

REDONDO BEACH INTERNATIONAL BOARDWALK
LEASE

by and between

CITY OF REDONDO BEACH
A CHARTERED MUNICIPAL CORPORATION

Landlord

and

SCHOLB PREMIUM ALES, INC.

Tenant

DATED AS OF

AUGUST 5, 2025

REDONDO BEACH, CALIFORNIA 90277

SUMMARY OF LEASE PROVISIONS:

The information provided below is a summary of detailed provisions set forth in this Lease agreement by and between Landlord and Tenant identified below. This summary is intended to provide an overview only and is not intended to alter, limit or expand the provisions set forth at length in the Lease. In the event of any conflict between the information in this summary and any other provision of the Lease, the latter shall control.

Date of Execution: August 5, 2025

Landlord: The City of Redondo Beach, a chartered city and municipal corporation.

Premises: The retail/restaurant space located at 160 International Boardwalk, Redondo Beach, CA 90277 comprised of approximately 1,000 rentable square feet (as more particularly described in Exhibit A)

Tenant: Scholb Premium Ales, Inc.

Tenant's Trade Name: Scholb Premium Ales

Use of Premises: Retail/Restaurant/Brewery. Use is contingent on Tenant procuring the proper licenses, permits, and permissions from the appropriate local and state government agencies. Tenant shall diligently apply for such licenses, permits and permissions.

Lease Term: 5 years (60 months). The Landlord has an option to terminate the lease upon 12 months' prior written notice.

Commencement Date: August 5, 2025

Expiration Date: August 4, 2030

Minimum Monthly Rent: Two Thousand Five Hundred Dollars and no cents (\$2,500.00) per month for the first year with a base rent of \$2.50 per square foot. A three percent (3%) increase on the anniversary of the commencement date and each year thereafter.

Monthly Percentage Rent: Ten percent (10%) of Gross Sales (Section 7.4)

Tenant's Monthly Expense Share: 2.2% of the total leaseable square feet (45,220 sf) of International Boardwalk.

Tenant's Association Share: 0.2% (2/10ths of 1%) of Gross Sales for advertising and promotion (see Article 27).

Tenant's Percentage of Operating Expenses/CAMs: Tenant to pay its pro rata share of applicable International Boardwalk property operating expenses including CAM (Common Area Maintenance) expenses, which is the percentage of the Premises (leased space) divided by the

total square footage for the International Boardwalk ("Property") which equals 2.2% of the total leasable space at the Property as described in the Lease.

Address for Notices (Article 29):

TO LANDLORD:

City of Redondo Beach
Waterfront and Economic Development Director and
415 Diamond Street
Redondo Beach, CA 90277

City of Redondo Beach
City Attorney
415 Diamond Street
Redondo Beach, CA 90277

TO TENANT:

Scholb Premium Ales, Inc.
160 International Boardwalk
Redondo Beach, CA 90277

Security Deposit: \$2,500.00

Guarantors: Personal – Jason Kolb (Exhibit C)

Name and location of competing business or operation not subject to Non-Competition provisions (Section 15.3): N/A.

Rider to Lease: N/A

Brokers: Landlord: BC Urban LLC. Tenant: N/A.

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EXHIBIT J	-	Memorandum of Lease

**REDONDO BEACH INTERNATIONAL BOARDWALK
LEASE**

This Lease ("Lease") is made as of August 5, 2025, by and between the City of Redondo Beach, a chartered city and municipal corporation ("Landlord") and Scholb Premium Ales, Inc. ("Tenant").

RECITALS

A. The State of California has granted to Landlord certain tidelands on the conditions that Landlord develop, improve and operate such lands as a harbor. Landlord has developed, improved and is currently operating the area commonly known as Redondo Beach Harbor (the "Harbor Area"), which includes tide and submerged lands and uplands. As part of the Harbor Area, Landlord had constructed a boardwalk area known as the Redondo Beach International Boardwalk (the "Boardwalk") within the Harbor Area, and maintains the Boardwalk for recreational uses.

B. Tenant desires to lease from Landlord, and Landlord is willing to lease to Tenant, a certain portion of the Improvements on the Boardwalk Retail/Restaurant Area described herein as the Premises upon and subject to the terms, provisions and conditions of this Lease.

C. Landlord is planning to undertake a comprehensive revitalization of the Harbor Area, which may include the conveyance and/or redevelopment of the Boardwalk. Landlord has disclosed to Tenant that Landlord may desire to terminate this Lease prior to the end of the Term in connection with Landlord's planned revitalization of the Harbor Area and Boardwalk.

In consideration of the promises, conditions and covenants set forth herein, Landlord and Tenant hereby agree as follows:

ARTICLE 1 DEFINITIONS

For the purposes of this Lease, the following underlined terms shall have the meaning ascribed to them:

Additional Rent. All sums of money required to be paid pursuant to the terms of this Lease, including but not limited to the sums to be paid pursuant to Article 7, Article 8 and Section 18.2.

Assignment. Any (i) transfer, assignment, subletting, license, concession, change of ownership, mortgage or hypothecation of the Lease or of any portion of the Premises (as defined below) by Tenant or (ii) if Tenant is a business entity other than a publicly

traded corporation, the transfer, assignment or hypothecation of more than twenty-five percent (25%), in the aggregate, of the equity, securities or voting control of Tenant.

Boardwalk. The Redondo Beach International Boardwalk.

Boardwalk Retail/Restaurant Area. The Improvements which are a part of the Redondo Beach International Boardwalk Area ("Boardwalk Area") of the Redondo Harbor Properties and the Redondo Beach Harbor Enterprise, and which comprise the retail shops in the Boardwalk Area. The Boardwalk Retail/Restaurant Area, of which the Premises is a part, is located on the real property ("Property") located in Redondo Beach and further described in Exhibit A.

City. The City of Redondo Beach, a chartered city and municipal corporation.

CPI. The Consumer Price Index-All Consumers (Los Angeles-Anaheim-Riverside, CA, All Items, Base 1982-84 = 100) as published by the United States Department of Labor, Bureau of Labor Statistics. Should the Bureau discontinue the publication of the Index, or publish the same less frequently or on a different schedule, or alter the same in some other manner including, but not limited to, changing the name of the Index or the geographic area covered by the index, Landlord and Tenant shall adopt a substitute index or procedure which reasonably reflects and monitors consumer prices.

Commencement Date. The Commencement Date shall be the Commencement Date in the Summary.

Common Area. All improved and unimproved areas within the exterior boundaries of the Boardwalk Retail/Restaurant Area that are provided and designated by Landlord from time to time for the general and common use, benefit and/or convenience of Landlord and/or other tenants in the Boardwalk Retail/Restaurant Area and/or their respective authorized representatives and invitees. The Common Area is those areas, facilities and equipment of the Boardwalk Retail/Restaurant Area outside the Tenant Spaces and other premises for the exclusive use of Landlord or a tenant, and include without limitation, pedestrian walkways and patios, pier decking, landscaped areas, sidewalks, service corridors, public restrooms, stairways, non-structural portions of the roofs and exterior walls, plazas, malls, throughways, loading areas and parking areas. The common areas as they exist at the Commencement Date of this Lease are outlined in Exhibit A, which are depicted for the sake of conceptual reference only and not to establish exact locations or boundaries.

Common Area Expenses. All expenses incurred in connection with maintenance of the Common Areas including but not limited to all sums expended in connection with all general maintenance, repairs, resurfacing, painting, restriping, cleaning, sweeping and janitorial services; maintenance and repair of signs; sprinkler systems, planting and landscaping; lighting and other utilities; heating, ventilating and air conditioning costs and systems; directional signs and other markers and bumpers; maintenance and repair of

any fire protection systems; lighting systems, storm drainage systems and other utility systems; salaries and costs of workers' compensation insurance covering personnel to implement such services including, if Landlord deems necessary, the cost of security guards; real and personal property taxes and assessments on the Improvements and land comprising the Common Areas; any governmental imposition or surcharge imposed on and/or assessed against any portion of the Common Areas; depreciation, maintenance and operating costs of machinery and equipment used in connection with the Common Areas (if owned) and rental paid for such machinery and equipment (if rented); adequate public liability and property damage insurance on the Common Areas; fire and extended coverage insurance (and earthquake and other natural disaster coverage insurance if Landlord obtains and maintains such coverage); licensing fees; pest extermination; and amounts paid by Landlord as a result of personal injury or property damages, whether due to lack of insurance, deductible amounts or otherwise. In addition, Common Area Expenses shall include an amount for accounting, bookkeeping and collection of the expenses associated with the Common Areas equal to ten percent (10%) of the total of the above expenses associated with Common Areas for each calendar year. Landlord may cause any or all services associated with the Common Areas to be provided by an independent contractor or contractors.

Should Landlord acquire or make available additional land not currently shown as part of the Boardwalk Retail/Restaurant Area (as defined below), and make said land available for parking or other Common Area purposes, then Common Area Expenses shall also include all of the aforementioned expenses and costs incurred and paid in connection with said additional land.

Environmental Damages. All claims, judgments, damages (including punitive damages), losses, penalties, fines, liabilities (including strict liability), encumbrances and liens, and any other costs and expenses, resulting from the existence on or in, or release to the ground or air of Hazardous Materials in violation of or alleged to be in violation of the laws applicable thereto, including any attorneys' fees, disbursements, consultant's fees and other costs resulting from (a) investigation and defense of any alleged claim and (b) directive of any Governmental Agency, whether or not the claims or directives are groundless, false or fraudulent or ultimately defeated, and (c) any settlement or judgment.

Floor Area. All areas within the Boardwalk Retail/Restaurant Area which are held for the exclusive use and occupancy by specific tenants of Landlord, measured from the exterior surface of exterior walls (and, in the case of openings, from extensions thereof), and from the center of interior partitions, including, but not limited to, restrooms, mezzanines, warehouse or storage areas, clerical or office areas, and employee areas.

Governmental Agency. Any Federal, State, County or City authority having appropriate jurisdiction, any political subdivision thereof, or any school, agricultural, lighting, drainage or other improvement or special assessment district thereof.

Gross Sales. The gross selling price (including finance charges) of all merchandise or services sold, leased, licensed, or delivered in or from the Premises by Tenant, its permitted subtenants, licensees, or concessionaires, whether for cash or on credit (whether collected or not), including the gross amount received by reason of orders taken on the Premises although filled elsewhere, and whether made by store personnel or vending machines and all deposits not refunded to purchasers. Any transaction on an installment basis, including, without limitation, any "lay-away" sale, gift certificate or like transaction, or otherwise involving the extension of credit, shall be treated as a sale for the full price at the time of the transaction, irrespective of the time of payment or when title passes. All sales originating and orders taken, from or at the Premises, whether the orders are made by telephone, mail or any electronic device even if the order is filled elsewhere, shall be considered as made and completed therein, even though bookkeeping and payment of the account may be transferred to another location for collection, and although actual filling of the sale or service order or actual delivery of the merchandise may be made from a place other than the Premises. Gross Sales also shall include any sums that Tenant receives from pay telephones, stamp machines, music machines, amusement machines, or public toilet locks, as well as all admission, entry and other fees of any nature or kind charged by Tenant, its agents, sublessees, concessionaires or licensees. Gross Sales in credit card transactions shall include only the actual amount received by Tenant from the credit card issuer.

In addition, the term Gross Sales as used in this Lease shall not include the full retail price of California State Lottery tickets sold from the premises, but shall include the full amount of compensation and any incentive bonuses paid to and received by Tenant for such sales, as such compensation and bonuses are determined from time to time by the State Lottery Commission and Director under California Government Code §8880.51 and other applicable California laws.

Gross Sales shall not include, or if included there shall be deducted (but only to the extent they have been included), the following:

1. The selling price of all merchandise returned by customers and accepted for full credit, or the amount of discounts, refunds, and allowances made on such merchandise.

2. Merchandise returned to sources or transferred to another store or warehouse owned by or affiliated with Tenant.

3. Sums and credits received in the settlement of claims for loss of or damage to merchandise.

4. The price allowed on all merchandise traded in by customers for credit or the amount of credit for discounts and allowances made instead of acceptance of merchandise.

5. Any sums paid to third parties for the use or rental of pay telephones, stamp machines, music machines, amusement machines, or public toilet locks.

6. Sales and use taxes, so-called luxury taxes, consumers' excise taxes, gross receipts taxes, and other similar taxes now or in the future imposed on the sale of merchandise or services, but only if such taxes are added to the selling price, separately stated, collected separately from the selling price of merchandise or services, and collected from customers.

7. Sales of fixtures, trade fixtures, or personal property that are not merchandise as allowed in this lease.

Guarantors. The Guarantors, if any, are set forth in the Summary attached hereto and made a part hereof.

Harbor Area. The area commonly known as Redondo Beach Harbor.

Hazardous Materials. (a) Any petroleum or petroleum products, flammable substances, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other materials or pollutants which (i) pose a hazard to the Boardwalk Retail/Restaurant Area or to persons on or about the Boardwalk Retail/Restaurant Area or (ii) cause the Boardwalk Retail/Restaurant Area to be in violation of any Hazardous Materials Laws; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls in excess of fifty (50) parts per million; (c) any chemical, material or substance defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous waste," "restricted hazardous waste," or "toxic substances" or words of similar import under any applicable local, state or federal law or under the regulations adopted or publications promulgated pursuant thereto, including, but not limited to, the Comprehensive Environmental Response' Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et. seq.; the Hazardous Materials Transportation Act, as amended, 49 U.S.C. Section 1801, et seq.; the Resource Conservation and Recovery Act, as amended, 42 U.S.C. Section 6901, et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. Section 1251, et seq.; Sections 25115, 25117, 25122.7, 25140, 25281, 25316, and 25501 of the California Health and Safety Code; and Article 9 or Article 11 of Title 22 of the California Administrative Code, Division 4, Chapter 20; and (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or may or could pose a hazard to the health and safety of the occupants of the Boardwalk Retail/Restaurant Area or the owners and/or occupants of property adjacent to or surrounding the Boardwalk Retail/Restaurant Area.

Impositions. The term "Impositions" shall mean all taxes, assessments, charges, levies, fees and other governmental charges, general and special, ordinary and extraordinary, of any kind and nature whatsoever, including, but not limited to, assessments for public Improvements or benefits, which shall be laid, assessed, levied, or imposed upon the Boardwalk Retail/Restaurant Area and the Common Areas or any part

thereof and which are payable at any time during the term hereof, and all gross receipts taxes, rent taxes, business taxes and occupancy taxes, and shall include all of Landlord's reasonable administrative costs and any and all costs incurred by Landlord in contesting or negotiating the taxes with any governmental authority, except only franchise, estate, inheritance, succession, capital levy, transfer, income and excess profits taxes imposed upon Landlord.

Improvements. Structures, construction, alterations, additions and/or changes to the Boardwalk Retail/Restaurant Area, the Common Areas or the Premises, as the context requires.

Landlord. City or any successor to or assignee of Landlord's interest in the Boardwalk Retail/Restaurant Area.

Lease Year. For the first Lease Year, the period commencing on the Commencement Date and ending on the immediately next June 30th, whether in the same calendar year or the following calendar year, and thereafter, the period of 12 consecutive months commencing with each July 1st thereafter and ending on the following June 30th, the calendar year next following the Commencement Date.

Lender. Any construction, interim or permanent lender, or any mortgagee, trustee or beneficiary under a mortgage or deed of trust to which the Premises, the Boardwalk Retail/Restaurant Area, and/or any part thereof is subject pursuant to an agreement with Landlord.

Master Documents. This Lease shall be subordinate to the Uplands Trust instruments and any master lease, pursuant to which Landlord owns its estate, and any other document reasonably deemed relevant by Landlord, all of which are on file with Landlord.

Maximum Lawful Rate of Interest. The maximum lawful rate of interest shall be 300 basis points (3%) above the prime rate of interest announced by the Bank of America at its San Francisco office as charged to corporate borrowers of the highest standing for short term unsecured obligations (but in no event in excess of the maximum rate of interest then permitted to be charged by California law).

Minimum Hours of Operation. The minimum hours of operation shall be 11:00 am through 8:00 pm during each day of the Months of May, June, July, August and September; and 11:00 am through 6:00 pm during each day for any other Month (subject to change as provided for below).

Minimum Monthly Rent. Minimum Monthly Rent as specified in the Summary, payable Monthly in advance as increased pursuant to the terms of Article 7.

Month or Monthly. A calendar month period within each Lease Year, except that with regard to payments that are to be made Monthly, the first Monthly period shall commence on the date the Term commences and the last Monthly period shall end on the date the Term expires or terminates.

Monthly Percentage Rent. The Monthly Percentage Rent is that percentage of the Gross Sales during each Month as set forth in the Summary.

Pier. The Redondo Beach Pier.

Premises. That portion of the Boardwalk Retail/Restaurant Area known as the Tenant Space number referred to above in the Summary, which numbered Tenant Space is located as shown on Exhibit B. The Minimum Monthly Rent is not based on the actual square footage as may be found by more exact measurement, and deviation from the approximations of Floor Area used to describe the Tenant Space herein shall not cause a change in the Minimum Monthly Rent.

Principal Owner. Any person or entity which owns or has the power to vote at least twenty-five percent (25%) of the equity securities (whether stock, partnership interests or otherwise) of Tenant.

Prior Lease. The lease between Landlord and Tenant in effect prior to the Commencement Date of this Lease.

Reconstruction. The repair, reconstruction and restoration of the Premises following a casualty, as described in Article 17.

Removable Trade Fixtures. All personal property of Tenant not permanently affixed to the Premises, including but not limited to shelves, racks, signs, displays, counters and mirrors, which can be removed without damage to the Premises.

Security Deposit. The amount of the Security Deposit is set forth in the Summary, and is payable by Tenant to Landlord pursuant to Article 31.

Summary. The Summary is the Summary of Lease Provisions attached at the front of this Lease and made a part hereof.

Tenant. The Tenant is identified in the Summary and on the first page of this Lease.

Tenant's Estoppel Certificate. A written statement by Tenant, substantially in the form of Exhibit D, with respect to the Lease, as required by Section 25.5.

Tenant Spaces. Those certain spaces designed for the possession and occupancy of businesses and tenancies under lease from Landlord as depicted on Exhibit B.

Tenant's Monthly Expense Share. Tenant's Monthly Expense Share is set forth in the Summary.

Term. The term of this Lease is set forth in the Summary, commencing on the Commencement Date.

ARTICLE 2 EXHIBITS

The Summary set forth above and the following drawings and special provisions are attached hereto as Exhibits and are incorporated herein by this reference:

- Exhibit A: Premises Floor and Site Plan.
- Exhibit B: Description of Premises, Trade Name and Use of the Premises.
- Exhibit C: Guaranty of Lease.
- Exhibit D: Tenant's Estoppel Certificate.
- Exhibit E: Sign Criteria.
- Exhibit F: Parking Fee Schedule.
- Exhibit G: Rules and Regulations.
- Exhibit H: Confirmation of Lease
- Exhibit I: [Intentionally Deleted]
- Exhibit J: Memorandum of Lease

ARTICLE 3 PREMISES

3.1 Lease of Premises. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the Premises, for the Term, for the rent, and upon the covenants and conditions set forth in this Lease. Prior to entering into this Lease, Tenant has made a thorough and independent examination of the Premises and all matters related to Tenant's decision to enter into this Lease. As the occupant of the Premises pursuant to the Prior Lease, Tenant is thoroughly familiar with all aspects of the Premises and is satisfied that it is in an acceptable condition and meets Tenant's needs. Tenant agrees that Tenant shall accept the Premises "as is" in the condition as of the execution of this Lease, subject to all recorded matters, laws, ordinances and governmental regulations and orders. Landlord shall have no responsibility for any work or Improvements which may be required to prepare the Premises for Tenant's use, or for any work in remodeling the Premises.

Tenant acknowledges that neither Landlord nor any agent or representative of Landlord has made any representation as to the condition of the Premises, the suitability of the Premises for Tenant's intended use or the economic feasibility of the business Tenant intends to conduct. This Lease confers no rights of possession to Tenant to that portion of Boardwalk Retail/Restaurant Area lying outside of the exterior walls, floor and ceiling that is a part of the Premises, or to the Common Areas.

3.2 Agreements Affecting Lease. This Lease is subject to the Master Documents, which are hereby incorporated by reference. Upon written demand of Landlord, Tenant shall execute, acknowledge and deliver to Landlord for recording a subordination agreement whereby this Lease is subordinated to any of the Master Documents and any amendments thereto provided Tenants' rights under this Lease are not substantially or materially altered.

