall have reasonably approved Tenant's contractor; (iii) Tenant shall have obtained all permits and approvals from all appropriate governmental authorities for the Tenant's Work and shall furnish Landlord with copies of all such permits; (iv) Tenant, its contractor and subcontractors (collectively, "Tenant's Agents") shall have procured all insurance required under the provisions of this Lease and shall have furnished Landlord with certificates of such insurance in accordance with the provisions of this Lease; and (v) Landlord shall have consented to the commencement of Tenant's Work.

(c) (i) The Tenant's Work shall be constructed in accordance with the Final Approved Plans in a good and workmanlike manner and in compliance with all applicable Laws. Neither Tenant nor Tenant's Agents shall interfere with, obstruct, or delay, any other work in the Premises. Tenant and Tenant's Agents shall abide by all reasonable rules made by Landlord's contractor with respect to the storage of materials and coordination of work with other work being performed in the Project. Each of Tenant's Agents shall guarantee to Tenant and for the benefit of Landlord that the portion of the Tenant's Work for which it is responsible shall be free from any defects in workmanship and materials for a period of not less than one (1) year from the date of completion thereof. Each of Tenant's Agents shall be responsible for the replacement or repair, without additional charge, of all work

done or furnished in accordance with its contract that shall become defective within one (1) year after the later to occur of (i) completion of the work performed by such contractor or subcontractors and (ii) the Lease Commencement Date. The correction of such work shall include, without additional charge, all additional expenses and damages incurred in connection with such removal or replacement of all or any part of the Tenant's Work, and/or the Premises and/or Common Areas that may be damaged or disturbed thereby. All such warranties or guarantees as to materials or workmanship of or with respect to the Tenant's Work shall be written such that such guarantees or warranties shall inure to the benefit of Landlord and Tenant, as their respective interests may appear, and can be directly enforced by any of them. Tenant covenants to give to Landlord any assignment or other assurances which may be necessary to effect such right of direct enforcement.

(ii) All of Tenant's Agents shall carry worker's compensation insurance covering all of their respective employees, and shall also carry public liability insurance, including property damage, all with limits, in form and with companies as are reasonably required by Landlord, and the policies therefor shall insure to the benefit of Tenant and Landlord, as their interests may appear. In addition, during the course of performance of the Tenant's Work, Tenant shall carry "Builder's All Risk" insurance in an amount reasonably approved by Landlord covering the construction of the Tenant's Work. Certificates for all insurance carried pursuant hereto shall be delivered to Landlord before the commencement of construction of the Tenant's Work and all such policies of insurance must contain a provision that the company writing said policy will give Landlord thirty (30) days prior written notice of any cancellation or lapse of the effective date or any reduction in the amounts of such insurance. In the event that the Tenant's Work is damaged by any cause during the course of the construction thereof, Tenant shall immediately repair the same at Tenant's sole cost and expense. Tenant and Tenant's Agents shall maintain all of the foregoing insurance coverage in force until the Tenant's Work is completed. All insurance required hereunder (except Workers' Compensation) shall preclude subrogation claims by the insurer against anyone insured thereunder and shall provide that it is primary insurance as respects Landlord and that any other insurance maintained by Landlord and/or Master Landlord is excess and noncontributing with the insurance required hereunder.

(iii) Within fifteen (15) days after completion of construction of the Tenant's Work, Tenant shall cause a Notice of Completion to be recorded in the office of the Recorder of the County in which the Project is located in accordance with applicable laws, and shall furnish a copy thereof to Landlord upon such recordation. If Tenant fails to do so, Landlord may execute and file the same on behalf of Tenant as Tenant's agent for such purpose, at Tenant's sole cost and expense. Within thirty (30) days following the completion of the Tenant's Work, Tenant shall deliver to Landlord (i) a set of as-built drawings for the Premises, and (ii) a copy of all warranties, guaranties and operating manuals and information relating to the improvements, equipment, and systems in the Premises. Tenant shall obtain a certificate of occupancy for the Premises promptly following completion of the Tenant's Work.

SCHEDULE 1

Description of Landlord's Work

- A. Floors: Landlord shall provide a smooth finished concrete slab without floor covering or base. The floor shall be one (1) level in the northern space and two (2) levels in the southern space (per the plans therefor previously approved by Tenant), subject to customary variations of approximately one-quarter inch (¼") total variation over ten feet (10') non-cumulative.
- B. Storefront: Landlord shall provide and install a storefront per Landlord's architect's design with a glass entry door/doors as shown on Landlord's plans and elevations, the color of which shall be selected by Landlord's architect.
- C. Demising Wall: For any demising walls constructed by Landlord, Landlord shall provide 5/8" gypsum board on metal or wood stud wall, concrete masonry unit, and/or concrete walls. No paint or other finish shall be provided.
- D. Electrical: Landlord shall provide electrical service consisting of a 200 amp stubbed into Premises for future connection under separate permit. Electrical meter is Tenant's responsibility.
- E. Heating, Ventilating, & Air Conditioning ("HVAC" herein): Landlord shall provide platforms for HVAC units (to be installed by Tenant) in accordance with Landlord's working drawings and specifications.
- F. Telephone: Tenant to separately install telephone lines.
- G. Fire Sprinklers: Tenant to install fire sprinkler system per Tenant's design to be approved by Landlord, local fire department and other applicable governmental authorities, at a future date under separate permit, to tie into Landlord's fire sprinkler system. (Note: Tenant shall make any modifications made necessary by Tenant's Work or Tenant's use of the Premises.)
- H. Gas Service: Landlord shall provide stub-outs in accordance with Landlord's working drawings and specifications. Gas meter shall be Tenant's responsibility.
- I. Rear Door: Landlord shall provide access from garage to Premises.
- J. Sign Lighting: Landlord shall provide junction box and junction box locations in accordance with Landlord's working drawings and specifications.
- Tenant's Responsibility: All improvements other than those itemized above to be provided by Tenant at its sole cost and expense, including design and engineering fees.

EXHIBIT D

PROHIBITED USES

In no event shall all or any part of the Premises be used for any of the following uses (collectively, the "Prohibited Uses"):

1. A beauty school, barber college, place of instruction, or any other operation catering primarily to students or trainees rather than to customers, but excludes employee training by Premises subtenants incidental to the conduct of their businesses within the Premises.
2. Clinics or facilities that specialize in the delivery of medical services and/or advice.
3. Theater, bowling alley, amusement center or games arcade, carnival, skating rink, health or aerobic spa or studio, gymnasium or other recreational or entertainment facility or other place of public or private amusement.
4. Child-care facility.
5. Hotel or motel.
6. Residential use of any type.
7. Church, temple or other place of religious worship.
8. Warehouse.
9. Thrift or second-hand store.
10. Pool or billiard hall.
11. Betting parlor, bingo parlor or other gambling facility or operation.
12. Business that displays, repairs, rents, leases or sells any motor vehicle, boat or trailer.
13. Library.
14. Massage parlor, pornographic shop or adult book store.
15. Nightclub or dance hall.
16. Funeral home.
17. Dry cleaner with on-premises cleaning.
18. An operation offering "payday loans" or equivalent services, or deriving more than ten percent (5%) of its revenue from check-cashing services.