3.3 Landlord's Reservations.

3.3.1 Regarding the Boardwalk Retail/Restaurant Area. Landlord may change the name of the Boardwalk Retail/Restaurant Area. Tenant acknowledges that the Improvements shown in Exhibit A and the identity of any tenant shown thereon are subject to changes, alterations, additions and deletions as the Landlord may direct. Landlord may change the shape, size, location, number and extent of the Improvements on the site plan as shown on Exhibit A, and eliminate or add any Improvements to any portion of the Boardwalk Retail/Restaurant Area. Landlord reserves to itself the use of the roof, exterior walls, and the equipment, machinery, connections, pipes, ducts, conduits and wires leading through the Premises and serving other parts of the Boardwalk Retail/Restaurant Area, all in a manner and in locations which will not unreasonably interfere with Tenant's use of the Premises. Tenant's consent shall not be required for the creation of any covenants, easements or rights of way which are created by or required by Landlord or by any governmental authority.

3.3.2 Regarding the Premises. Landlord shall not materially change the size or location of the Premises without Tenant's prior written consent, which shall not be unreasonably withheld, after the Commencement Date. Landlord reserves the right to enter the Premises for purposes of inspection and repairs as set forth in Section 16.5, for self-help as set forth herein, for the installation and maintenance of sprinkler equipment, and at all times in case of emergency.

3.3.3 Regarding the City as Regulator. Tenant acknowledges and agrees that neither this Lease nor any other agreement with City in its proprietary capacity as Landlord shall bind the City in its regulatory capacity and that nothing contained herein is an agreement of the City as a governmental body having regulatory jurisdiction of the Premises to issue or grant to Tenant any permit including building, land use, occupancy, and health permits. Tenant shall be required to apply for and obtain all permits including building and land use permits needed from the City in its governmental regulatory capacity, and to comply with all laws, ordinances, rules and regulations of City governing the construction, use and occupancy of the Premises. Tenant further acknowledges that

Tenant shall not have the right to apply for building and land use permits without Landlord's written consent, which may be withheld in the sole discretion of Landlord.

ARTICLE 4 USE AND POSSESSION

4.1 Tenant's Business. Upon and after the Commencement Date Tenant shall use the Premises at all times for the sole purpose of conducting therein the business described and under the trade name as set forth in, Exhibit B, and for no other purpose or use and under no other trade name. Tenant shall not by any means or device, either directly or indirectly, violate the aforementioned restrictions on the use of the Premises.

4.2 Compliance with Agreements, Laws, etc.; Rules and Regulations; Insurance Requirements.

4.2.1 Tenant shall not use or permit to be used the Premises or any part thereof for any purpose or use in violation of the Master Documents, this Lease or in violation of any law or ordinance or any regulation of any governmental authority or in any manner that will constitute an unreasonable annoyance to any occupant of the Boardwalk Retail/Restaurant Area or a public or private nuisance, including but not limited to the production of deleterious or offensive odors (which shall in all instances for purposes of this Lease include any and all food and cooking odors), or that will damage the reputation of the Boardwalk Retail/Restaurant Area or any part thereof, or for any hazardous purpose, or in any manner that will violate, suspend, void or serve to increase the premium rate of or make inoperative any policy or policies of insurance at any time carried on the property, buildings or Improvements on the Boardwalk Retail/Restaurant Area or the Property or any part thereof.

4.2.2 Tenant shall not violate or permit the violation of, and at Tenant's cost and expense shall comply with or cause to be complied with, at all times during the term, all provisions of this Lease and the Master Documents affecting the Boardwalk Retail/Restaurant Area and all laws, ordinances, rules, regulations and orders of all governmental authorities (including, without limitation, the Uplands Trust) affecting the Boardwalk Retail/Restaurant Area and the operation of any business therein and, without limiting the generality of the foregoing, Tenant shall, at its cost and expense, procure all licenses, permits or other authorizations required in connection with any operation conducted in the Premises. Tenant shall pay for any and all changes to the remainder of the Boardwalk Retail/Restaurant Area outside the Premises required or necessitated by or in any way due to this Lease and/or Tenant's required or permitted activities (including construction) hereunder.

4.3 Release. Tenant hereby releases Landlord from any liability for any loss or damage should Tenant's use and occupancy of the Premises for the purposes set forth in this Lease be prohibited or impaired by reason of any zoning, law, ordinance or regulation of federal, state, county or municipal governments, or by reason of any act of

legal or governmental or other public authority, including without limitation, ballot initiatives.

4.4 Use of the Premises. Tenant shall at all times and at Tenant's cost and expense during the term (and shall cause its occupants to, as appropriate):

(1) Maintain the Premises and all access areas thereto in good order, condition and repair, and provide such janitorial services as shall be necessary to keep all of the above continuously safe, neat, vermin free, clean, inviting and attractive; and that in regard thereof, Tenant acknowledges that the Premises, being an oceanfront facility, is subject to nuisances caused by birds in the form of roosting and deposit of their droppings, and agrees to take reasonable measures to prevent or reduce such roosting and other nuisances caused by the birds on the exterior and roof of the Premises and to keep the exterior of the Premises and its immediate area clean and free of such droppings;

(2) Store or stock in the Premises only such property as shall be reasonably required in connection with business being conducted in the Premises, and not use any portion of the Premises for storage or warehouse purposes beyond such needs; and except for incidental related office purposes, use for office, clerical or other non-selling purposes only such space in the Premises as is from time to time reasonably required for Tenant's business therein;

(3) Store all trash and garbage in adequate closed containers located within the Premises so as not to be visible to members of the public patronizing the Boardwalk Retail/Restaurant Area; maintain such containers in a neat and clean condition and in a manner which will not create or permit any health or fire hazard or any offensive odor; and arrange for the regular removal of trash and garbage. If Landlord shall furnish trash removal service, Tenant shall use such service and shall pay Landlord monthly for such service at the prevailing competitive rate for such service as billed by Landlord;

(4) Refrain from burning any papers, trash or garbage of any kind in, on or about the Premises;

(5) Refrain from overloading any floor in the Premises;

(6) Refrain from using any portion of the Premises as living quarters, sleeping apartments or lodging rooms;

(7) Refrain from using the plumbing facilities for any purpose other than that for which they were constructed and refrain from disposing of any toxic, hazardous, damaging or injurious substance therein;

(8) Refrain from distributing any handbills or other advertising matter in, on or about any part of the Premises, the Boardwalk Retail/Restaurant Area, or

nearby parking facilities, and shall not permit any parading, rallying, patrolling, picketing, demonstrating, hawking, sign waving, or any similar type of conduct within the Premises or the Boardwalk Retail/Restaurant Area;

(9) Use best efforts to cause all trucks servicing the Premises to be loaded and unloaded in those areas and during those hours specified by Landlord;

(10) Provide the proper number and types of fire extinguishers for the Premises as required by the most stringent applicable laws or insurance requirements of either Landlord or Tenant; and,

(11) Keep the Premises suitably lighted during such hours as Landlord may reasonably require, including periods in addition to the business hours of Tenant if in the opinion of Landlord such lighting is reasonably necessary or desirable.

4.5 Prohibited Uses. Tenant shall not, and shall not allow any occupant of the Premises to:

(1) Conduct any going-out-of-business, fire, bankruptcy, auction or other distress sale in, on or about the Premises, or sell any used or re-conditioned merchandise or items;

(2) Use any sidewalks, walkways or areaways of the Boardwalk Retail/Restaurant Area for any purpose other than the passage of pedestrians. Tenant shall conduct its business entirely within the Premises;

(3) Place any fence, structure, building, improvement, division, rail, sign, advertising, display, device or obstruction of any type or kind upon the Common Area or the Boardwalk Retail/Restaurant Area or any part thereof, or upon any vestibule, entrance or return to the Premises, except as may be approved in writing by Landlord;

(4) Park, operate, load or unload any truck or other delivery vehicle at the Boardwalk Retail/Restaurant Area or the Property, other than that portion from time to time designated by Landlord, or use any portion of Landlord's loading docks and related facilities other than such portions thereof and during such times as Landlord may designate in its sole and absolute discretion;

(5) Keep live animals of any kind in, on or about the Premises;

(6) Install, use or permit to be used in, on or about the Premises or the Boardwalk Retail/Restaurant Area any advertising medium, paging system, or other sound, light, or sensory device which may be seen, heard or experienced outside the Premises, such as, but not limited to, flashing lights, searchlights,

loudspeakers, phonographs, pianos, organs, jukeboxes or radio or television broadcasts or permit any live music or entertainment at any time;

(7) Maintain or permit to be maintained in, on or about the Premises, pinball, mechanical or electronic games of any nature, or any vending, coin or credit card operated machines of any nature (except for any vending machines for food, candy, beverages and other similar items which are located only in areas not generally accessible to patrons and are solely for use by employees of the business(s) being conducted in the Premises);

(8) Use any portion of the Premises for (i) the sale of drugs, including without limitation marijuana, (ii) a drug treatment clinic, (iii) a liquor store, (iv) a bar dispensing liquor or alcoholic products which is not an incidental part of a restaurant or (v) the sale, distribution, display or offer for sale of any item which in Landlord's good faith judgment (which judgment may include consideration of the fact that the Landlord is the City), is inconsistent with the quality of the operation of the Boardwalk Retail/Restaurant Area intended for general and family-oriented patronage or which may tend to injure or detract from the moral character or image of the Boardwalk Retail/Restaurant Area, or which may otherwise violate the local community's sense of decorum, as may be determined by Landlord in its sole discretion. Without limiting the generality of the foregoing, Tenant shall not sell, distribute, display or offer for sale any paraphernalia used in connection with any illegal drugs or any pornographic, lewd or "adult" newspaper, book, magazine, film, picture, representation or merchandise of any kind.

4.6 Safety Requirements. Tenant's occupancy and rights hereunder shall be subject to the following:

(1) All fire protection systems servicing the Premises and the Boardwalk Retail/Restaurant Area, including, without limitation, any central station or remote station alarm systems, risers, sprinkler system, sprinkler control and fire protection water supply and related valves and fire pumps, shall be subject to Landlord's direct control and supervision, but without any obligation on Landlord to exercise such control and/or supervision.

(2) It shall be the responsibility of Landlord to keep any sprinklers in service at all times and to maintain any sprinkler equipment within the Premises in good order and repair so as to satisfy a "highly protected risk" rating with Landlord's fire insurance carrier, and any impairments to the sprinkler system within the Premises shall be reported immediately by Tenant to Landlord. In the event that it is necessary that any automatic sprinkler system be out of service, Tenant shall provide a fire watch in the affected areas of the building to meet both Landlord's and Code requirements.

(3) Tenant shall provide and maintain portable fire extinguishers throughout the Premises on the basis of at least one 2A-20BC rated extinguisher for each 3,000 sq. ft. or portion thereof. Said extinguishers must be mounted along normal paths of travel and securely hung in conspicuous locations. Said extinguishers must be placed so that travel distance to an extinguisher from any portion of the Premises does not exceed 75 feet.

(4) Tenant shall not introduce any hazardous occupancy or operation into the Premises for which the fire protection equipment therein is not designed. No operation may be conducted in the Boardwalk Retail/Restaurant Area which involves the use or storage of flammable liquids, aerosols or gas, and such use or storage in the Premises is prohibited, except and only as may be otherwise provided in this Lease for cooking facilities.

(5) Tenant shall observe and comply with all requirements specified by Landlord's fire insurance carrier for a "highly protected risk" rating in respect of the Premises and Tenant's use of the same and its operations therein.

(6) If any cooking facility is operated in the Premises, Tenant shall comply with the special hazard protection requirements in the latest edition of NFPA Standard 96, including, without limitation:

(i) properly constructed and arranged ventilation hoods and ducts for all cooking equipment;

(ii) a fixed pipe automatic dry chemical or carbon dioxide extinguishing system (or approved equivalent) protecting the cooking surface, ventilation hood and ductwork of all cooking appliances producing grease-laden vapors;

(iii) the extinguishing system must be interconnected with the fuel supply for the cooking equipment so that actuation of the extinguishing system causes automatic shut-off of the fuel supply to the equipment.

4.7 Compliance with Law. Tenant covenants and agrees not to violate or permit the violation of, and at its expense shall comply or cause to be complied with all present and future applicable building, subdivision, zoning, off-street parking, environmental protection or any other land use or other laws, ordinances, rules, regulations or orders of any and all governmental authorities regulating the conduct of or having jurisdiction over the use and occupancy of the Boardwalk Retail/Restaurant Area (including the Premises) and, without limiting the generality of the foregoing, Tenant shall, at its expense, procure all licenses, permits or other authorizations required in order to lawfully and properly use, as a portion of the Boardwalk Retail/Restaurant Area, the Premises in the manner required and contemplated by this Lease. Tenant shall be responsible, at Tenant's expense, for making any modifications to the Premises or

accommodations as may be required pursuant to the Americans with Disabilities Act and any other applicable accessibility laws.

4.8 Rules and Regulations. Tenant and Tenant's agents, employees, licensees, concessionaires, subtenants and invitees shall observe faithfully and comply with any reasonable rules and regulations governing the Boardwalk Retail/Restaurant Area as may from time to time be established in the Boardwalk Retail/Restaurant Area and Parking Rules and Regulations in Exhibit F and modified by Landlord. Such rules and regulations may apply, but need not be limited to, Minimum Hours of Operation, safety regulations, matters relating to security, schedule for lighting of display windows and signs and the use of Common Areas. Such rules and regulations shall be binding upon Tenant when posted in the management office of the Boardwalk Retail/Restaurant Area or upon delivery of a copy thereof to Tenant.

4.9 Food Service Use. Any material change in the quality or general theme of the restaurant originally approved by Landlord in the Premises shall be subject to Landlord's prior written approval, which may be granted or withheld in Landlord's sole discretion. Tenant agrees to maintain the highest standards in the quality and preparation of all food items, maintenance and cleanliness of the Premises, including, without limitation, the following:

(a) Tenant shall use its best efforts to maintain an "A" rating (or such similar first-class standard) set forth from time to time in applicable health department or other applicable governmental guidelines. Tenant's failure to maintain such first-class rating more than three (3) times in any twenty-four (24) month period during the Lease Term shall, at Landlord's election, constitute a material default by Tenant hereunder; provided, however, that Tenant shall not be in default under this section so long as Tenant contests any such rating in good faith within thirty (30) days after Tenant's receipt of notice that its rating has been lowered and concurrently therewith provides to Landlord written evidence that Tenant is diligently pursuing the resolution of such contest and thereafter resolves such contest within sixty (60) days.

(b) Tenant shall not permit the accumulation of any refuse and shall be solely responsible, at Tenant's sole cost and expense, for the removal of all trash and garbage from the Premises not less than seven (7) days per week to trash receptacles provided by Landlord pursuant to such procedures as Landlord may designate from time to time. Pending such removal, all such trash shall be kept in odor-proof, vermin-proof sealed containers out of public view and in compliance with all applicable laws.

(c) Tenant shall, at its sole cost and expense, at all times during the Term, provide necessary exhaust fans and systems, ductwork and venting and use its best efforts to ensure that all smoke, odors, vapors and steam are properly exhausted from the Premises. Such systems shall be installed pursuant to plans approved by Landlord, which systems shall prevent the discharge of smoke, odors, vapors and steam into the Common Areas of the Premises and the premises of other tenants. Notwithstanding the foregoing, Landlord acknowledges and agrees that Tenant's ordinary and customary odors alone which are

consistent with Tenant's permitted restaurant use shall not constitute a violation of this section. Tenant's exhaust and venting systems shall include fire prevention and/or extinguishment facilities or systems as may be required from time to time by applicable law or by Landlord in connection with Tenant's use at the Premises. All such systems shall be maintained by Tenant at Tenant's sole cost and expense in good working order and condition and in accordance with all applicable laws. Tenant shall regularly and adequately clean and maintain, or provide a contract for such cleaning and maintenance of, all such exhaust and venting systems serving the Premises, whether located within or outside the Premises in compliance with Landlord's standards and requirements for such cleaning and maintenance. Tenant shall provide to Landlord, upon Landlord's request, reasonable proof of such cleaning and maintenance program.

(d) Tenant shall use its best efforts to keep the Premises free from insects, rodents and all vermin. Without limiting the generality of the foregoing, Tenant shall, at Tenant's sole cost and expense, engage professional, reputable exterminators reasonably approved by Landlord to service the Premises, including, without limitation, all food preparation and food storage areas, on a monthly basis (or at such greater frequency as Landlord may require) and to the extent necessary to safely keep the Premises free of insects, rodents, vermin and other pests and to prevent insects, rodents, vermin and other pests from infesting the premises of other tenants or the Common Areas of the Premises. Tenant shall, upon Landlord's request, provide reasonable proof that Tenant is causing such extermination to be performed regularly at the Premises.

(e) Tenant shall, at Tenant's sole cost and expense at all times during the Lease Term, provide the necessary piping, connections, traps, grease traps, catch basins and other facilities for the removal of all waste liquids from the Premises in compliance with all applicable laws, codes and ordinances. Such facilities shall be connected to the sewers and mains provided by Landlord and shall be constructed so as to prevent the backing up or discharge of any such waste liquids into the Premises, the premises of other tenants or into the Common Areas of the Premises. Tenant shall not dispose of, nor permit to be disposed, any materials which tend to cause clogging or blockage of pipes and drains. Tenant shall regularly and adequately clean, or provide for the cleaning of, all grease traps, catch basins, plumbing waste lines and similar facilities serving the Premises. Tenant shall, upon Landlord's request, provide adequate proof that Tenant is causing such drainage cleaning to be performed regularly at the Premises.

(f) If alcoholic beverages are to be served at the Premises, Tenant shall obtain and maintain all required liquor licenses at all times during the Term. Tenant shall comply with all applicable alcoholic beverage control laws. Tenant shall not sell or serve alcoholic beverages intended for consumption outside of the Premises and shall use its best efforts to ensure that Tenant's customers do not carry such beverages outside of the Premises.

ARTICLE 5 TERM

5.1 Term. The Term for the period stated in the Summary shall commence on the Commencement Date. If the Commencement Date occurs on a day other than the first day of a Month, the Initial Term shall commence on the Commencement Date and shall continue from the first day of the calendar month next following the Commencement Date for the period of years set forth above.

5.2 Early Termination. Landlord may terminate the Term at any time after the first year of the Term, in Landlord's sole and absolute discretion, with or without cause, by giving Tenant written notice at least twelve (12) months prior to the intended termination date. If Landlord delivers such notice of termination to Tenant, then this Lease shall terminate on the date set forth in the termination notice. Upon receipt of Landlord's notice of termination, Tenant may in its sole and absolute discretion give notice to Landlord of Tenant's election to terminate the Term 90 days after its receipt of Landlord's termination notice, and in such event the date of termination shall be 90 days after Tenant's receipt of Landlord's termination notice. Tenant acknowledges that Landlord may desire to terminate this Lease to facilitate Landlord's plans for the revitalization of the Boardwalk and Harbor Area, and that Tenant is not entitled to relocation benefits therefore as set forth in Section 5.3 hereof. Upon the termination of the Term of this Lease, the parties shall have no further obligations under this Lease, except as to those obligations that expressly survive the termination of this Lease.

5.3 No Relocation Assistance. Tenant understands and agrees that Tenant is not eligible to be a "displaced person" under the California Relocation Act, which provides that a "displaced person" shall not include any person whose right of possession at the time of moving arose after the date of the public entity's acquisition of the real property. Tenant understands that Tenant is a "post-acquisition tenant" pursuant to the Relocation Assistance and Real Property Acquisition Guidelines of the California Department of Housing and Community Development, 25 Cal. Code Regs. §6000, *et seq.* Tenant understands that pursuant to Section 6034(b) of the California Code of Regulations, Tenant shall not be entitled to any relocation benefits or assistance if Tenant is temporarily or permanently displaced from the Premises, whether as a result of the expiration of the Term, Landlord's termination of the Lease pursuant to Section 5.2 hereof, Landlord's pursuit of an unlawful detainer proceeding against Tenant, or for any other reason. Tenant hereby knowingly and voluntarily waives any rights Tenant may have to claim or receive any relocation assistance or benefits under state or federal law, and agrees not to file any claim or take any other action to receive such assistance or benefits.

ARTICLE 6 HOLDING OVER

If Tenant holds over or remains in possession of the Premises with or without the consent of Landlord after the expiration of the Term, such holding over or continued possession shall create a tenancy from month to month only, upon the same terms and conditions as are herein set forth so far as the same are applicable; provided, however, the Minimum Monthly Rent payable during the period of such holding over shall be two

hundred percent (200%) of the rent payable immediately preceding the expiration of the Term. If Tenant fails to surrender the Premises in a timely manner upon the termination of this Lease, in addition to any other liabilities to Landlord accruing therefrom, Tenant shall indemnify and hold Landlord harmless from loss or liability resulting from such failure, including, without limiting the generality of the foregoing, any claims made by any proposed new tenant founded on such failure.

ARTICLE 7 RENT

Tenant shall pay Landlord without prior demand, deduction, set-off, counterclaim or offset during the Term the rent provided in this Article. All payments to be made under the terms of this Lease shall be in lawful money of the United States of America.

7.1 Minimum Monthly Rent. Tenant agrees to pay the Minimum Monthly Rent, in advance, on the first day of each calendar month, commencing on the Commencement Date, for the use and occupancy of the Premises. Should the Commencement Date be on a day other than the first day of a Month, then the rental for such fractional month shall be computed on a daily basis for the period from the Commencement Date to the end of such calendar month in an amount equal to 1/30 of said Minimum Monthly Rent for each day in such period and shall be due on the Commencement Date.

7.2 Payment of Tenant's Monthly Expense Share. Tenant shall pay Monthly to Landlord, as Additional Rent in addition to all other rental payable pursuant to this Article 7, Tenant's Monthly Expense Share. Tenant's Monthly Expense Share shall be due and payable at the same time that the Minimum Monthly Rent is due and payable. Tenant acknowledges that all businesses within the Boardwalk Retail/Restaurant Area are currently assessed under the International Boardwalk Sanitation District ("Sanitation District") for operational service fees provided by the City. Said fees are levied and assessed as set forth by ordinance and resolution of Landlord's City Council and may be adjusted from time to time. Tenant agrees to pay the annual assessment levied on the Premises by the Sanitation District. One-twelfth of the assessment levied annually upon Tenant at the Premises by the Sanitation District shall be credited (the "Sanitation District Credit") to each of Tenant's Monthly Expense Share for each month during the Lease Year for which the assessment and levy pertains; provided that Tenant delivers a true copy of the notice of assessment and levy to Landlord within 30 days that Tenant receives such notice of assessment and levy. No Sanitation District Credit shall be given on account of penalties, interest or costs of collection arising from non-payment of the assessment. In the event the Fisherman's Wharf Sanitation District is dissolved or altered in any manner, including to assess only leaseholders, Tenant agrees that the Sanitation District Credit shall cease and no longer be credited against Tenant's Monthly Expense Share, and that the full amount of the Tenant's Monthly Expense Share shall be due and payable without credit or offset.

7.3 Adjustment To Minimum Monthly Rent. On the third anniversary of the Commencement Date, the Minimum Monthly Rent shall be adjusted to an amount equal to 80% of the average total monthly rent, including without limitation percentage and minimum rent, payable to Landlord during the previous (three-year) period, provided it shall never be decreased from the then minimum monthly rent at the time of this calculation. If such a formula does not yield an increase in Minimum Monthly Rent equal to or greater than the CPI increase for such a period, then Minimum Monthly Rent shall be adjusted by the increase in the CPI over such period, but in no event decreased, as provided in this Section. For purposes of these CPI increase adjustments, the "Base Month" shall be the Month which is two Months before the Commencement Date, and the adjustment Month shall be the next Month immediately following the third anniversary of the Base Month. The increase shall be calculated by multiplying the Minimum Monthly Rent by a fraction in which the numerator is the CPI for the adjustment Month and the denominator is the CPI for the base Month, and the Minimum Monthly Rent shall be increased to that sum. If the CPI is amended or discontinued, Tenant agrees that Landlord shall have the right to designate a substitute index to be used which will assure that substantially the same results will be obtained hereunder as if the CPI had remained in effect throughout the Term.

7.4 Monthly Percentage Rent. In addition to Minimum Monthly Rent and other sums specified herein, Tenant agrees to pay to Landlord on the 10th day of each Month, Monthly Percentage Rent for the immediately preceding Month without any prior demand and without any offset or deduction whatsoever; except that Tenant shall be liable for Monthly Percentage Rent only to the extent by which the amount the Monthly Percentage Rent for the immediately preceding Month exceeds the Minimum Monthly Rent paid to Landlord by Tenant for the same immediately preceding Month.

7.4.1 Default Monthly Percentage Rent. In the event Tenant shall fail to timely submit a Monthly Statement, as provided for below in section 7.4.4, the Monthly Percentage Rent due on the date that the Monthly Statement for such Month is required to be submitted to Landlord shall be the "Default Monthly Percentage Rent", which is the higher of (i) the highest Monthly Percentage Rent previously reported on a Monthly Statement or (ii) 110% of the then current Minimum Monthly Rent applicable to the Month for which the Monthly Percentage Rent is due. In the event that the Monthly Percentage Rent to be due was later determined from the relevant Monthly Statement in accordance with section 7.4.4 to be greater than the Default Monthly Percentage Rent, Tenant shall immediately pay the amount of the deficiency to Landlord, together with interest thereon from the date the Monthly Percentage Rent was otherwise due. Nothing contained herein shall be construed (i) to allow Tenant to fail or refuse to faithfully account for Gross Sales, to submit Monthly Statements or to pay Monthly Percentage Rent as otherwise provided for herein, or (ii) as a waiver of the rights of Landlord to otherwise receive faithful accountings and Monthly Statements from Tenant and to conduct audits concerning such rights. The Monthly Percentage Rent for any Month shall be the greater of (i) the Default Monthly Percentage Rent and (ii) the Monthly Percentage Rent determined by a timely submitted Monthly Statement. Tenant shall not be entitled to

a credit or repayment if the Default Monthly Percentage Rent is later determined by the relevant Monthly Statement to be greater than the Monthly Percentage Rent.

7.4.2 Calculation and Adjustment of Monthly Percentage Rent Payments. The amount of the Monthly Percentage Rent due and payable for the immediately preceding Month shall be calculated by applying the percentage of Gross Sales specified as Monthly Percentage Rent in the Summary to Gross Sales in the Monthly Statement to be submitted to Landlord as required below and deducting therefrom the payment (if any) of Minimum Monthly Rent made by Tenant for the same Month. The calculation of Minimum Percentage Rent shall be made in writing by Tenant and submitted to Landlord together with the payment of the Monthly Percentage Rent to which it applies. The accuracy of such calculation and of the Monthly Statement shall not be binding on Landlord. For the purpose of computing the Monthly Percentage Rental due, sales made during the first fractional Month in which Monthly Percentage Rent commences shall be added to the sales made during the first full calendar Month and Tenant shall pay to Landlord the amount by which the amount so computed as a percentage of Gross Sales of Tenant during this entire period exceeds the Monthly installments of Minimum Monthly Rent which are paid by Tenant during said period. The amount by which the Minimum Monthly Rent paid for any Month exceeds the Monthly Percentage Rent for that same Month shall not be credited against the Minimum Monthly Rent or Monthly Percentage Rent for any other Month and there shall not be an adjustment on an annual basis of the aggregate Monthly Percentage Rent due during a Lease Year.

7.4.3 Record Keeping. Tenant shall record at time of sale, in the presence of the customer, all receipts from sales or other transactions, whether cash or credit, in a cash register(s), which shall provide a cumulative total and which shall number consecutive purchases. Tenant shall keep and maintain (i) all such cash register receipts with regard to the Gross, net sales, credits, refunds and other pertinent transactions made from or upon the Premises (including the Gross Sales of any subtenant, licensee or concessionaire), (ii) detailed original records of any exclusions or deductions from Gross Sales (including any exclusions or deductions from Gross Sales of any subtenant, licensee or concessionaire) and (iii) full and accurate books of account and records in accordance with generally accepted accounting principles consistently applied. Such books, receipts and records shall be kept for a period of three (3) years after the close of each Lease Year, and shall be available for inspection and audit by Landlord and/or its representatives at the Premises at all times during regular business hours. In addition, upon request of Landlord, Tenant agrees to furnish to Landlord a copy of Tenant's State and Local Sales and Use Tax Returns and Tenant waives any right of confidentiality which Tenant may claim to have for such Returns.

7.4.4 Monthly and Annual Statements. Tenant shall furnish to Landlord a written statement ("Monthly Statement") of Gross Sales for each Month not later than 10 days after the end of such Month. Tenant shall also furnish an annual written statement ("Annual Statement"), including a Monthly breakdown of Gross Sales during each Lease Year, within 45 days after the close of each Lease Year. Such Monthly

Statements and Annual Statement shall be signed and certified to be true and correct by Tenant if Tenant is composed of individuals, or by the chief financial officer of Tenant, if Tenant is a corporation. The receipt by Landlord of any Monthly or Annual Statement or any payment of Monthly Percentage Rental for any period shall not bind it as to the correctness of the Monthly Statement or the Annual Statement, or the correctness of any payment. Any information gained by Landlord from such Statements, or any audit or inspection shall be confidential to the extent that Tenant maintains such information as secret and confidential and so informs Landlord, and shall not be disclosed by Landlord other than to carry out the purposes of this Section, with the exception of the following: Landlord shall be permitted to divulge the contents of any such Statements in connection with any financing arrangements, ground leases, or assignments of Landlord's interest in the Premises, in connection with any administrative or judicial proceedings in which Landlord is involved where Landlord may be required to divulge such information or when Landlord (as a public agency) is required by law to divulge such information.

7.4.5 Right to Inspect and Audit. Landlord shall, within five (5) years after the receipt of the Annual Statement for a Lease Year, be entitled to inspect and audit, and to make and retain copies of, Tenant's books, records and accounts relevant to the determination of Gross Sales and the cost of sales (including the Gross Sales and cost of sales of any subtenant, licensee or concessionaire) for all Months during the period subject to audit. Such audit shall be conducted either by Landlord or by an auditor designated by Landlord during normal business hours at Tenant's principal place of business. If it is determined as a result of such audit that there has been a deficiency in the payment of any Monthly Percentage Rental, then such deficiency shall immediately become due and payable, together with interest at the Maximum Lawful Rate from the date when said payment should have been made. In addition, if any of Tenant's Monthly Statements under review by Landlord is found to have understated Gross Sales for any Month by more than two percent (2%), and if Landlord is entitled to any additional Monthly Percentage Rental for that Month as a result of said understatement, then Tenant shall pay to Landlord all reasonable costs and expenses (including, but not limited to: accounting, bookkeepers and auditors fees; attorneys' fees; costs allocable to salaries and benefits of Landlord's employees; copying, reproduction and printing costs; and litigation and court costs) which may be incurred or suffered by Landlord in determining the understatement or collecting the underpayment. If Tenant's statement shall be found to have understated Gross Sales for any Month by more than 6%, then, in addition to Landlord's aforesaid rights, Landlord may, at its sole option, terminate this Lease at any time thereafter upon notice to Tenant.

7.5 Additional Rent. Tenant shall pay all Additional Rent. If such amounts or charges are not paid at the time provided in this Lease, they shall nevertheless be collectible as Additional Rent with the next installment of Minimum Monthly Rent thereafter falling due. Nothing herein contained shall be deemed to suspend or delay the payment of any amount of money or charge at the time the same becomes due and payable hereunder, or to limit any other remedy of Landlord.

7.6 Failure To Pay Items Required Under Article 7. If Tenant fails to pay any Minimum Monthly Rent, Monthly Percentage Rent, Default Monthly Percentage Rent or any Additional Rent when the same is due and payable, such unpaid amounts shall bear interest at the Maximum Lawful Rate from the date due until the date of receipt by Landlord of such payment. In addition to such interest, Tenant acknowledges that the late payment by Tenant of any monthly installment of Minimum Monthly Rent (and/or late payment of other obligations hereunder) will cause Landlord to incur certain internal administrative costs and expenses not otherwise provided for under this Lease, and that the exact amount of such costs are extremely difficult or impractical to fix. Such costs and expenses will include but are not limited to internal administrative processing, accounting and review. Therefore, if any such payment is not received by Landlord from Tenant in good funds by the 10th day after the date on which such payment is due, Tenant shall immediately pay to Landlord a late charge equal to the greater of 5% of such payment or \$100. Landlord and Tenant agree that this late charge represents a reasonable estimate of such costs and expenses and is fair compensation to Landlord for its internal administrative loss suffered because of nonpayment or untimely payment by Tenant. Acceptance of this late charge shall not constitute a waiver of Tenant's default with respect to such nonpayment or untimely payment by Tenant, and shall not prevent Landlord from exercising all other rights and remedies available to Landlord under this Lease.

7.7 Application of Payments. Landlord may at its option, apply any payments received from Tenant, to any Minimum Monthly Rent, Monthly Percentage Rent or Additional Rent which is then due and payable. If Landlord shall not make any specific application of a payment received from Tenant, then any payment received from Tenant shall be applied first to the Minimum Monthly Rent, Monthly Percentage Rent or Additional Rent which has been overdue for the longest period of time.

7.8 Address for Payments. All rental and other payments shall be paid by Tenant to Landlord at Landlord's address as shown in the Summary, or at such other place as may occasionally be designated by Landlord in writing.

ARTICLE 8 UTILITIES

Tenant shall, during the entire Term, (i) arrange for and pay any and all initial utility deposits and fees, connection and metering costs, and (ii) all monthly service charges for electricity, gas, water, telephone and any other utility services, except for sewage, furnished to the Premises and the Improvements thereon. Landlord shall not be liable for any loss or damage resulting from an interruption of any of the above services.

8.1 Indemnification. Tenant shall defend, indemnify and save Landlord harmless against any liability or charges on account of any utility services. In case any utility charges are not paid by Tenant when due, Landlord may pay the utility charges to the utility company or department furnishing the utility service, and any amounts so paid by

Landlord shall be paid by Tenant to Landlord immediately upon demand by Landlord, as Additional Rent.

8.2 Utility Charges. If a submeter is installed for any utilities, Tenant shall pay Landlord monthly for the utility services so submetered at the same rates which Tenant would pay to the utility company supplying such utility service if such service were supplied by direct meter. If the furnishing of any service by Landlord should be determined to be a public utility service and rates therefor should be fixed or approved by any public authority having jurisdiction, then such rates for any such service shall supersede the provisions of this Lease with respect to the determination of the charges to be paid by Tenant for such service. Landlord may at its option, install separate utility meters at Tenant's expense.

8.3 No Overloading. Tenant shall not have the right to install any equipment which shall exceed the capacity of any utility facilities or which shall require additional utility facilities without Landlord's prior written approval of Tenant's plans and specifications therefor. If such installation is approved by Landlord, and if Landlord provides such additional facilities to accommodate Tenant's installation, Tenant agrees to pay Landlord, upon demand, the cost of providing such additional utility facilities and all related expenses of any kind. Tenant shall in no event use any of the utility facilities in any way which shall overload or overburden the utility systems.

8.4 Discontinuance. Landlord reserves the right to cut off and discontinue furnishing any heating, ventilation, air conditioning or other utility services furnished or submetered by Landlord at any time after an event of default under this Lease by Tenant. Landlord shall not be liable for any damages resulting from or arising out of such discontinuance of utility services, and such discontinuance shall not constitute a termination of this Lease or an eviction of Tenant. Tenant hereby releases Landlord from any loss, damage or liability sustained by Tenant as a result of such discontinuance.

8.5 Additional Utility Programs. If Landlord now or hereafter elects to provide any type of utility or alarm services to all or a substantial part of the Boardwalk Retail/Restaurant Area, then Tenant shall, upon Landlord's request, participate in the program and pay to Landlord the reasonable cost of installing and providing the services to Tenant. The utility or alarm services which Landlord may provide include, but are not limited to, electricity for lighting, heating and air conditioning, fire, smoke or security alarm systems, telephone systems and/or any other technological advances which may provide a benefit to the tenants or patrons of the Boardwalk Retail/Restaurant Area. If Landlord provides any of such utility or alarm systems, Landlord may also establish a reasonable program, through rules and regulations, for the monitoring of such systems, determining the usage by each Occupant, establishing standards, requirements and limitations on usage, record keeping, construction and maintenance.

8.6 Utility Service by Landlord. If any utilities are provided in whole, or in part, by Landlord, Tenant shall promptly pay to Landlord as Additional Rent Tenant's share of the charges paid by Landlord for the utilities servicing the Premises or the Common

Areas during the Term. From and after the Commencement Date, Tenant shall pay to Landlord an amount estimated by Landlord to be the monthly sum payable hereunder by Tenant for such services. Landlord may adjust the monthly estimated sum at the end of each calendar quarter, based on Landlord's experience and reasonably anticipated costs. Within 60 days following the end of each calendar year, Landlord shall furnish Tenant a statement covering the previous year showing the total of said utility expenses payable by Tenant for said year and the payments actually made by Tenant with respect to such period as set forth above. If the sums payable for such utility expenses exceed Tenant's prior payments, Tenant shall pay Landlord the deficiency within 10 days after receipt of such statement. If said payments exceed the sums payable for such expenses, Tenant shall be entitled to offset such excess against payments which next become due to Landlord as set forth above. Tenant shall pay its pro rata share of the utilities expense, which shall be an amount equal to the utilities expense on the Boardwalk Retail/Restaurant Area multiplied by a fraction the numerator of which shall be the floor area of the Premises as determined by Landlord (and as indicated on the cover sheets hereto) and the denominator of which shall be the floor area of all areas available for exclusive use and occupancy by tenants of the Boardwalk Retail/Restaurant Area, whether or not such areas are actually occupied and open for business.

ARTICLE 9 INDEMNITY - RELEASE - INSURANCE - WAIVER OF SUBROGATION

9.1 Indemnity. To the fullest extent permitted by law, Tenant shall indemnify and hold harmless Landlord and its respective officers, employees, elected and appointed officials and volunteers from and against any and all claims, damages, liabilities, losses, Environmental Damages, judgments, lawsuits, causes of action, obligations, penalties, costs, charges and expenses, including without limitation, attorneys' fees and costs and expert witness fees, caused in whole or in part by any intentional, reckless or negligent act or omission of Tenant, any Tenant assignee, licensee, sublessee, or anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, or its failure to comply with any of its obligations contained in this Lease, or its failure to comply with any law, and which may be imposed or incurred or asserted (whether real or claimed) against Landlord or its respective officers, employees, elected and appointed officials, contractors, and volunteers by reason of the occurrences listed below during the Term of this Lease. This indemnification obligation shall survive this Lease and shall not be limited by any term of any insurance policy required under this Lease.

(a) Any use, non-use, possession, occupation, condition, operation, conduct of business, maintenance or management of the Premises, or from any activity, work, or other things done, permitted or suffered by Tenant, its agents, contractors, servants, employees or invitees, in or about the Premises, or any part thereof, or any sidewalk, curb, vault, passageway or space adjacent thereto over which Tenant has management responsibilities or control;

(b) Any negligence or wrongful act on the part of Tenant or any of its agents, contractors, servants, employees, sublessees, operators, licensees or invitees;

(c) Any accident, injury or damage to any person or property occurring in, on or about the Premises, or any part thereof, or any sidewalk, curb, vault, passageway or space adjacent thereto over which Tenant has management responsibilities or control;

(d) Any failure on the part of Tenant to maintain, repair, restore or construct the Premises as provided in this Lease, or any failure to perform or comply with any of the other terms, provisions, covenants and conditions contained in this Lease on its part to be performed or complied with; and

(e) All liens, claims and demands arising out of the construction, alteration, repair, restoration or work of improvement on or about the Premises by or on behalf of Tenant or its facilities.

Tenant agrees to give prompt notice to Landlord in case of casualty or accidents in the Premises, or in the case of any incident or omission upon which a claim could be made. In case any action or proceeding is brought against Landlord or its officers, agents and employees by reason of any such claim, Tenant, upon written notice from Landlord, shall at Tenant's expense, resist or defend such action or proceeding by counsel reasonably approved by Landlord in writing. This obligation to indemnify shall include without limitation reasonable attorneys' fees and investigation costs and all other reasonable costs, expenses and liabilities from the first notice that any claim or demand is to be made or may be made. Notwithstanding the foregoing, Landlord or its officers, agents and employees shall not be entitled to indemnity under the foregoing provision for any claim arising from the willful misconduct or gross negligence of Landlord, its officers, agents and employees.

9.2 Release. Landlord or its agents shall not be liable for interference with the light, air, access to, or for any latent defect in the Premises. Landlord shall not be liable for and Tenant hereby releases Landlord from any loss, damage or liability of any kind, for any injury to or death of persons, for Environmental Damages or for damage to property of Tenant or any other person from any cause whatsoever occurring from and after the Commencement Date by reason of the use, construction, occupancy and enjoyment of the Premises or the Boardwalk Retail/Restaurant Area by Tenant or any person thereon or holding under Tenant, or for any matter for which Tenant indemnifies Landlord. The damages for which Landlord is released include, but are not limited to, damages resulting from (i) any labor dispute, (ii) fire, smoke, explosion, noxious odors, the presence of Hazardous Materials, falling plaster or other building materials, steam, gas, electricity, or other nuisance, (iii) water, dampness, wave action or rain which may leak from or to any part of the Premises or its roof, (iv) failure or rupture of the pipes, appliances, systems, equipment or plumbing works in the Premises or the Boardwalk Retail/Restaurant Area and (v) interruption in utility service. Landlord shall in no event be liable to Tenant or anyone claiming by, under or through Tenant for any loss, damage or liability resulting from the acts or omissions of other Tenants or users of the

Boardwalk Retail/Restaurant Area or by any other third person who was not acting under the direction and control of Landlord.

9.3 Waiver of Subrogation. Tenant hereby waives any rights Tenant may have against Landlord on account of any loss or damage occasioned to Tenant, or Tenant's property, arising from any risk generally covered by fire and extended coverage insurance. Tenant's insurance coverages shall be endorsed to state that all insurers waive any rights of subrogation it may have against the City of Redondo Beach, its officers, elected and appointed officials, contractors, employees, and volunteers.

9.4 Insurance Provided by Tenant. From and after delivery of possession of the Premises, Tenant shall carry and maintain, at Tenant's sole cost and expense, the following types of insurance, in the amounts specified and in the forms provided below:

9.4.1 Comprehensive General Liability. Comprehensive General Liability Insurance covering the Premises and Tenant's use thereof against claims for bodily injury or death, personal injury and property damage occurring upon, in or about the Premises regardless of when such claims may be made. Such insurance shall have limits of not less than \$2,000,000 for bodily injury to or death of any number of persons arising out of any one occurrence and \$2,000,000 for property damage arising out of any one occurrence, or a combined single limit of at least \$4,000,000 may be provided in lieu of split limits. These limits shall apply to this location only. The insurance coverage required under this Section shall include coverage for liability hazards as defined in the policy forms and endorsements for premises and operations liability, personal injury liability, broad form property damage liability and contractual liability, which shall extend to liability of Tenant arising out of the indemnities provided in Section 9.1. General Liability coverage can be provided in the form of an endorsement to Tenant's insurance, or as a separate policy. If required by Landlord from time to time, Tenant shall increase the limits of its comprehensive general liability insurance to reasonable amounts customary for tenants in like Boardwalk Retail/Restaurant Areas. Coverage must be at least as broad as Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001).

9.4.2 Plate Glass. Insurance covering all plate glass on the Premises. Tenant shall have the option to (i) insure the risk, (ii) post a bond for replacement of any damaged plate glass, or (iii) pay for the immediate replacement of all plate glass if and when any damage occurs.

9.4.3 Boiler and Machinery. Boiler and machinery insurance on all air conditioning equipment and systems exclusively serving the Premises and all electrical facilities and equipment located in the Premises. If said equipment and systems, and the damage that may be caused by them or result from them, are not covered by Tenant's extended coverage insurance, then the insurance specified in this subsection shall be in an amount of not less than Five Hundred Thousand Dollars (\$500,000). If Tenant requires boilers or other pressure vessels to serve the Premises they shall also be insured in the amount required by this subsection.

9.4.4 Direct Property Damage. All Risk Physical Damage Insurance covering Tenant's trade fixtures, merchandise and personal property from time to time in, on or about the Premises, and all leasehold Improvements to the Premises which Tenant is required to maintain pursuant to Section 16.1, specifically including any heating and cooling facilities serving the Premises which may be located outside the Premises provided that Tenant shall have the option to self-insure the plate glass. Such insurance (i) shall be written on a replacement cost basis in an amount equal to at least ninety percent (90%) of the replacement cost of the insured property; and (ii) shall provide protection against perils that are covered under standard insurance industry practices within the classification of all risk insurance, including, but not limited to, loss or damage from fire, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, aircraft, vehicles, smoke, domestic water damage, collapse, sprinkler leakage, vandalism, malicious mischief, and, if obtainable at commercially reasonable rates, also earthquake, flood and other natural disaster insurance. Tenant's obligations to provide insurance pursuant to this Section shall apply to all Improvements and fixtures, notwithstanding that some or all of such Improvements and fixtures may have been installed by Tenant, Landlord, a prior tenant or any other party at any time before or after the delivery of the Premises to Tenant.

9.4.5 Workers Compensation. Statutory workers compensation insurance (including occupational disease insurance) as may be from time to time required by the laws of the State of California.

9.4.6 Employer's Liability. Employer's liability insurance with a per occurrence limit of not less than \$2,000,000 per accident for bodily injury or disease or such greater amount as is customary for similar employers in the trade area.

9.4.7 Liquor Liability. If, with the consent of Landlord, alcoholic beverages are to be dispensed in the Premises, liquor liability insurance which includes loss of means of support coverage with limits of not less than those set forth in Section 9.3.1 above, for bodily injury or death and property damage in the event that in any part of the Premises there shall be given, sold or dispensed intoxicating liquors or alcoholic beverages as set forth in the Dram Shop statutes of California.

9.4.8 Business Interruption. Rental insurance (or, as the case may be, use and occupancy insurance) and business interruption or disruption insurance with benefits payable to Landlord in amounts not less than the total Minimum Annual and Monthly Percentage Rentals payable by Tenant to Landlord for the previous year.

9.4.9 Motor Vehicle Liability. Motor vehicle liability insurance governing any autos used in connection with operations at the Premises with coverage at least as broad as Insurance Services Office form number CA 0001 (Ed. 1/87) covering Automobile Liability, code 1 (any auto).

9.4.10 Policy Form. All policies of insurance provided for herein shall be issued by insurance companies (i) with A. M. Best rating of not less than A-X, and (ii) which are California admitted insurers. Any deductibles must be declared to and approved by Landlord in its sole discretion. All such policies shall provide that the full amount of any losses shall be payable for Landlord's benefit under the terms of this Lease notwithstanding any act, omission or negligence of Landlord or Tenant which might otherwise result in a forfeiture of insurance coverage, and shall be issued in the names of Landlord and Tenant, and if requested by Landlord, Landlord's mortgagee or beneficiary, which policies shall be for the mutual and joint benefit and protection of Landlord, Tenant and Landlord's mortgagee or beneficiary. Executed copies of such policies of insurance or certificates and endorsements thereof shall be delivered to Landlord within ten (10) days after the Commencement Date. Thereafter, executed copies of renewal policies or certificates and endorsements thereof shall be delivered to Landlord at least fifteen (15) days prior to the expiration of each term of each such policy. All public liability and property damage policies shall contain a provision that Landlord, although named as an insured, shall nevertheless be entitled to recover under said policies for any loss occasioned by Landlord, its officers, elected and appointed officials, agents, employees and volunteers due to negligence by Tenant. All policies of insurance delivered to Landlord shall contain a provision that the company writing said policy will give to Landlord in writing thirty (30) days' notice in advance of any cancellation or lapse, refusal to renew, suspension or termination of coverage, reduction of any policy limits, increase of any policy deductibles, or other alteration of any terms or conditions of the policy, or of the effective date of any reduction in the amounts of insurance. All of Tenant's insurance coverages shall be written as primary policies, not contributing to, and not as excess coverage to coverage which Landlord may carry. Tenant agrees to permit Landlord, at any reasonable time, to inspect Tenant's policies of insurance of Tenant with respect to the Premises. The general liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:

(a) Additional Insured Endorsement:

1. General Liability: "The City of Redondo Beach, its officers, elected and appointed officials, employees and volunteers are to be covered as insureds with respect to liability arising out of ownership, maintenance or use of that part of the premises leased to Tenant."
2. Automobile Liability: "The City of Redondo Beach, its officers, elected and appointed officials, employees and volunteers are to be covered as insureds with respect to liability arising out of automobile owned, leased, hired or borrowed by or on behalf of Lessee."

(b) Each insurance policy shall be endorsed to state that the inclusion of more than one insured shall not operate to impair the rights of one against another insured, and the coverages afforded shall apply as though separate policies had been issued to each insured.

(c) Each insurance policy required by this Lease shall be in effect for the duration of the Lease Term. The maintenance of proper insurance coverage is a material element of the Lease and failure to maintain or renew coverage or to provide evidence of renewal may be treated by Landlord as a default of the Lease on Lessee's part.

9.5 Blanket Coverage. Notwithstanding anything to the contrary set forth in this Article 9, Tenant's obligations to carry the insurance provided for herein may be brought within the coverage of a so-called blanket policy or policies of insurance carried and maintained by Tenant; provided, however, (i) that Landlord and other parties in interest to Landlord shall be named as additional insured as their interests may appear and (ii) that the coverage afforded Landlord will not be reduced or diminished by reason of the use of such blanket policy of insurance, and (iii) that the requirements set forth herein are otherwise satisfied.

9.6 Insurance Provided by Landlord. Landlord shall at all times from and after the Commencement Date maintain in effect a policy or policies of insurance covering the Premises in an amount not less than eighty percent (80%) of full replacement cost (exclusive of the cost of land, excavations, foundations and footings) from time to time during the Term, or the amount of such insurance as Landlord's Lender may require Landlord to maintain, whichever is greater. This coverage must provide protection against any peril generally included in the classification "Fire and Extended Coverage," sprinkler damage, vandalism, malicious mischief and business interruptions. In addition, Landlord may, at Landlord's option, obtain insurance against earthquake, flood and other natural disaster damage; but Landlord is not obligated to obtain or continue to maintain such coverage. Landlord's obligation to carry the insurance provided for herein may be brought within the coverage of any so-called blanket policy or policies of insurance carried and maintained by Landlord, provided that the coverage afforded will not be reduced or diminished by reason of the use of such blanket policy of insurance. If Landlord is a municipal governmental entity, Landlord may elect to self-insure for the coverage required herein on terms and conditions in accordance with programs and policies of self-insurance established and in effect from time to time by Landlord.

9.7 Actions Affecting Insurance. Tenant shall not at any time during the Term carry any stock or goods or do anything in or about the Premises which will in any way tend to increase the insurance rates upon the Boardwalk Retail/Restaurant Area. Tenant shall pay to Landlord, upon demand, the amount of any increase in premiums for insurance that may be charged during the Term, or the amount of insurance coverage required to be carried by Landlord on the Boardwalk Retail/Restaurant Area, resulting from any act of Tenant in or about the Premises which does so increase the insurance rates, whether or not Landlord shall have consented to such act on the part of Tenant. If

Tenant installs upon the Premises any electrical equipment which constitutes an overload of the electrical lines of the Boardwalk Retail/Restaurant Area, Tenant shall, at its own expense, make whatever changes are necessary to comply with the requirements of the insurance underwriters and any governmental authority having jurisdiction, including without limitation, removal and restoration, and nothing herein contained shall be deemed to constitute Landlord's consent to such overloading. Tenant shall, at its own expense, comply with all requirements for Landlord's maintenance of fire and extended coverage insurance for the Premises, including the installation of fire extinguishers or automatic dry chemical extinguishing systems that may be more particularly described elsewhere in this Lease.

9.8 Hazardous Materials. Tenant covenants that no Hazardous Materials shall be brought onto, stored, used, transported or disposed of at the Premises by Tenant or any of its employees, agents, independent contractors, licensees, subtenants or invitees, except for in strict compliance with all laws, rules and regulations controlling the presence and use of such materials. No Hazardous Materials shall be placed into the plumbing or waste treatment systems of the Premises except for systems which are designed to accept Hazardous Materials for treatment and discharge in accordance with the laws applicable thereto. Tenant shall undertake special attention and precautions to prevent the discharge or disposal of any Hazardous Materials into the ocean. Tenant shall hold harmless, indemnify and defend Landlord, its respective councilmembers, elected and appointed officials, employees, volunteers, successors and assigns, (collectively, the "Indemnified Persons") from and against any direct, indirect, or consequential Environmental Damages resulting from or arising out of events occurring on or about the Premises during the Term, except for Environmental Damages arising solely from the acts or omissions of any one of the Indemnified Persons. Tenant's indemnification obligation hereinabove shall survive the expiration of the Term or earlier termination of this Lease.

Tenant covenants to promptly notify Landlord when Tenant becomes aware of (a) the presence of Hazardous Materials on the Premises which were not previously authorized by Landlord in accordance with the provisions of this Section or approved in writing by Landlord, and (b) the release to the Premises or the air of Hazardous Materials, whether or not caused or permitted by Tenant. Such notice shall include as much detail as reasonably possible, including identity of the location, type and quantity of Hazardous Materials released. If the unauthorized existence of Hazardous Materials on the Premises is caused or permitted by the Tenant, or the Tenant releases Hazardous Materials beneath, on or above the Premises, and such existence or release results in Environmental Damages, the Tenant, at its sole expense, shall promptly take all actions required by the Laws applicable thereto to return the Premises to the condition existing prior to the events which resulted in Environmental Damages.

9.9 Adjustment of Coverage. The amounts of insurance coverage shall be adjusted periodically upon the request of the Landlord's "risk manager", and the amounts of adjustments shall not be less than such periodic increases of CPI. As conditions change, Landlord reserves the right to make changes to any provisions or coverage as set

forth in this Article 9 as determined by City's risk manager in his or her reasonable discretion.

ARTICLE 10 TENANT'S RIGHT TO MAKE ALTERATIONS

10.1 Landlord's Consent.

(a) Tenant shall not make or permit to be made any alterations, additions or improvements (singularly and collectively "Alterations") to or of the Premises, Boardwalk or Improvements or any part thereof without the prior written consent of Landlord in each instance.

(b) Landlord will not unreasonably withhold its consent to any Alterations provided and upon the condition that all of the following conditions shall be satisfied: (i) the Alterations do not affect the outside appearance of the Premises, Boardwalk or Improvements; (ii) the Alterations are nonstructural and do not impair the strength of the Premises, Boardwalk or Improvements or any part thereof; (iii) the Alterations are to the interior of the Premises and do not affect any part of the Boardwalk or Boardwalk Retail/Restaurant Area outside of the Premises; (iv) the Alterations do not affect the proper functioning of the heating, ventilating and air conditioning ("HVAC"), mechanical, electrical, sanitary or other utilities, systems and services of the Premises or Improvements, or increase the usage thereof by Tenant; (v) Landlord shall have approved the final plans and specifications for the Alterations and all contractors who will perform them; (vi) Tenant pays to Landlord (A) a fee for Landlord's indirect costs, field supervision or coordination in connection with the Alterations equal to ten percent (10%) of the estimated cost of Alterations that are in excess of \$10,000, and (B) the reasonable costs and expenses actually incurred by Landlord in reviewing Tenant's plans and specifications and inspecting the Alterations to determine whether they are being performed in accordance with the approved plans and specifications and in compliance with applicable laws, including, without limitation, the fees of any architect or engineer employed by Landlord for such purpose; (vii) before proceeding with any Alteration which will cost more than \$10,000 (exclusive of the costs of items constituting Tenant's Property, as defined in Section 10.2), Tenant obtains and delivers to Landlord, at Landlord's option, either: (C) a performance bond and a labor and materials payment bond for the benefit of Landlord, issued by a corporate surety licensed to do business in California, each in an amount equal to one hundred twenty five percent (125%) of the estimated cost of the Alterations and in form satisfactory to Landlord, or (D) such other security as shall be reasonably satisfactory to Landlord. Unless all of the foregoing conditions are satisfied, Landlord shall have the right to withhold its consent to the Alterations in Landlord's sole and absolute discretion.

(c) Not less than fifteen (15) days nor more than twenty (20) days prior to commencement of any Alterations, Tenant shall notify Landlord of the work commencement date so that Landlord may post notices of nonresponsibility about the Premises. All Alterations must comply with all applicable laws, the other terms of this Lease, and the final plans and specifications approved by Landlord, and Tenant shall

fully and promptly comply with and observe the rules and regulations of Landlord then in force with respect to the making of Alterations. Landlord's review and approval of Tenant's plans and specifications are solely for Landlord's benefit. Landlord shall have no duty toward Tenant, nor shall Landlord be deemed to have made any representation or warranty to Tenant, with respect to the safety, adequacy, correctness, efficiency or compliance with Laws of the design of the Alterations, the plans and specifications therefor, or any other matter regarding the Alterations.

10.2 Ownership and Surrender of Alterations. Upon their installation, all Alterations, including, but not limited to, wall covering, paneling and built-in cabinetry, but excluding movable furniture, trade fixtures and office equipment ("Tenant's Property"), shall become a part of the realty and belong to Landlord and shall be surrendered with the Premises. However, upon the expiration or sooner termination of the Term, Tenant shall, upon written demand by Landlord, at Tenant's expense, immediately remove any Alterations made by Tenant which are designated by Landlord to be removed and repair any damage to the Premises caused by such removal.

10.3 Liens. Tenant shall pay when due all claims for labor, materials and services furnished by or at the request of Tenant or Tenant's affiliates. Tenant shall keep the Premises, Boardwalk and Boardwalk Retail/Restaurant Area free from all liens, security interests and encumbrances (including, without limitation, all mechanic's liens and stop notices) created as a result of or arising in connection with the Alterations or any other labor, services or materials provided for or at the request of Tenant or Tenant's affiliates, or any other act or omission of Tenant or Tenant's affiliates, or persons claiming through or under them. (Such liens, security interests and encumbrances singularly and collectively are herein called "Liens.") Tenant shall not use materials in connection with the Alterations that are subject to any Liens. Tenant shall indemnify Landlord for, and hold Landlord harmless from and against: (a) all Liens; (b) the removal of all Liens and any actions or proceedings related thereto; and (c) all liabilities incurred by Landlord or Landlord's affiliates in connection with the foregoing. If Tenant fails to keep the Premises, Boardwalk or Boardwalk Retail/Restaurant Area free from Liens, then, in addition to any other rights and remedies available to Landlord, Landlord may take any action necessary to discharge such Liens, including, but not limited to, payment to the claimant on whose behalf the Lien was filed. Tenant shall indemnify Landlord for, and hold Landlord harmless from and against, all liabilities so incurred by Landlord, without regard to any defense or offset that Tenant may have had against the claimant. Neither Landlord's curative action nor the reimbursement of Landlord by Tenant shall cure Tenant's default in failing to keep the Premises, Boardwalk and Boardwalk Retail/Restaurant Area free from Liens.

10.4 Additional Requirements. Alterations shall comply with all Laws. Tenant, at its expense, shall obtain all necessary permits and certificates for the commencement and performance of Alterations and for final approval thereof upon completion, and shall cause the Alterations to be performed in compliance therewith and with all applicable insurance requirements, and in a good, first-class and workmanlike manner. The City shall have all rights to review and approve or disapprove all required submittals in accordance with the City Municipal Code, and nothing set forth in this

Lease shall be construed as the City's approval of any or all of the applications or plans for the Alterations. Tenant, at its expense, shall diligently cause the cancellation or discharge of all notices of violation arising from or otherwise connected with Alterations, or any other work, labor, services or materials done for or supplied to Tenant or Tenant's affiliates, or by any person claiming through or under Tenant or Tenant's affiliates. Alterations shall be performed so as not to interfere with any other tenant in the Boardwalk or Boardwalk Improvements, cause labor disharmony therein, or delay or impose any additional expense on Landlord in the construction, maintenance, repair or operation of the Boardwalk or Boardwalk Retail/Restaurant Area. Throughout the performance of the Alterations, Tenant, at its expense, shall carry, or cause to be carried, in addition to the insurance described in this Lease, Workers' Compensation insurance in statutory limits and such other insurance as Landlord may reasonably require, with insurers reasonably satisfactory to Landlord. Tenant shall furnish Landlord with satisfactory evidence that such insurance is in effect at or before the commencement of the Alterations and, upon request, at reasonable intervals thereafter until completion of the Alterations.

10.5 Compliance with Applicable Prevailing Wage Requirements. The Tenant shall carry out the construction of all Alterations in conformity with all applicable federal and state labor laws. If applicable, Tenant and its contractors and subcontractors shall pay prevailing wages and employ apprentices in compliance with Health and Safety Code Sections 33423 through 33426, and Labor Code Section 1770, *et seq.*, and shall be responsible for the keeping of all records required pursuant to Labor Code Section 1776, complying with the maximum hours requirements of Labor Code Sections 1810 through 1815, and complying with all regulations and statutory requirements pertaining thereto. Although the parties believe that California law does not require the payment of prevailing wages or the hiring of apprentices as a result of this Lease because the Premises is being leased at its fair market rental value, Tenant shall be solely responsible for determining and effectuating compliance with such laws, and Landlord makes no representation as to the applicability or non-applicability of any of such laws to the construction of the Alterations. Tenant hereby expressly acknowledges and agrees that the Landlord has not previously affirmatively represented to the Tenant or its contractor(s) for the construction of the Alterations, in writing or otherwise, in a call for bids or otherwise, that the Alterations are not a "public work," as defined in Section 1720 of the Labor Code.

Tenant shall indemnify, protect, defend and hold harmless the Landlord and its officers, employees, contractors and agents, with counsel reasonably acceptable to the Landlord, from and against any and all loss, liability, damage, claim, cost, expense and/or "increased costs" (including, without limitation, reasonable attorney's fees, court and litigation costs, and fees of expert witnesses) which, in connection with the construction of the Alterations, including, without limitation, any and all public works (as defined by applicable law), results or arises in any way from any of the following: (1) the noncompliance by Tenant of any applicable local, state and/or federal law, including, without limitation, any applicable federal and/or state labor laws (including, without limitation, if applicable, the requirement to pay state prevailing wages); (2) the implementation of Section 1781 of the Labor Code, as the same may be amended from

time to time, or any other similar law; or (3) failure by Tenant to provide any required disclosure or identification as required by Labor Code Section 1781, as the same may be amended from time to time, or any other similar law. It is agreed by the parties that, in connection with the construction of the Alterations, including, without limitation, any and all public works (as defined by applicable law), Tenant shall bear all risks of payment or non-payment of prevailing wages under California law and/or the implementation of Labor Code Section 1781, as the same may be amended from time to time, and/or any other similar law. "Increased costs," as used in this Section, shall have the meaning ascribed to it in Labor Code Section 1781, as the same may be amended from time to time. The foregoing indemnity shall survive termination of this Lease.

ARTICLE 11 MECHANICS' LIENS

11.1 No Liens. Tenant shall do all things necessary to prevent the filing of any mechanics' or other lien against the Boardwalk Retail/Restaurant Area, the Premises, the underlying real property or any part thereof by reason of work, labor, services or materials supplied or claimed to have been supplied to Tenant, or anyone holding the Premises, or any part thereof, through or under Tenant, or by reason of Tenant's failure to pay any Taxes which Tenant is required to pay. If any lien shall at any time be filed against the Boardwalk Retail/Restaurant Area or the Premises or any part thereof, Tenant shall either cause the lien to be discharged of record immediately after the date of filing of the lien or, if Tenant in its discretion and in good faith determines that such lien should be contested, Tenant shall furnish such security as may be necessary or required, in Landlord's judgment, to prevent any foreclosure proceedings against the Boardwalk Retail/Restaurant Area, the Premises or any part thereof and to permit a reputable title insurance company to insure over the lien during the pendency of such contest. If Tenant shall fail to discharge such lien immediately or fail to furnish such security, such inaction shall constitute a default under this Lease and, in addition to any other right or remedy of Landlord resulting from Tenant's default, Landlord may, but shall not be obligated to, discharge the lien either by paying the amount claimed to be due or by procuring the discharge of such lien by giving security or in such other manner as is, or may be, deemed necessary by Landlord. Tenant shall, within three (3) days after Landlord's request, hire an attorney acceptable to Landlord who agrees with Landlord in writing to represent Landlord and Tenant, at Tenant's sole cost, in connection with the discharge of the lien and protection of the Premises and Boardwalk Retail/Restaurant Area. If such written confirmation is not received by Landlord from an acceptable attorney within such three (3) day period, Landlord may hire an attorney to represent Landlord's interest in connection with any such lien, at Tenant's sole cost. Tenant shall repay to Landlord upon demand, all sums disbursed, expended, incurred or deposited by Landlord pursuant to the foregoing provisions of this Section 11.1, including Landlord's costs, expenses and reasonable attorneys' fees incurred by Landlord in connection therewith. Nothing contained in this Lease shall imply any consent or agreement on the part of Landlord to subject Landlord's estate to liability under any mechanics' or other lien law.

11.2 Notices of Non-Responsibility. Landlord or its representatives shall have the right to enter and inspect the Premises at all reasonable times, and shall have the right to

post and keep posted thereon notices of non-responsibility or such other notices which Landlord may deem to be proper for the protection of Landlord's interest in the Premises. Tenant shall, before the commencement of any work which might result in any putative lien, give to Landlord written notice of its intention to do so in sufficient time to enable the posting of such notices.

11.3 Security for Contested Claims. If Tenant desires to contest any claim of lien, it shall furnish Landlord adequate security for 150% of the amount of the claim, plus estimated costs and interest, or the bond of a responsible corporate surety in such amount, conditioned upon the discharge of the lien. If a final judgment establishing the validity or existence of a lien for any amount is entered, Tenant shall immediately pay and satisfy such judgment.

11.4 Landlord's Rights. If Tenant is in default in paying any charge for which a mechanics' lien claim and suit to foreclose the lien have been filed, and has not given Landlord security to protect the Premises and Landlord against such claim of lien, Landlord may (but shall not be so required to) pay said claim and any associated costs. The amount so paid, together with reasonable attorneys' fees incurred in connection therewith, shall be immediately due and payable from Tenant to Landlord. Interest shall accrue on such amount from the dates of Landlord's payments at the Maximum Lawful Rate.

ARTICLE 12 ADVERTISING MEDIA

12.1 Approved Advertising. Tenant shall erect signs in accordance with the provisions of the sign criteria labeled Exhibit E. Tenant hereby receives Landlord's consent to affix a sign to a lower corner of the door or front window of the Premises, showing the name, address and telephone number of Tenant. Any and all signage pertaining to Tenant's business must be approved by all necessary public agencies prior to installation. Any signage currently on the Premises will be considered new signage as of the Commencement Date, and therefore, must receive the proper approval (from Landlord and all appropriate governmental agencies) to remain on the Premises.

12.2 Landlord's Consent Required. Tenant shall not affix or maintain any signs, advertising placards, names, insignia, trademarks, descriptive material or any other such item or items except with the prior written approval of Landlord as to size, type, color, location, copy, medium, structure and aesthetic qualities on any of the glass panes and supports of the show windows, doors and the exterior walls nor within twenty-four (24) inches of any window of the Premises.

12.3 Advertising Outside Premises. No advertising medium shall be utilized by Tenant which can be heard or experienced outside the Premises, including but not limited to flashing lights, searchlights, loudspeakers, phonographs, radios or televisions. Tenant shall not display, paint or place any handbills, bumper stickers or other advertising devices on any vehicle parked in the parking area of the Boardwalk Retail/Restaurant

Area, nor shall Tenant distribute, or cause to be distributed, in the Boardwalk Retail/Restaurant Area or on the Property, any handbills or other advertising devices without the prior written consent of Landlord. Landlord may enter upon the Premises to remove any non-conforming signs, etc. Tenant shall not decorate, paint, alter, install canopies, devices, fixtures, antennas or attachments to the exterior or roof of the Premises.

ARTICLE 13 FIXTURES AND PERSONAL PROPERTY; PAYMENT OF TAXES.

13.1 Removable Trade Fixtures. Any Removable Trade Fixtures shall remain the property of Tenant and Landlord agrees that Tenant shall have the right to remove any and all of its Removable Trade Fixtures which it may have stored or installed in the Premises, provided Tenant is not in breach or violation of any of its duties or obligations under the terms of this Lease. Nothing in this Article shall be deemed or construed to permit Tenant to remove such Removable Trade Fixtures without the immediate replacement thereof with similar property of comparable or better quality, if such removal renders the Premises unsuitable for conducting the type of business specified in Exhibit B. Tenant shall, at its expense, immediately repair any damage to the Premises caused by the removal of any such trade fixtures, signs, and other personal property. Upon expiration or termination of this Lease, Tenant shall leave the Premises in a neat and clean condition, free of debris. All Removable Trade Fixtures installed in or attached to the Premises by Tenant must be new when so installed or attached.

13.2 Improvements and Tenant's Work. All Improvements to the Premises by Tenant, including but not limited to mechanical systems, light fixtures, floor coverings and partitions, but excluding Removable Trade Fixtures, shall become the property of Landlord upon expiration or termination of this Lease.

13.3 Taxes on Improvements and Fixtures. Tenant shall pay before delinquency, any and all taxes, assessments, license fees and public charges levied, assessed or imposed upon its business operation, Removable Trade Fixtures, leasehold improvements, merchandise and other personal property in, on or upon the Premises. In the event any of such items of property are assessed with the property of Landlord, then such assessment shall be equitably allocated between and paid by Landlord and Tenant, and any portion of such assessment levied on the property of Landlord shall be paid to Landlord as Additional Rent. Landlord shall determine the basis of prorating any such assessments and such determination shall be binding upon both Landlord and Tenant.

13.4 Notice of Possessory Interest; Payment of Taxes and Assessments. City is a public entity, and as such, Landlord's underlying fee and reversionary interest in the subject property is, or may be, exempt from property tax assessments. **In accordance with California Revenue and Taxation Code Section 107.6(a), Landlord hereby**

informs Tenant that by entering into this Lease a possessory interest in Tenant subject to property taxes may be created, and if so, Tenant or other party in whom the possessory interest is vested may be subject to the payment of property taxes levied on such interest.

In the event the Landlord shall no longer be exempt from property tax assessments and Tenant is not separately assessed for its possessory interest and Improvements on the Premises, Tenant shall, as Additional Rent, pay (or, if Landlord is assessed and pays, shall pay to Landlord) that portion of any assessment levied against or upon the Boardwalk Retail/Restaurant Area or Landlord's interest therein that represents the value of the Tenant's leasehold interest and the value of the Improvements of the Premises that would have been assessed and levied upon the Premises had it been assessed as such possessory interest. The amount of any tax or excise payable by or assessed against Tenant shall be paid by Tenant before it becomes delinquent.

Landlord and Tenant recognize and acknowledge that there may be changes in the current real property tax system and that there may be imposed new forms of taxes, assessments, charges, levies or fees placed on, or levied in connection with the ownership, leasing, occupancy or operation of the Boardwalk Retail/Restaurant Area or the Premises. Any new or increased tax, assessment, charge, levy or fee which is imposed or increased as a result of or arising out of any change in the structure of the real property tax system or any limitation on the real property taxes which can be assessed on real property including, but not limited to, any and all taxes, assessments, charges, levies and fees assessed or imposed due to the existence of this Lease (including any surcharge on the income directly derived by Landlord therefrom) or for the purpose of funding special assessment districts of the type funded by real property taxes, shall also be included within the meaning of "taxes". With respect to any general or special assessment which may be levied against or upon the Premises or the Boardwalk Retail/Restaurant Area and which under the laws then in force may be evidenced by improvement or other bonds, or may be paid in periodic installments, there shall be included within the meaning of "taxes" with respect to any tax fiscal year only the amount currently payable on such bond for such tax fiscal year, or the periodic installment for such tax fiscal year. With respect to any tax fiscal year only the amount currently payable on such bond for such tax fiscal year, or the periodic installment for such tax fiscal year. During any part of the Term which shall be less than a full tax fiscal year, Taxes applicable to the Premises shall be prorated on a daily basis between Landlord and Tenant so that Tenant shall pay only the Taxes attributable to the portion of the tax fiscal year occurring within the term of this Lease. In the event that any Taxes are payable after the end of a tax fiscal year, Landlord may nevertheless collect Taxes applicable to the Premises from Tenant as set forth above (in a tax fiscal year) and treat Tenant's payments as payments on account of Taxes payable after the tax fiscal year.

ARTICLE 14 ASSIGNING, MORTGAGING, SUBLETTING, CHANGE IN OWNERSHIP

14.1 Prohibition Against Transfer. Tenant acknowledges that as a government entity, Landlord must make many of its lease decisions in public, and therefore has unique concerns regarding the composition of tenants. Tenant further acknowledges that given the unique "attraction park" nature of the property, the importance of the Harbor and Boardwalk areas in bringing revenues to the City, and the importance of the Harbor and Boardwalk areas to the image of Redondo Beach, Landlord has further unique concerns regarding the composition of tenants. Accordingly, Tenant agrees that Tenant shall not have the power to transfer or assign this Lease, sublet the Premises, enter into license or concession agreements, or change ownership (such transactions are hereinafter individually and collectively referred to as a "Transfer"), without first obtaining the written consent of Landlord, which consent may be withheld in Landlord's sole and absolute discretion.

14.2 Restrictions on Transfer. If Tenant desires to apply for Landlord's consent for a Transfer to anyone (a "Transferee"), Tenant shall give written notice ("Transfer Notice") to Landlord at least 60 days before the effective date of any such proposed Transfer. The Transfer Notice shall state (a) whether Tenant proposes to assign the Lease, sublet the Premises, enter into a license or concession agreement or change ownership, (b) the proposed effective date of the Transfer, (c) the identity of the proposed Transferee, (d) all other material terms of the proposed Transfer, (e) in detail the type of business operation the proposed Transferee intends to conduct on the Premises and (f) Tenant's warranty and representation that Tenant is not in breach or violation of any of its obligations or duties under this Lease (or, if there is such a breach or violation, a statement identifying such breach or violation). The Transfer Notice shall be accompanied by a copy of the proposed agreement documenting the Transfer, or if none, a copy of any offers, draft agreements, letters of commitment or intent and other documents pertaining to the proposed Transfer. In addition, the Transfer Notice shall be accompanied by the proposed Transferee's income statements and balance sheets covering the preceding 36-month period, and each shall be certified as accurate by the Transferee.

If Landlord consents to the proposed Transfer, Tenant may thereafter promptly effect a Transfer in accordance with the terms of Tenant's Transfer Notice. If Landlord consents to the proposed Transfer and Tenant does not consummate the proposed Transfer within 30 days after receipt of Decision Notice, the provisions of the first paragraph of this Section 14.2 shall again apply. Any Transfer without Landlord's prior written consent shall be immediately void and shall constitute a default hereunder.

14.3 No Release from Liability. No Transfer, whether with or without Landlord's consent, shall relieve Tenant or any guarantor of Tenant's obligations under this Lease, from its covenants and obligations hereunder during the Term. Tenant shall, promptly upon demand, reimburse Landlord for Landlord's reasonable attorneys' fees and administrative expenses incurred in conjunction with the processing and documentation of any requested Transfer.

14.4 Transferee's Obligations. Each Transfer to which Landlord has consented shall be evidenced by a written instrument in form satisfactory to Landlord, and executed by Tenant and the Transferee. Each such Transferee shall agree in writing for the benefit of Landlord to assume, be bound by, and perform the terms, covenants and conditions of this Lease to be performed, kept or satisfied by Tenant, including the obligation to pay to Landlord all amounts coming due under this Lease. One fully executed copy of such written instrument shall be delivered to Landlord. Failure to obtain in writing Landlord's prior consent or otherwise comply with the provisions of this Article 14 shall prevent any Transfer from becoming effective.

14.5 Assignee's or Subtenant's Rent. Upon the effective date of any Assignment, the Minimum Monthly Rent shall be increased to the highest of (i) the rentals payable by any assignee or subtenant pursuant to such Assignment or Subletting, (ii) an amount equal to the total of the Minimum Monthly Rent, as adjusted under Section 7.3 hereof, plus Percentage Rental, required to be paid by Tenant pursuant to this Lease during the twelve (12) month period immediately preceding such Assignment, or (iii) an amount equal to the Minimum Monthly Rent as adjusted under Section 7.3 hereof, but using as the numerator of the fraction described therein the CPI as of the effective date of such Assignment. In no event shall the Minimum Monthly Rent after such Assignment be less than the Minimum Monthly Rent during the period immediately preceding.

14.6 Further Restrictions. Tenant shall not, without the prior written consent of Landlord (which consent may be granted or withheld in Landlord's sole discretion), mortgage, encumber or hypothecate this Lease or any interest herein. Tenant shall not permit the Premises to be used by any party other than Tenant or a permitted Transferee. Any of the foregoing acts without such consent shall be void and shall, at the option of Landlord, terminate this Lease. For purposes of this Article 14, if Tenant is a partnership, a limited liability company or other association other than a corporation, any withdrawal(s) or change(s) of a Principal Owner or if Tenant is a corporation, any transfers cumulating 25% or more of its stock, shall constitute a voluntary Transfer and shall be subject to the provisions hereof. This Lease shall not, nor shall any interest of Tenant herein, be assignable by operation of law without the written consent of Landlord.

ARTICLE 15 TENANT'S CONDUCT OF BUSINESS

15.1 Continuous Operation. Tenant covenants to open for business with the general public adequately staffed with workers, merchandise and fixtures in accordance with the Use of Premises to which it is restricted under this Lease. From and after the date Tenant opens for business, Tenant shall continuously (except for reasonable temporary periods necessary for maintenance, repairs, installation of equipment and tenant improvements) and uninterruptedly conduct within the Premises the business which it is permitted to conduct under this Lease except while the Premises are untenable by reason of fire or other casualty. Tenant shall at all times keep and maintain within and upon the Premises an adequate staff of workers and stock of merchandise and trade fixtures to service and supply the usual and ordinary demands of

its customers, and shall keep the Premises in a neat, clean and orderly condition. Tenant shall continuously, actively and diligently operate its business in the entire Premises in a high grade and reputable manner throughout the term of this Lease, maintaining in the Premises an adequate staff of employees and a full and complete stock of merchandise. The Premises shall be personally supervised by competent personnel who have power to act on behalf of Tenant. In general, Tenant shall employ its best business judgment, efforts and abilities to operate Tenant's business in an efficient and businesslike manner. It is expressly understood and agreed that Landlord does not consider Minimum Monthly Rent in itself a fair and adequate rental for the Premises and would not have entered into this Lease unless Tenant had obligated itself to pay Monthly Percentage Rent, which Landlord expects to supplement the Minimum Monthly Rent to provide fair and adequate rental return. It is the intent of Landlord and Tenant that Tenant produce the maximum Gross Sales possible during the Term. Therefore, if Tenant fails to continuously operate its business in accordance with the terms of this Lease, fails to keep the required store hours, or vacates the Premises prior to the expiration of the term hereof, Tenant shall pay Monthly Percentage Rent in an amount not less than Default Monthly Percentage Rent for each Month during which such failure or vacation has occurred, notwithstanding that for each such Month Tenant also submits a Monthly Statement. In addition, Landlord shall have the right to treat any of such events as a material default and breach of this Lease.

15.2 Hours of Operation. Recognizing that it is in the interests of both Tenant and Landlord to have regulated hours of business for all of the Boardwalk Retail/Restaurant Area, if Tenant conducts a retail business, then Tenant shall remain open for business during the Minimum Hours of Operation. Landlord retains the right (but not the obligation) to change the Minimum Hours of Operation to those hours, if any, other businesses in the Boardwalk Retail/Restaurant Area are normally open for business. Tenant shall adequately illuminate its window displays, exterior signs and exterior advertising displays continuously during all Minimum Hours of Operation as determined in Landlord's sole and absolute discretion. The foregoing provisions shall be subject to the hours of operation prescribed by any governmental regulations or labor union contracts to which the Tenant's business is subject. Tenant's failure to keep the Premises open for business during the Minimum Hours of Operation shall be conclusively deemed for any and all purposes to be a violation or breach of a condition, covenant or obligation of this Lease which cannot afterward be cured or performed, but which may be enforced by Landlord by an action for specific performance, in addition to any other remedies available to Landlord.

15.3 Non-Competition. Because Monthly Percentage Rent is a material consideration of this Lease, and in order to achieve maximum sales volume, Tenant, any affiliate and any Guarantor of the Lease, (and their respective officers, directors, and stockholders or partners) shall not directly or indirectly own, operate, manage or have any interest in the profits of any similar store or business (unless in operation on the date of this Lease and identified herein) within a radius of three (3) miles from the perimeter of the Boardwalk Retail/Restaurant Area. Without limiting Landlord's remedies, if Tenant violates any provision of this Section, Landlord may, at its option, include the

gross sales of such other competing stores or businesses in the Gross Sales transacted in the Premises for the purpose of computing Monthly Percentage Rent due hereunder, as though the sales of such competing stores or businesses had actually been made from the Premises. If Landlord so elects, all of the provisions of Article 7 hereof shall be applicable to all records pertaining to such competing stores or businesses. Any competing stores or businesses existing as of the date of this Lease and specified in the Rider that would violate this Non-Competition section may continue to be operated, managed, conducted and owned in the same manner and location as on the date of this Lease.

ARTICLE 16 REPAIRS AND MAINTENANCE

16.1 Tenant's Maintenance. In addition to the duties, restrictions and obligations of Tenant in Section 4.2 above, Tenant shall, at its own cost and expense, repair, replace and maintain in good and tenantable condition (a) the Premises and every part thereof (except that portion of the Premises to be maintained by Landlord as hereinafter provided), (b) the utility meters, lines, pipes and conduits, all fixtures, air conditioning equipment and heating equipment and other equipment or fixtures exclusively serving the Premises, located within and without the Premises regardless of whether (i) such equipment or fixtures are installed or owned by Landlord or Tenant as part of any equipment system or (ii) are attached to the exterior of or installed on the roof of the Premises by Tenant or Landlord; (c) the storefront or storefronts and all signs, locks and closing devices, window sashes, casements or frames, doors and door frames, floor coverings (including carpeting, terrazzo or other special flooring). Tenant shall perform all such items of repair, maintenance, alteration, improvement or reconstruction as may at any time or from time to time be required by a Governmental Agency having jurisdiction over the Premises. Tenant shall contract with a service company, acceptable to Landlord, for the monthly maintenance of the heating, ventilating and air conditioning equipment exclusively serving the Premises, and shall furnish to Landlord a copy of the service contract within ten (10) days after Tenant opens the Premises to the public for business, and shall furnish to Landlord a copy of any subsequent contract entered into by Tenant from time to time during the Term. Tenant shall promptly replace at its own expense any broken glass, both exterior and interior, with glass of the same kind, size and quality and shall cause the exterior of the Premises to be painted not later than the end of every third Lease Year in accordance with the specifications required by the "Design Criteria" adopted by Landlord for the Boardwalk Retail/Restaurant Area. Tenant shall make no adjustment, alteration or repair of any part of the sprinkler or sprinkler alarm system within or outside the Premises without Landlord's consent in its sole discretion. Tenant acknowledges and understands that the concrete roof structure above the Premises was not specifically designed or constructed in such a manner to prevent water leakage or intrusion below into the Premises. Tenant hereby agrees to maintain the Premises in a "water-tight" manner to prevent water intrusion or leaking from above, including, but not limited to, maintaining the ceiling of the Premises.

16.2 Landlord's Right to Repair. If Tenant fails to make repairs and/or maintain the Premises or any part thereof in a manner reasonably satisfactory to Landlord, Landlord shall have the right to elect to make such repairs or perform such maintenance on behalf of and for the account of Tenant after five (5) days' notice of such election. No notice shall be required in the event of an emergency. The cost of such work shall be paid by Tenant as Additional Rent promptly upon receipt of a bill therefor.

16.3 Surrender of Premises. Upon expiration or termination of the Lease, Tenant shall deliver the Premises to Landlord in good order, condition and state of repair, ordinary wear and tear excepted. Upon request of Landlord, Tenant shall execute and deliver to Landlord in recordable form a quitclaim deed for the Premises.

16.4 Landlord's Maintenance. Subject to the foregoing provisions, Landlord shall keep and maintain in good and tenantable condition and repair the structural integrity of the foundation upon which support the Premises and of the roof, exterior bearing walls (excluding the interior of all walls and the exterior and interior of the store fronts, all windows, doors and plate glass and interior ceilings) and structural parts of the Premises, the main trunk lines, pipes and conduits outside the Premises for the furnishing to the Premises of various utilities (except to the extent that the same are the obligations of the appropriate utility company). Notwithstanding the foregoing, Landlord shall not be required to make repairs (a) necessitated by reason of (i) the negligence or omission of Tenant or anyone claiming under Tenant, (ii) the failure of Tenant to perform or observe any conditions or agreements in this Lease, or (iii) alterations, additions, or Improvements made by Tenant or anyone claiming under Tenant or (b) casualties for which Landlord is not required to (and does not) carry insurance or for insured casualties for which available insurance proceeds are not sufficient to pay the costs of such repair. Landlord shall have no liability to Tenant for failure to make repairs unless (i) Tenant has previously notified Landlord in writing of the need for such repairs and (ii) Landlord has failed to commence and complete said repairs within a reasonable period of time following receipt of Tenant's written notification. Tenant shall be responsible for all damage resulting from any delays in making required repairs occasioned by Tenant's failure to give prompt notice as Landlord's obligation to repair is conditioned thereon.

As used in this Section, "exterior walls" shall not include storefronts, plate glass, window cases or window frames, doors or door frames, security grills or similar enclosures. Landlord shall be under no obligation to make any repairs, alterations, renewals, replacements or Improvements to and upon the Premises or the mechanical equipment exclusively serving the Premises at any time except as expressly provided in this Article. If Landlord fails to begin making such repairs to the Premises or perform such maintenance of the Premises as it is obligated to do by the terms hereof within a reasonable time after Landlord's receipt of written notice, Tenant's sole right and remedy for such failure on the part of Landlord shall be, after further written notice to Landlord, to cause such repairs to be made or such maintenance to be performed to the Premises in a first class workmanlike manner and in compliance with all applicable governmental, insurance and warranty requirements and the standards set forth in this Lease. Upon completion of such repair or maintenance Tenant must submit to Landlord its invoice for

the actual, direct costs and expenses of the repairs or maintenance, which Landlord shall pay promptly after demand, provided that the costs and expenses shall not exceed the reasonable cost of such repairs or maintenance. Tenant hereby releases Landlord from, and agrees that Tenant shall be liable for, any damages resulting from Tenant's failure to properly perform any repairs or maintenance which Tenant elects to perform under this Section 16.4.

16.5 Landlord's Entry. Upon reasonable notice by Landlord, Tenant shall permit Landlord or its authorized representatives to enter the Premises at all times during normal business hours for purposes of inspection. Tenant shall permit Landlord or any person authorized by Landlord to enter upon the Premises and make any necessary repairs to the Premises or to perform Landlord's maintenance required of Landlord under Section 16.4 and to perform any work therein (i) which may be necessary to comply with any laws, ordinances, rules or regulations of any public authority, of any insurer of the Premises, or of any rating bureau or insurance underwriters of Landlord, or (ii) that Landlord may deem necessary to prevent waste or deterioration in connection with the Premises if Tenant does not make or cause such repairs to be made or performed promptly after receipt of written demand from Landlord, or (iii) that Landlord may deem necessary to perform remodeling, construction or other work incidental to any portion of the Boardwalk Retail/Restaurant Area or the pilings and other structures supporting the Boardwalk Retail/Restaurant Area, including but not limited to work on the premises of another tenant adjacent to the Premises or to enforce any provision of this Lease or to cure any default of Tenant. Landlord shall use its best efforts not to interfere unreasonably with Tenant's business during the conduct of any such work. If such work of Landlord unreasonably interferes with the ability of Tenant to conduct its business on the Premises as required by this Lease, during the period of such unreasonable interference the Minimum Monthly Rent shall be partially abated in proportion to the amount of such unreasonable interference; and in the event such work fully prevents Tenant from conducting its business as required, the Minimum Monthly Rent shall be fully abated during such period, and such interference shall not be claimed by Tenant as constituting a constructive eviction by Landlord; provided, however, that the Minimum Monthly Rent shall not be reduced to a level lower than the amount of the Business Interruption Insurance required to be provided by Tenant in Section 9.3.8. Nothing herein contained shall imply any duty on the part of Landlord to do any such work which, under any provision of this Lease, Tenant may be required to do, nor shall it constitute a waiver of Tenant's default in failing to perform such work. No exercise by Landlord of any rights herein reserved shall entitle Tenant to any damage for any injury or inconvenience occasioned by the exercise of such rights. In the event Landlord makes any repairs pursuant to subsections (i) or (ii), Tenant shall pay the cost thereof to Landlord as Additional Rent, promptly upon receipt of a bill therefor.

16.6 Display. Landlord and its authorized representatives may enter the Premises at any time during business hours for the purpose of exhibiting the Premises to prospective developers, lenders, assignees, or master leaseholders. During the final six (6) months of the term of this Lease, Landlord may exhibit the Premises to prospective tenants.

ARTICLE 17 RECONSTRUCTION

17.1 Damage or Destruction by Casualty. In case of any damage to or destruction of the Improvements on the Boardwalk Retail/Restaurant Area or the Common Area or the Improvements on the Premises, or any part thereof, and subject to the next sentence, if the insurance proceeds available to Landlord, if any, on account of such damage or destruction to the Premises are sufficient for the purpose, Landlord shall within a reasonable period of time commence and complete the restoration, replacement or rebuilding of the Improvements, together with such alterations and additions, or variations from the original plans for the exterior elevations (including materials selection and color) or the size, bulk and scale of the Improvements and such alterations or changes as are required by then current building codes (such restoration, replacement, rebuilding, alterations and additions, together with any temporary repairs and property protection pending completion of the work being herein called "Restoration"). If the Improvements on the Premises are damaged during the last three (3) years of the Lease Term, or if the insurance proceeds collected with respect to such Improvements are not sufficient to complete Restoration, or if there are no insurance proceeds for the Improvements, or if Landlord elects not to undertake Restoration of the Improvements, then Landlord shall have the right to notify Tenant of such election and this Lease shall terminate as to the Premises. Tenant shall repair and restore Tenant's betterments, trade fixtures, equipment, inventory or other installations or Improvements of Tenant in, on or about the Premises, and such Improvements as Tenant is required to insure, and/or repair and maintain under this Lease.

17.2 Termination Upon Substantial Damage. Notwithstanding anything to the contrary contained in this Lease, Landlord may, at its option, terminate this Lease upon thirty (30) days' notice to Tenant (said notice to be given not later than one hundred (100) days after the later of the occurrence of any damage or destruction or written notification from Tenant to Landlord of such occurrence) if: (i) the Premises, the Boardwalk Retail/Restaurant Area or the Common Area shall be damaged or destroyed and Landlord's architect shall certify in writing that the extent of the damage or destruction is twenty-five percent (25%) or more of the replacement value of any of the respective Premises, Boardwalk Retail/Restaurant Area or the Common Area (excluding the replacement value of trade fixtures, equipment, inventory or other installations or Improvements not permanently affixed to the real estate) immediately prior to the occurrence of the damage or destruction, or (ii) the damage or destruction is such that, in Landlord's judgment, restoration cannot be completed within one hundred twenty (120) days of the commencement thereof regardless of the cost of such restoration or repair. The effective date of the termination shall be the date of the occurrence of the damage or destruction.

17.3 Commencement of Restoration. If the Premises shall be damaged or destroyed, and either the provisions of Section 17.2 shall not apply, or the provisions of Section 17.2 shall apply but Landlord shall not have elected to terminate this Lease,

Landlord and Tenant shall commence their respective obligations of repair and restoration set forth in Section 17.1 as soon as practicable, and shall prosecute the same to completion with all due diligence.

17.4 No Abatement of Rent. During the period of any damage, repair or restoration provided for in Section 17.1, the Minimum Monthly Rent for the Premises shall not be abated in any way except if the Premises is not repaired or restored within six months from the date of the damage or destruction and such is due to the fact that Landlord failed to prosecute its repairs and restoration with all due diligence, then Minimum Monthly Rent for the Premises shall abate from the sixth month date after the date of such damage or destruction until that date upon which the Premises is repaired and restored, or such earlier date on which it should have been repaired and restored if Tenant had prosecuted its repairs and restoration with all due diligence; provided, that Tenant shall not be liable for any Minimum Monthly Rent to the extent that Landlord is paid benefits for such the loss of Minimum Monthly Rent from the Business Interruption Insurance required to be provided by Tenant in Section 9.3.8. Tenant shall continue or cause to be continued the operation of the businesses in the Premises during any such period to the extent reasonably practicable. Tenant's obligation to pay all other amounts payable under this Lease shall continue. Tenant shall not be entitled to any abatements or reductions or to any compensation, damage or offset for loss of the use of the whole or any part of the Premises and/or any inconvenience or annoyance occasioned by any damage, destruction, repair or restoration.

17.5 Remedies Limited. As a material inducement to entering into this Lease, Tenant irrevocably waives and releases its rights under the provisions of Section 1932(2) and 1933(4) of the California Civil Code, it being the intent of the parties hereto that the express terms of this Lease shall control under any circumstances in which those provisions might have otherwise applied. Said Sections whose effect are being waived presently provide as follows:

Section 1932: "The hirer of a thing may terminate the hiring before the end of the term agreed upon:...2. When the greater part of the thing hired, or that part which was and which the letter had at the time of the hiring reason to believe was the material inducement to the hirer to enter into the contract, perishes from any other cause than the want of ordinary care of the hirer."

Section 1933: "The hiring of a thing terminates:...4. By the destruction of the thing hired."

ARTICLE 18 COMMON AREAS

18.1 Use of Common Areas. Subject to the provisions of Section 18.4, Tenant and its employees and invitees are authorized, empowered and privileged to non-exclusive use of the Common Areas during the Term. Tenant hereby acknowledges that, as of the date of this Lease, there is no parking area within the Boardwalk Retail/Restaurant Area

which will be part of the Common Area. Landlord reserves the right to repair, change, modify, or otherwise alter the Common Area. Further, Landlord expressly reserves the right to establish, modify and enforce reasonable rules and regulations governing the Common Area.

18.2 Common Area Maintenance. Landlord shall maintain and operate, or cause to be maintained and operated (except as hereinafter provided with reference to cost of maintenance), the Common Areas at all times for the benefit and use of the customers and patrons of Tenant, and of other tenants, owners and occupants of the land constituting the Boardwalk Retail/Restaurant Area. All Common Area Expenses shall be at the sole cost and expense of Landlord and shall not, except for the Tenant's Monthly Expense Share, be charged to Tenant except as otherwise provided for in this Lease. If Landlord at any time hereafter determines, in Landlord's sole and absolute judgment, that the best interests of the Boardwalk Retail/Restaurant Area will be served by having the Common Areas or any part thereof operated and maintained by a person, firm or corporation other than Landlord, Landlord may select a person, firm or corporation to operate and maintain all or any such part of the Common Areas and may negotiate and enter into a contract therefor with such person, firm or corporation on such terms and conditions and for such time as Landlord, in Landlord's sole and absolute judgment, shall deem reasonable and proper both as to service and cost. Landlord shall keep, or cause to be kept, the Common Areas in a neat, clean and orderly condition, properly lighted, landscaped and insured, and shall repair any damage to the facilities thereof.

18.3 Control of Common Areas. Landlord shall at all times have the right and privilege of determining the nature and extent of the Common Areas within the Boardwalk Retail/Restaurant Area, including surface, underground or multiple-deck, and of making such changes therein which in Landlord's sole and absolute discretion are deemed to be desirable and for the best interest of all persons using the Common Areas. The exercise of Landlord's discretion shall include but shall not be limited to the location and relocation of entrances and exits, the installation and location of prohibited areas, and the design and location of landscaped areas.

Tenant and its employees, customers, suppliers, invitees and patrons shall abide by the Boardwalk Retail/Restaurant Area and Parking Rules and Regulations, as set forth in Exhibit F, as the same may be amended by Landlord from time to time in Landlord's sole and absolute discretion. Landlord and its successors and assigns, shall at all times during the Term have sole and exclusive control of the Common Areas, and may at any time during the Term exclude and restrain any person from use or occupancy thereof, excepting customers, suppliers, invitees, employees and patrons of Tenant, and other tenants of Landlord who make use of said areas in accordance with the Boardwalk Retail/Restaurant Area and Parking Rules and Regulations established by Landlord with respect thereto. The right of Tenant hereunder in and to the Common Areas shall at all times be subject to the rights of Landlord and other tenants of the Boardwalk Retail/Restaurant Area to use the same in common with Tenant. It shall be the duty of Tenant to keep all of said areas free and clear of any obstructions created or permitted by Tenant or resulting from Tenant's operation.

If, in the opinion of Landlord, unauthorized persons are using any of said areas by reason of the presence of Tenant in the Premises, Tenant, upon demand of Landlord, shall enforce Landlord's right to exclude such persons by appropriate proceedings. Nothing herein shall affect the right of Landlord at any time to remove any such unauthorized persons from said areas or to restrain the use of any of said areas by unauthorized persons.

Landlord shall not be liable for any damage to motor vehicles, or for loss of property from within such motor vehicles, of Tenant, its customers, suppliers, invitees, employees or patrons, unless caused by the gross negligence of Landlord, its agents, servants or employees.

18.4 Parking. Tenant hereby acknowledges that City built, owns and operates two (2) parking structures adjacent to the Boardwalk Retail/Restaurant Area, known as the "Pier Parking Structure" and the "Plaza Parking Structure". Said parking structures are to service the general public; including, but not limited to, customers of the Boardwalk Retail/Restaurant Area and customers of Tenant. Tenant acknowledges that at no time will Tenant share in the revenues from said parking structures, nor will Tenant, its agents, employees, customers, licensees and sub-tenants receive free parking, unless granted by City in its sole discretion. Tenant, its agents, employees, customers, licensees and sub-tenants agree to comply with the fees for parking automobiles in the parking structures; said fees shall be set by the City Council of City at its sole discretion. City reserves the right to change entrances, exits, traffic lanes and the boundaries and locations of said parking structures. If at any time City elects to close all or a portion of said parking structures for repair, Tenant will waive any and all claims against Landlord and/or City for such closure.

Employees and suppliers of Tenant and the other tenants of Landlord shall park their automobiles in certain designated non-exclusive automobile parking areas which may from time to time be designated for employees and suppliers of the Boardwalk Retail/Restaurant Area. City at all times shall have the right to designate the particular parking area, if any, to be used by any or all of such employees or suppliers and any such designation may be changed from time to time. All parking in parking areas owned or operated by City shall be subject to the charges, fees and the Parking Rules and Regulations pertaining to employees and suppliers promulgated from time to time by City. If special charges and fees are allowed to employees and suppliers, and Tenant or its employees or its suppliers fail to park their cars in designated parking areas, then City may charge Tenant for the charges and fees for general parking each day or partial day per car parked in any areas other than those designated. All amounts due under the provisions of this Section shall be payable by Tenant within ten (10) days after demand therefor. Tenant acknowledges that employee, supplier, customer and patron parking may not be available during certain hours of the day, particularly in the summer.

ARTICLE 19 BANKRUPTCY; INVOLUNTARY TRANSFERS

19.1 Election to Assume Lease. In the event an order for relief shall be entered against or come into existence as to Tenant under Chapter 7 or Chapter 11 or Chapter 13 of the U.S. Bankruptcy Code, and the Trustee or Debtor-In-Possession shall elect to assume this Lease for the purpose of assigning this Lease or otherwise, such election and assignment may only be made if all of the terms and conditions of Sections 19.2 and 19.3 are satisfied. If such Trustee shall fail to elect to assume this Lease within sixty (60) days after the order for relief, or such additional time as the Bankruptcy Court authorizes, then this Lease shall be deemed rejected and immediately canceled and terminated. Landlord shall be thereupon immediately entitled to possession of the Premises without further obligation to Tenant or Trustee. Landlord's right to be compensated for damages in such bankruptcy proceeding shall survive.

19.2 Conditions of Assumption. In the event that a Petition for reorganization or adjustment of debts is filed concerning Tenant under Chapters 11 or 13 of the Bankruptcy Code, or a proceeding is filed under Chapter 7 of the Bankruptcy Code and is converted to Chapters 11 or 13, the Trustee or Tenant, as Debtor-In-Possession ("DIP"), whether DIP under Chapter 11 or 13, must elect to assume this Lease within sixty (60) days from the date of the filing of the Petition under Chapters 11 or 13, or within such additional time as the Bankruptcy Court may authorize, or the Trustee or DIP shall be deemed to have rejected this Lease. No election by the Trustee or DIP to assume this Lease, whether under Chapters 7, 11 or 13, shall be effective unless each of the following conditions, which Landlord and Tenant acknowledge are commercially reasonable in the context of a bankruptcy proceeding of Tenant, have been satisfied, and Landlord has so acknowledged in writing:

(a) Landlord has not terminated this Lease pursuant to the provisions established herein prior to the filing of the Petition.

(b) The Trustee or the DIP has cured, or has provided Landlord adequate assurance (as defined below) that:

(i) Within ten (10) days from the date of such assumption the Trustee will cure all monetary defaults under this Lease; and

(ii) Within thirty (30) days from the date of such assumption the Trustee will cure all non-monetary defaults under this Lease.

(c) The Trustee or the DIP has compensated, or has provided to Landlord adequate assurance (as defined below) that within ten (10) days from the date of assumption Landlord will be compensated for any monetary loss incurred by Landlord arising from the default of Tenant, the Trustee, or the DIP as recited in Landlord's written statement of monetary loss sent to the Trustee or DIP. The term "monetary loss" shall include all of Landlord's attorney fees and costs incurred in monitoring Tenant's bankruptcy case and in representing Landlord's interests in such case.

(d) The Trustee or the DIP has provided Landlord with adequate assurance of the future performance of each of Tenant's Trustee's or DIP's obligations under this Lease; provided, however, that:

(i) The Trustee or DIP shall also deposit with Landlord, as security for the timely payment of rent, an amount equal to three (3) months' rent (as adjusted pursuant to Section 19.2(d)(iii) below) and other monetary charges accruing under this Lease; and

(ii) If not otherwise required by the terms of this Lease, the Trustee or DIP shall also pay in advance on the date Minimum Monthly Rent is payable one-twelfth (1/12th) of Tenant's annual obligations under this Lease for maintenance, common area charge, real estate taxes, insurance and similar charges.

(iii) From and after the date of the assumption of this Lease, the Trustee or DIP shall pay as Minimum Monthly Rent an amount equal to the sum of the Minimum Monthly Rent otherwise payable hereunder, plus the highest amount of the annual Monthly Percentage Rent paid by Tenant to Landlord within the five (5) year period prior to the date of Tenant's Petition under the Bankruptcy Code, which amount shall be payable in advance in equal monthly installments on the date Minimum Monthly Rent is payable.

(iv) If the Trustee or DIP assumes this Lease, and does not assign it, then the obligations imposed under this Lease upon the Trustee or DIP shall continue thereafter. If the Trustee or DIP assumes and assigns this Lease, then the obligations imposed under this Lease upon Trustee or DIP shall be released in accordance with Bankruptcy Code Section 365(l) and any amendments or replacements of such section, but such obligations shall continue thereafter upon the assignee(s).

(e) The assumption of the Lease will not:

(i) Breach any provision in any other lease, mortgage, financing agreement or other agreement by which Landlord is bound relating to the Boardwalk Retail/Restaurant Area; or

(ii) Disrupt, in Landlord's sole judgment, the tenant mix of the Boardwalk Retail/Restaurant Area or any other attempt by Landlord to provide a specific variety of retail stores in the Boardwalk Retail/Restaurant Area which, in Landlord's sole judgment, would be most beneficial to all of the tenants in the Boardwalk Retail/Restaurant Area and would enhance the image, reputation, and profitability of the Boardwalk Retail/Restaurant Area.

(f) For purposes of this Section 19.2, Landlord and Tenant acknowledge that, in the context of a bankruptcy proceeding of Tenant, at a minimum "adequate assurance" shall mean:

(i) The Trustee or the DIP has and will continue to have sufficient unencumbered assets after the payment of all secured obligations and administrative expenses to assure Landlord that the Trustee or DIP will have sufficient funds to fulfill the obligations of Tenant under this Lease, and to keep the Premises stocked with merchandise and properly staffed with sufficient employees to conduct a fully operational, actively promoted business on the Premises; and

(ii) The Bankruptcy Court shall have entered an Order segregating sufficient cash payable to Landlord and/or the Trustee or DIP shall have granted a valid and perfected first lien and security interest and/or mortgage in property of Tenant, Trustee or DIP acceptable as to value and kind to Landlord, to secure Landlord the obligation of the Trustee or DIP to cure the monetary and/or non-monetary defaults under this Lease within the time periods set forth above. Notwithstanding the foregoing provisions, Tenant shall have the right to assign or otherwise Transfer this Lease or the entire (but not part of) the Premises, to its parent corporation or to a wholly owned subsidiary; provided, however, that (A) Tenant shall also remain primarily liable for all obligations under this Lease, (B) the Transferee shall, prior to the effective date of the Transfer, deliver to Landlord instruments evidencing such Transfer and its agreement to assume and be bound by all of the terms, conditions and covenants of this Lease to be performed by Tenant, all in form acceptable to Landlord, (C) Tenant shall not be in default under this Lease, and (D) Tenant's right to make such Transfer is expressly conditioned on, and shall remain in effect only as long as, the Transferee maintains its relationship as parent corporation or wholly owned subsidiary of Tenant.

19.3 Adequate Assurance. If the Trustee or DIP has assumed this Lease pursuant to the terms and conditions of Section 19.1 or 19.2 herein, for the purpose of transferring Tenant's interest under this Lease or the estate created thereby, to any other person, such interest or estate may be so transferred only if Landlord shall acknowledge in writing that the intended Transferee has provided "adequate assurance of future performance" as defined in this Section 19.3 of all of the terms, covenants and conditions of this Lease to be performed by Tenant. For purposes of this Section 19.3, Landlord and Tenant acknowledge that, in the context of a bankruptcy proceeding of Tenant, at a minimum "adequate assurance of future performance" shall mean that each of the following conditions have been satisfied, and Landlord has so acknowledged in writing:

(a) The Transferee has submitted a current financial statement audited by a certified public accountant which shows a net worth and working capital in amounts determined to be sufficient by Landlord to assure the future performance by such Transferee of Tenant's obligation under this Lease;

(b) The Transferee, if requested by Landlord, shall have obtained guarantees in form and substance satisfactory to Landlord from one or more persons who satisfy Landlord's standards of creditworthiness;

(c) The Transferee has submitted in writing evidence, satisfactory to Landlord, of substantial retailing experience in Boardwalk Retail/Restaurant Areas of

comparable size to the Boardwalk Retail/Restaurant Area and in the sale of merchandise and services permitted under this Lease; and

(d) Landlord has obtained all consents or waivers from any third party required under any lease, mortgage, financing arrangement or other agreement by which Landlord is bound to permit Landlord to consent to such Transfer.

19.4 Occupancy Charges. When, pursuant to the Bankruptcy Code, the Trustee or DIP shall be obligated to pay reasonable use and occupancy charges for the use of the Premises or any portion thereof, such charge shall not be less than the Minimum Monthly Rent as defined in this Lease and other monetary obligations of Tenant for the payment of maintenance, common area charges, real estate taxes, Service Assessments, insurance and similar charges.

19.5 Consent. Neither Tenant's interest in this Lease, nor any lesser interest of Tenant herein, nor any estate of Tenant hereby created, shall pass to any trustee, receiver, Transferee for the benefit of creditors, or any other person or entity, or otherwise by operation of law under the laws of any state having jurisdiction of the person or property of Tenant unless Landlord shall consent to such Transfer in writing. No acceptance by Landlord of rent or any other payments from any such trustee, receiver, Transferee, person or other entity shall be deemed to have waived the need to obtain Landlord's consent for any transfer of Tenant's interest under this Lease.

19.6 Insolvency. In the event the estate of Tenant created hereby shall be taken in execution or by other process of law, or if Tenant or any guarantor of Tenant's obligations hereunder shall be adjudicated insolvent pursuant to the provisions of any present or future insolvency law under any state law, or if any order for relief is entered against, or comes into existence as to the guarantor or if an involuntary petition is commenced against the guarantor under the U.S. Bankruptcy Code, or any similar provision of another country, or any similar provision in any future federal U.S. Bankruptcy Code, or any similar provision of another country, or if a Receiver or Trustee of the property of Tenant or any guarantor shall be appointed under any state law by reason of Tenant's or the guarantor's insolvency or inability to pay its debts as they become due and otherwise, or if any Transfer shall be made of Tenant's or the guarantor's property for the benefit of creditors under state law; then and in such event Landlord may, at its option, terminate this Lease and all rights of Tenant hereunder by giving Tenant written notice of the election to so terminate within thirty (30) days after the occurrence of such event.

19.7 Other Laws. The provision of this Article 19 concerning the rights of Landlord, and the obligations of Trustee, Tenant, Debtor, Receiver, DIP and assignee are in addition to such rights and obligations provided by law, including those applicable provisions of the Bankruptcy Code. Nothing contained in this Article 19 shall limit or reduce in any manner whatsoever such rights and obligations which are otherwise provided by law.

**ARTICLE 20 DEFAULTS BY TENANT; REMEDIES; TERMINATION AND
SURRENDER OF POSSESSION**

20.1 Events of Default. The occurrence of any of the following shall constitute a default by Tenant and a breach of this Lease:

(a) Failure or refusal to pay any amount of Minimum Monthly Rent, Monthly Percentage Rent, Additional Rent or any other sums payable by Tenant hereunder when due, or the failure or refusal to submit a Monthly Statement or Annual Statement when due; or

(b) If Tenant shall be given, in any twelve (12) consecutive calendar month period, three or more notices under clause (a) above; or

(c) Failure or refusal to occupy and operate the Premises in accordance with Article 4 or Article 15; or

(d) Any Principal Owner or general partner of Tenant terminates or materially alters its relationship with Tenant without the prior written consent of Landlord; or

(e) Maintenance, commission or permission on the Premises of waste, nuisance, or use of the Premises for an unlawful purpose or failure or refusal to maintain and repair the Premises as required by this Lease; or

(f) Any Transfer contrary to the provisions of Article 14; or

(g) Understatement of Gross Sales by more than six percent (6%); or

(h) Failure to remain open for business as required by Article 15, on any occasion during a given year of the Lease Term in which Tenant has received two (2) or more notices pursuant to subsection (b) of Section 20.2; or

(i) Failing or refusing to perform fully and promptly any express or implied covenant or condition of this Lease.

20.2 Notices. Following the occurrence of any of the defaults specified in subsection (a) through (i) of Section 20.1, Landlord shall give Tenant, or any subtenant, a written notice specifying the nature of the default and the provisions of this Lease breached and demanding that Tenant, or any subtenant, either fully cure each such default within the time period specified in the corresponding subsections below or quit the Premises and surrender the same to Landlord:

(a) For nonpayment of Minimum Monthly Rent, Monthly Percentage Rent, Additional Rent, or any other sums payable by Tenant hereunder, or for failure to submit a Monthly Statement or Annual Statement, five (5) days;

(b) For breach of Article 4 or Article 15, three (3) days;

(c) For any default described in subsections (d) through (h) of Section 20.1, Landlord shall give Tenant or any subtenant a written notice specifying the nature of the default and the provisions of this Lease breached and Landlord shall have the right, but not the obligation and in addition to all other rights set forth herein, to demand in said notice that Tenant quit the Premises within five (5) days; and

(d) For failure to perform any other covenant or condition of this Lease, a reasonable period to cure such default not to exceed twenty (20) days; provided, however, that if such default cannot be cured within said time period, the cure period shall be extended if Tenant so notifies Landlord in writing of Tenant's need for additional time to cure, commences cure of the default within said time period, and thereafter diligently and in good faith continues with and actually completes said cure within a reasonable period of time.

To the extent permitted by California law, the time periods provided in this Section 20.2 for cure of Tenant's defaults under this Lease or for surrender of the Premises shall be in lieu of (not in addition to) any similar time periods prescribed by California law as a condition precedent to the commencement of legal action against Tenant for possession of the Premises.

20.3 Additional Assurances. At any time following the occurrence of any of the defaults specified in Section 20.1, Landlord, at its option, may request that within ten (10) days of Landlord's request, Tenant shall provide current financial statements for all Guarantors of this Lease.

20.4 Landlord's Rights and Remedies. Should Tenant fail to cure any default or quit the Premises within the time periods specified in Section 20.2, Landlord may exercise any of the following rights without further notice or demand of any kind to Tenant or any other person, except as required by applicable state law. Landlord has the remedy described in California Civil Code Section 1951.4 (a lessor may continue the lease in effect after lessee's breach and abandonment and recover rent as it becomes due, if lessee has the right to sublet or assign, subject only to reasonable limitations); together with the following rights, which do not limit Landlord in the exercise of any other right or remedy Landlord may have on account of such default:

(a) The right of Landlord to terminate this Lease and Tenant's right to possession and to reenter the Premises, to take possession thereof and remove all persons therefrom, following which Tenant shall have no further claim thereon. A notice given in connection with unlawful detainer proceedings specifying a time within which to cure a

default shall terminate Tenant's right to possession if Tenant fails to cure the default within the time specified in the notice; or

(b) The right of Landlord, without terminating this Lease, to reenter the Premises and take possession of all Improvements, additions, Alterations, equipment and fixtures therein and occupy the whole or any part thereof for and on account of Tenant and to collect any unpaid rentals and other charges, which have become payable, or which may thereafter become payable and to remove any persons in possession thereof; or

(c) The right of Landlord, even though it may have reentered the Premises, in accordance with subsection (b) of this Section, to elect to terminate this Lease and Tenant's right to possession of the Premises; or

(d) The right of Landlord to enjoin any act or omission.

If Landlord reenters the Premises under the provisions of subsection (b) above, Landlord shall not be deemed to have terminated this Lease, or the liability of Tenant to pay any rental or other charges thereafter accruing, or Tenant's liability for damages under any of the provisions hereof, by any such reentry or by any action, in unlawful detainer or otherwise, to obtain possession of the Premises, unless Landlord shall have notified Tenant in writing that it has elected to terminate this Lease. The service by Landlord of any notice pursuant to the unlawful detainer statutes of this state and the surrender of possession pursuant to such notice shall not (unless Landlord elects to the contrary by a written notice to Tenant at the time of or subsequent service of such notices) be deemed to be a termination of this Lease. If Landlord enters or takes possession of the Premises, Landlord shall have the right, but not the obligation, to remove therefrom all or any part of the personal property located therein and to place the same in storage at a public warehouse, all at the sole expense and risk of Tenant.

20.5 Landlord's Damages. If Landlord elects to terminate possession pursuant to the provisions of subsection 20.4 (a), (b) or (c) above, Landlord may recover from Tenant damages, the following:

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

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

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

(iv) Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, any costs or expenses incurred by Landlord in (a) retaking possession of the Premises, including reasonable attorneys' fees, (b) maintaining or preserving the Premises after such default, (c) preparing the Premises for reletting to a new tenant, including repairs or alterations to the Premises for such reletting, (d) leasing commissions, or (e) any other costs necessary, incidental or appropriate to relet the Premises; plus

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

As used in subsections (i) and (ii) above, the "worth at the time of award" is computed by allowing interest at the Maximum Lawful Rate. As used in subsection (iii) above, the "worth at the time of award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

For purposes of this Article only, the term "rental" shall be deemed to be the Minimum Monthly Rent as adjusted by Section 7.3, the average Monthly Percentage Rental payable by Tenant during the twelve months of the Term preceding Landlord's termination of this Lease, and all other sums required to be paid by Tenant pursuant to the terms of this Lease. All such sums, other than the Minimum Monthly Rent, shall, for the purpose of calculating any amount due under the provisions of subsection (iii) above, be computed on the basis of the average monthly amount thereof accruing during the immediately preceding sixty (60) month period, except that if it becomes necessary to compute such rental before such a sixty (60) month period has occurred then such rental shall be computed on the basis of the average monthly amount hereof accruing during such shorter period.

Even though Tenant has breached this Lease and abandoned the Premises, this Lease shall continue in effect for so long as Landlord does not terminate Tenant's right to possession, and Landlord may enforce all its rights and remedies under this Lease, including the right to recover the rent as it becomes due under this Lease. Tenant's right to possession shall not be deemed to have been terminated by Landlord except pursuant to Section 20.4. The following do not constitute a termination of Tenant's right to possession:

(i) Acts of maintenance or preservation or efforts to relet the Premises;

(ii) The appointment of a receiver upon the initiative of Landlord to protect Landlord's interest under this Lease.

Any sum accruing to Landlord or Tenant under the terms and provisions of this Lease which shall not be paid when due shall bear interest at the Maximum Lawful Rate from the date when the sum becomes due and payable by the terms and provisions hereof until paid.

20.6 Fixtures and Personal Property. Without limiting Landlord's rights under Article 13, in the event of default, all of Tenant's Removable Trade Fixtures, furniture, equipment, Improvements, additions, alterations, and other personal property shall remain on the Premises and in that event, and continuing during the length of said default, Landlord shall have the right, subject to the superior rights of any third party owners, lessors or lienholders of such property, to take the exclusive possession of same and to use the same, rent or charge free, until all defaults are cured or, at its option, at any time during the Term, to require Tenant to remove the same.

20.7 No Waiver. The waiver by Landlord of any breach of any term, covenant or condition herein shall not be deemed to be a waiver of such term, covenant or condition or of any subsequent breach of the same or any other term, covenant or condition. The subsequent acceptance of rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, or of any right of Landlord to a forfeiture of the Lease by reason of such breach, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such rent. No term, covenant or condition of this Lease shall be deemed to have been waived by Landlord unless such waiver be in writing signed by Landlord.

Notwithstanding any other provision of this Article, any written notice, other than as specifically set forth in this Article, required by any statute or law now or hereafter in force is hereby waived by Tenant to the fullest extent waivable under law.

The rights and remedies given to Landlord in this Article shall be in addition and supplemental to all other rights or remedies which Landlord may have under laws then in force.

20.8 Termination and Surrender of Possession. Upon any termination of this Lease, whether by expiration of the term hereunder, cancellation pursuant to an election provided for herein, forfeiture, or otherwise, Tenant shall immediately cease doing business in the Premises and peaceably quit and immediately surrender possession of the Premises to Landlord, with all Improvements, apparatus, fixtures and alterations (except trade fixtures and furniture) in a good operating condition and in the same condition of order and repair in which they were required by the provisions of this Lease to be kept throughout the term, subject to ordinary wear and tear after the last required repair or maintenance, and shall be the property of Landlord without payment therefor. Tenant shall repair at its own expense any damage and defacement to the Premises caused by its removal of its trade fixtures, furniture and equipment.

Notwithstanding anything in this Lease to the contrary, any of Tenant's trade fixtures, furniture and equipment which are not removed from the Premises by the time

herein required shall become the property of Landlord and Landlord may thereafter either (i) retain all or any part of the same as Landlord's property without payment therefor to Tenant, or (ii) cause all or any part of the same to be removed from the Premises and disposed of, but the cost of any such removal and disposition and the cost of repairing any damage caused by such removal shall be borne by Tenant.

20.9 Self Help. If Tenant shall default in the performance of any covenant on its part to be performed by virtue of any provisions of this Lease, Landlord may, at Landlord's option, after any notice and the expiration of any period with respect thereto as required pursuant to the applicable provisions of this Lease, perform the covenant for the account of Tenant, and the costs incurred by Landlord shall be immediately due and payable by Tenant to Landlord, on demand, as Additional Rent. If Landlord, at any time, is compelled to pay or elects to pay any sum of money or do any acts which would require the payment of any sum of money by reason of the failure of Tenant to comply with any provision of this Lease, after any notice and the expiration of any grace period with respect thereto as required pursuant to the applicable provisions of this Lease, or if Landlord is compelled to incur any expense, or elects to incur any expense, including reasonable attorneys' fees, in enforcing or attempting to enforce the terms of this Lease, whether or not judicial or other action is actually instituted or in instituting, prosecuting or defending any action or proceeding, including non-judicial proceedings such as arbitration or mediation, instituted by reason of any default of Tenant hereunder, the sum or sums so paid by Landlord with all interest, costs, and damages shall be immediately due and payable by Tenant to Landlord, on demand, as Additional Rent.

20.10 Limitation on Setoffs, Counterclaims. Minimum Monthly Rent, Monthly Percentage Rent and Additional Rent due to Landlord hereunder shall be absolutely net to Landlord, so that this Lease shall yield to Landlord the full amount of the installments of Minimum Monthly Rent, Monthly Percentage Rent and Additional Rent throughout the Term, and shall be paid without assertion of any counterclaim, set off, deduction or defense and without abatement, suspension, deferment, diminution or reduction. Under no circumstances or conditions, whether now existing or hereafter arising, or whether beyond the present contemplation of the parties, shall Landlord be expected or required to make any payment of any kind whatsoever or be under any obligation or liability hereunder, except as herein expressly set forth. Except as otherwise expressly provided herein, this Lease shall continue in full force and effect, and the obligations of Tenant hereunder shall not be released, discharged or otherwise affected, by reason of: (a) any restriction or prevention of or interference with any use of the Premises or the Boardwalk Retail/Restaurant Area or any part thereof; (b) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other proceeding relating to Landlord, or any action taken with respect to this Lease by any trustee or receiver of Landlord with respect to this Lease by any trustee or receiver of Landlord, or by any court, in any proceeding; (c) any claim which Tenant has or might have against Landlord; (d) any failure on the part of Landlord to perform or comply with any of the terms hereof or of any other agreement with Tenant; or (e) any other occurrence whatsoever, whether similar or dissimilar to the foregoing, in each case, whether or not Tenant shall have notice or knowledge of any of the foregoing. Except as otherwise

expressly provided in this Lease, the obligations of Tenant shall be independent covenants and agreements separate from and not conditioned on the covenants and agreements of Landlord. Tenant hereby waives, to the full extent permitted by applicable law, all rights now or hereafter conferred by statute or otherwise to quit, terminate or surrender this Lease or the Premises or any part thereof, or to any abatement, suspension, deferment, diminution or reduction of Minimum Monthly Rent, Monthly Percentage Rent or Additional Rent.

20.11 Interest. Any amounts or sums due Landlord under this Lease not paid when due shall bear interest from such date until the date actually paid at the Maximum Lawful Rate.

ARTICLE 21 DEFAULTS BY LANDLORD; REMEDIES

If Landlord shall neglect or fail to perform or observe any of the terms, covenants, or conditions contained in this Lease within 60 days after written notice of default or, if more than 60 days are required because of the nature of the default, if Landlord shall fail to proceed diligently to cure such default after written notice thereof, then Landlord shall be liable to Tenant for any and all damages sustained by Tenant as a result of Landlord's breach. Notwithstanding the foregoing, it is expressly understood and agreed that (a) any money judgment resulting from any default or other claim arising under this Lease shall be satisfied only out of the current rents, issues, profits and other income Landlord receives from its operation of the Boardwalk Retail/Restaurant Area, net of all current operating expenses, liabilities, reserves and debt service associated with said operation ("Net Income" for purposes of this Article 21 only), (b) no other real, personal or mixed property of Landlord, wherever located, shall be subject to levy on any such judgment obtained against Landlord, (c) if such Net Income is insufficient to satisfy such judgment, Tenant will not institute any further action, suit, claim or demand, in law or in equity, against Landlord for such deficiency, and (d) such neglect or failure shall not constitute consent by Landlord for Tenant to perform or observe such terms, covenants or conditions at Landlord's expense. Tenant hereby waives, to the extent permitted under law, any right to satisfy said money judgment against Landlord except from Net Income.

If this Lease or the rentals due from Tenant hereunder are assigned to any Lender, and Tenant is given written notice thereof, including the post office address of the Lender, then Tenant shall give written notice to the Lender, specifying the default in reasonable detail, and affording the Lender a reasonable opportunity to make performance for and on behalf of Landlord. If and when the Lender has made performance on behalf of Landlord, such default shall be deemed cured.

ARTICLE 22 EMINENT DOMAIN

22.1 Taking Resulting in Termination. If any of the Boardwalk Retail/Restaurant Area is taken under the power of eminent domain by any public or quasi-public authority,

Landlord shall have the right to terminate this Lease as of the date Tenant is required to vacate a portion of the Premises, upon giving notice in writing of such election within thirty (30) days after receipt by Tenant from Landlord of written notice that said Boardwalk Retail/Restaurant Area have been so appropriated or taken. In the event of such termination, both Landlord and Tenant shall thereupon be released from any liability thereafter accruing under this Lease. Immediately after learning of any appropriation or taking, Landlord shall give Tenant notice thereof in writing.

22.2 Award. If this Lease is terminated as provided above, Landlord shall be entitled to the entire award or compensation in the condemnation proceedings, whether for a total or partial taking or for diminution in the value of the leasehold or for the fee; but the rental and other charges for the last month of Tenant's occupancy shall be prorated as of the time that Tenant's possession under this Lease is terminated by such taking, and Landlord agrees to refund to Tenant any rent or other charges paid in advance. Tenant agrees not to make any claim for any portion of the award of compensation or damages for such taking, and Tenant hereby assigns and quitclaims to Landlord any portion of such award, including, but not limited to, any claim Tenant has (or may claim to have) for the value of Tenant's leasehold interest which is in excess of the rent reserved to Landlord hereunder. Notwithstanding the foregoing, Tenant retains, and may assert, any claim it may have under applicable law to receive compensation or damages (provided an award based on such claim does not diminish the award or claim of Landlord): (i) for its fixtures and personal property that it is entitled to remove pursuant to this Lease, (ii) for relocation benefits or assistance or (iii) for loss of goodwill to its business.

22.3 Partial Taking. If either (i) both Landlord and Tenant elect not to terminate this Lease under Section 22.1, or (ii) none of the Premises is appropriated under the power of eminent domain by any public or quasi-public authority, then Tenant shall remain in the remaining portion of the Premises, and Landlord shall, at Landlord's cost and expense, as soon as reasonably possible, restore the Premises on the land remaining to a complete unit of like quality and character as existed prior to such appropriation or taking; provided, however, that Landlord shall have no obligation to so restore the Premises at a cost or expense in excess of the award of compensation or damages received by Landlord due to such taking. After such restoration, the Minimum Monthly Rent provided for herein shall be reduced on an equitable basis, taking into account the relative value of the portion taken as compared to the portion remaining. Tenant hereby waives any statutory rights of termination which may arise by reason of any partial taking of the Premises under the power of eminent domain.

22.4 Transfer under Threat of Taking. For the purposes of this Article only, a voluntary sale or conveyance under threat and in lieu of condemnation shall be deemed an appropriation or taking under the power of eminent domain.

ARTICLE 23 ATTORNEYS' FEES

If at any time after the date hereof 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 unsuccessful party in such action or proceeding shall reimburse the successful party for all reasonable expenses of attorneys' fees, costs and disbursements incurred therein by the successful party, including but not limited to any such fees, costs or disbursements incurred on any appeal from such action or proceeding. All such fees, costs or disbursements shall be recoverable as items of cost by the successful party, whether or not such action proceeds to final judgment or determination.

ARTICLE 24 SALE OR MORTGAGE BY LANDLORD

24.1 Sale or Mortgage. Landlord may, at any time, without the consent of Tenant, sell, purchase, exchange, transfer, assign, lease, or convey (collectively, "Sale"), or encumber, pledge, mortgage or hypothecate an interest in Landlord, the Lease, the Premises, and/or any portion of or interest in the Boardwalk Retail/Restaurant Area.

24.2 Landlord's Successor. For the purposes of this Article, "Landlord's Successor" shall mean any person or entity who succeeds to all of Landlord's interest in the Premises, the Boardwalk Retail/Restaurant Area, or in this Lease through a Sale.

24.3 Release on Sale. Provided that Landlord's successor expressly assumes Landlord's duties and covenants under this Lease, from and after a Sale, Landlord shall be released from all liability toward Tenant and Tenant's successors and assigns arising from this Lease because of any act, occurrence or omission of Landlord occurring after such Sale.

ARTICLE 25 MASTER DOCUMENTS AND LOAN CONSIDERATIONS

25.1 Subordination. This Lease is and shall be subordinate to the Master Documents and to any encumbrance now of record or recorded after the date of this Lease affecting the Boardwalk Retail/Restaurant Area or any part thereof and/or the land upon which the Boardwalk Retail/Restaurant Area is constructed. Such subordination is effective without any further action of Tenant. On Tenant's behalf and on behalf of all persons claiming through and under Tenant, Tenant agrees that Tenant shall from time to time on request from Landlord execute and deliver any documents or instruments that may be required by Landlord's Lender to effectuate any subordination. If Tenant fails to execute and deliver any such documents or instruments, Tenant irrevocably constitutes and appoints Landlord as Tenant's special attorney-in-fact to execute and deliver any such documents or instruments on Tenant's behalf.

25.2 Attornment. If Landlord conveys in a Sale all of its rights and duties in and to the Lease, the Premises, and/or the Boardwalk Retail/Restaurant Area, or if an interest in Landlord or Landlord's equity of redemption or other interest in the Lease, the Premises and the Boardwalk Retail/Restaurant Area under a mortgage, deed of trust,

pledge or security agreement is foreclosed judicially or nonjudicially, upon the request of Landlord's lawful successor, Tenant shall at the election of Landlord's successor attorn to said successor, provided said successor accepts the Premises subject to this Lease. The foregoing notwithstanding, in accepting the Premises subject to this Lease, said successor shall not be bound by (i) any prepayment of more than one month's rental (except for payments under Section 31.1) or (ii) any amendment of this Lease made after the later of the Commencement Date or such date as the successor's lien or interest first arose, unless said successor shall have consented to such amendment, and shall not be liable for any act or omission of the prior Landlord or have any liability for any security deposits unless it shall have been physically delivered to the new Landlord, or be subject to any offset which shall theretofore have accrued to Tenant from the prior Landlord. Tenant shall upon request of any purchaser, mortgagee or other person acquiring an interest in the Boardwalk Retail/Restaurant Area execute and deliver an instrument or instruments confirming its attornment. Notwithstanding the foregoing, upon the request of the holder of any encumbrance, this Lease shall be prior and superior to the lien of any specified encumbrance. With respect to any encumbrance granted or entered into after the date of this Lease, Tenant's obligation to attorn to any purchaser, whether upon foreclosure of any encumbrance or otherwise, and to recognize such purchaser as Landlord under this Lease is conditioned upon such purchaser upon the foreclosure of the encumbrance agreeing to recognize this Lease if Tenant is not in default in the performance of any of the terms and conditions on Tenant's part to be kept and performed under this Lease.

25.3 Notice to Holder of Encumbrance. Tenant agrees that, provided the holder of any Encumbrance shall have notified Tenant in writing of its address, Tenant will give such holder, by certified mail, a copy of any notice of default given by Landlord.

25.4 Recordation. The parties agree to record this Lease or a short form memorandum hereof, in the form of Exhibit J attached, pursuant to Government Code Section 37393.

25.5 Estoppel Certificate. At any time and from time to time on not more than ten (10) days' written notice from Landlord, Tenant shall execute and deliver to Landlord a Tenant's Estoppel Certificate substantially in form as attached hereto as Exhibit D. Unless Tenant shall have notified Landlord in writing within said ten-day period of any qualifications tenant may have to the statements in the Tenant's Estoppel Certificate ("Tenant's Qualification Notice"), anyone participating with Landlord in any transaction referred to in Section 24.1 shall have the right to rely on the accuracy of such statements. If Landlord shall not have received Tenant's Qualification Notice, Tenant's failure to execute and deliver the Tenant's Estoppel Certificate within said ten-day period shall be deemed to make conclusive and binding upon Tenant (for the benefit of Landlord and anyone participating with Landlord in any such transaction) the statements contained in the Tenant's Estoppel Certificate as true and correct, without exception and Landlord is hereby appointed attorney-in-fact to execute and deliver the Tenant's Estoppel Certificate without exception on behalf of Tenant.

ARTICLE 26 QUIET POSSESSION

Landlord agrees that Tenant, upon paying the rental and performing the covenants and conditions of this Lease, may quietly have, hold and enjoy the Premises during the Term without hindrance by Landlord or by anyone claiming by, through or under Landlord, subject, however, to the provisions of Article 16, and subject to any mortgages, master leases, reciprocal easement agreements, other agreements and encumbrances to which this Lease is subordinate.

ARTICLE 27 TENANT'S ASSOCIATION SHARE FOR ADVERTISING AND PROMOTION.

Tenant acknowledges that Landlord is a member of a "Lessee's Association", an association of owners and ground lessees organized and operating for the purpose of carrying out such common or general advertising or promotional activities or programs for the benefit of the Harbor Area of which the Boardwalk Retail/Restaurant Area is a part, and that as such a member of the Lessee's Association, Landlord is required to contribute to the Lessee's Association an amount equal to 2/10ths of one percent (0.2%) of the gross sales of the Boardwalk Retail/Restaurant Area ("Landlord's Association Share"). Tenant agrees to pay Landlord an amount equal to 0.2% of Gross Sales of Tenant ("Tenant's Association Share") in addition to payments to Landlord on account of Minimum Monthly Rent, Monthly Percentage Rent and Tenant's Monthly Expense Share. Landlord agrees that Landlord shall remit all payments of Tenant's Association Share to the Lessee's Association as part of Landlord's Association Share, and that Landlord shall not retain any of Tenant's Association Share for its own account. In the event that Landlord shall no longer be required or agree to pay Landlord's Association Share, the obligation of Tenant to pay Tenant's Association Share shall cease (or during the period of any suspension of Landlord's Association Share, shall be suspended). Likewise, should the contribution to the Lessee's Association change from its current rate of 0.2% of gross sales, Tenant's obligation to pay Tenant's Association Share shall change in an equal manner. Landlord shall invoice Tenant on a quarterly basis for Tenant's Association Share during the Term and payment shall be due and payable within thirty (30) days, and if unpaid after thirty (30) days, unpaid amounts shall be assessed penalties stated in Paragraph 7.6.

ARTICLE 28 CAPTIONS AND TERMS

The captions contained in this Lease are for convenience only, are not a part of this Lease and do not in any way limit or amplify the actual terms and provisions of this Lease.

If more than one (1) person or entity is named in and executes this Lease as Tenant, then the word "Tenant" wherever used in this Lease is intended to refer to all such persons or corporations, and the liability of such persons or entities for compliance with

and performance of all the terms, covenants and provisions of this Lease shall be joint and several. The masculine pronoun used herein shall include the feminine or the neuter as the case may be, and the use of the singular shall include the plural.

ARTICLE 29 NOTICES

Wherever in this Lease it is required or permitted that notice or demand be given or served by either party to this Lease upon the other, such notice or demand shall be in writing and shall be deemed to have been duly given three business days after being mailed by certified or registered mail, postage prepaid, immediately upon personal service, or on the next business day if delivered by FedEx or another reputable overnight delivery service, and addressed to the parties at the addresses provided in the Summary.

Either party may change the address for such notices by giving written notice thereof to the other party in the manner specified above. The foregoing method of service or personal service of notice upon the addressee shall be exclusive and Tenant hereby waives, to the fullest extent allowed by law, the right to any other method of service required by any statute or law now or hereafter in force.

Notwithstanding anything to the contrary contained within this Article 29, any notices Landlord is required or authorized to deliver to Tenant in order to advise Tenant of alleged violations of Tenant's covenants contained in Article 12 (with respect to improper advertising media and/or signs), Article 16 (failure of Tenant to properly repair and/or maintain the Premises), and/or Article 18 (improper parking of Tenant and Tenant's employees' automobiles) must be in writing but shall be deemed to have been duly given or served upon Tenant by delivering a copy of such notice to one (1) of Tenant's managing employees at the Premises during normal business hours and by delivery of a copy of such notice to Tenant in the manner specified above.

ARTICLE 30 OBLIGATIONS OF SUCCESSORS

The parties hereto agree that, except as otherwise specified, all of the provisions hereof shall bind and inure to the benefit of the parties hereto, and their respective heirs, legal representatives, successors and assigns.

ARTICLE 31 SECURITY DEPOSIT

31.1 Payment. Upon execution of this Lease, Tenant shall deposit with Landlord the Security Deposit, which shall be held by Landlord without liability or interest as security for the faithful performance by Tenant of all of its obligations under this Lease. The Security Deposit shall not be considered an advance payment of rent or of any other sum due hereunder or as a measure of damages in case of a default by Tenant. The Security Deposit shall not be considered as a trust fund, and Tenant expressly

acknowledges and agrees that Landlord is not acting as a trustee or in any fiduciary capacity in controlling or using Tenant's Security Deposit. Landlord, at its option, may maintain the Security Deposit separate and apart from Landlord's general and/or other funds, or may commingle the Security Deposit with Landlord's general and/or other funds. The Security Deposit shall not be mortgaged, assigned, transferred or encumbered by Tenant without the prior written consent of Landlord and any such act on the part of Tenant shall be without force and effect and shall not be binding upon Landlord. Concurrently with any adjustment to Minimum Monthly Rental, Tenant shall add to the Security Deposit held by Landlord so that the Security Deposit shall always be equal to the Minimum Monthly Rental.

31.2 Application. If any of the rental herein reserved or any other sum payable by Tenant to Landlord shall be overdue and unpaid or paid by Landlord on behalf of Tenant, or if Tenant shall fail to perform any of its obligations under this Lease, then Landlord may, at its option and without prejudice to any other remedy which Landlord may have under this Lease, use and apply the entire Security Deposit, or so much thereof as may be necessary, to compensate or reimburse Landlord for Minimum Monthly Rent, Additional Rent, loss or damage or expense sustained by Landlord, and Tenant shall immediately upon demand restore said Security Deposit to the original sum deposited. If Tenant complies with all obligations and promptly pays all rentals and all other sums payable by Tenant to Landlord as and when due, said Security Deposit (or any balance thereof) shall be refunded in full to Tenant without interest at the expiration or termination of the Lease Term and after the removal of Tenant and surrender of possession of the Premises to Landlord.

In the event of bankruptcy or other debtor-creditor proceedings against Tenant, the Security Deposit shall be deemed to be applied first to the payment of rental and other charges due Landlord for the earliest periods prior to the filing of such proceedings.

31.3 Transfer of Landlord's Interest. If Landlord transfers Landlord's interest in the Premises, Landlord may deliver the funds deposited by Tenant under this Article to Landlord's transferee or assignee, and in such event, Landlord shall be discharged from any further liability with respect to such Security Deposit. This Section shall also apply equally to any subsequent transfer of Landlord's interest in the Premises.

ARTICLE 32 BROKERS

Landlord and Tenant each represent and warrant to the other that no real estate broker or finder other than the Broker(s) specified in the Summary has been involved in this transaction. Tenant agrees to indemnify and hold Landlord harmless from any claim, liability, loss or expense for any broker's commission, finder's fee, acquisition fee or like payment asserted against Landlord or Tenant by virtue of a contract or agreement made by Tenant. If no Broker is identified in the Summary, there shall be no obligation on the part of Landlord hereunder to pay any fees or commissions to a broker.

ARTICLE 33 MISCELLANEOUS

33.1 Relationship of the Parties. Nothing contained in this Lease shall be deemed or construed as creating a partnership or joint venture between Landlord and Tenant or between Landlord and any other party, or cause Landlord to be responsible in any way for the debts or obligations of Tenant or any other party.

33.2 Severability. If any provision of this Lease shall be determined to be void by any court of competent jurisdiction, then such determination shall not affect any other provision of this Lease and all such other provisions shall remain in full force and effect. It is the intention of the parties hereto that if any provision of this Lease is capable of two constructions, one of which would render the provision void and the other of which would render the provision valid, then the provision shall have the meaning which renders it valid.

33.3 Warranty of Authority. If Tenant hereunder is a corporation or partnership, the persons executing this Lease on behalf of Tenant hereby covenant and warrant that (i) their execution of this Lease is duly authorized by all necessary corporate or partnership proceedings; (ii) Tenant is a valid and subsisting corporation or partnership, duly formed under the laws of its state of formation and is duly qualified to do business in this state, (iii) all franchise, corporate and/or partnership taxes have been paid to date, and (iv) Tenant will file when due all future tax returns, forms, reports, fees and other documents necessary to comply with applicable laws.

33.4 Entire Agreement. This Lease contains all conditions, covenants and agreements between Landlord and Tenant relating in any manner to the Boardwalk Retail/Restaurant Area and to the rental, use and occupancy of the Premises and the other matters set forth in this Lease. No prior or contemporaneous agreement or understanding pertaining to the Boardwalk Retail/Restaurant Area or the Premises shall be valid or of any force or effect, and the conditions, covenants and agreements of this Lease cannot be altered, changed, modified, or added to, except in writing signed by Landlord and Tenant. Landlord and Tenant intend that this Lease supersedes all such prior or contemporaneous agreements and that this Lease constitutes the final, exclusive and complete embodiment of their agreement. This Lease shall supersede the Prior Lease, which shall be terminated and of no further force or effect after the Commencement Date of this Lease, except for such provisions which survive the expiration or termination of the Prior Lease. No representation, inducement, understanding or anything of any nature whatsoever, made, stated or represented on Landlord's behalf, either orally or in writing (except this Lease), has induced Tenant to enter into this Lease. Specifically, but without limitation, Tenant acknowledges that Tenant has relied solely on its own investigation and business judgment in its determination to enter into this Lease, that any statements which may have been made by any representative of Landlord concerning the success of Tenant's business and/or the Boardwalk Retail/Restaurant Area and/or the extent of Tenant's sales or profits are based upon that representative's expectations and are not to be considered as promises, covenants or guarantees of success, that the success of Tenant's business and

the Boardwalk Retail/Restaurant Area are based upon many factors, including certain factors not within the control of Landlord and certain factors which are within the control of Tenant and that Tenant is not in any way entitled to the benefits of any agreements between Landlord and other tenants which agreements may differ from the terms of this Lease.

33.5 Construction. All of the provisions hereof shall be construed as covenants and not as conditions. Although the printed provisions of this Lease were drawn by Landlord, the parties hereto agree that this circumstance alone shall not create any presumption, canon of construction or implication favoring the position of either Landlord or Tenant. The parties agree that any deletion of language from this Lease prior to its mutual execution by Landlord and Tenant shall not be construed to have any particular meaning or to raise any presumption, canon of construction or implication, including but not limited to any implication that the parties intended thereby to state the converse or opposite of the deleted language.

33.6 Right to Lease. Landlord reserves the absolute right to create such other tenancies in the Boardwalk Retail/Restaurant Area as Landlord, in the exercise of its sole discretion, shall determine. Tenant does not rely on the fact, nor does Landlord represent, that there shall be any specific occupants or number of occupants of space in the Boardwalk Retail/Restaurant Area after the Commencement Date.

33.7 Governing Law. The laws of the state of California shall govern the validity, performance and enforcement of this Lease.

33.8 Waiver or Consent Limitation. No waiver of any default hereunder shall be implied from any omission by either party to take any action on account of such default if such default persists or is repeated, and no express waiver shall affect any default other than the default specified in the express waiver, and then only for the time and to the extent therein stated. The acceptance by Landlord of rent or other payments with knowledge of the breach of any of the covenants of this Lease by Tenant shall not be deemed a waiver of any such breach. One or more waivers of any breach of any covenant, term or condition shall not be construed to be a waiver of any other covenant, terms or conditions, or a waiver of further breach of the same covenants, terms or conditions.

33.9 Force Majeure. For purposes of this Lease, neither Landlord nor Tenant as the case may be, nor any successor in interest, shall be considered in breach of, or default in, its obligations to construct, improve, repair, restore or make other physical improvements under this Lease as a result of the enforced delay in the performance of such obligations where delays or defaults are due to war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; casualties; acts of God; acts of the public enemy; epidemics; quarantine restrictions; freight embargoes; lack of transportation; government restrictions or priority; unusually severe weather; inability to secure necessary labor, materials or tools; acts of the other party; acts or failure to act of any public or governmental agency or entity; or any other causes beyond the control or without the

fault of the party claiming an extension of time to perform. An extension of time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause if notice by the party claiming such extension is given to the other party within thirty (30) days after the commencement of the cause and shall continue for a reasonable period, not to exceed 6 months, during which time the party suffering such delay shall exert its best efforts to cure or eliminate the cause of such delay or prevention. If, however, notice by the party claiming such extension is sent to the other party more than thirty (30) days after the commencement of the cause, the period shall commence to run only thirty (30) days prior to the giving of such notice. Nothing contained herein shall be construed to permit delay in the payment of rents or other monetary obligations, or in the submission of notices, plans, Monthly Statements, Annual Statements or other documentation as may otherwise be required.

33.10 Waiver of Rights of Redemption. Tenant hereby expressly waives any and all rights of redemption granted by or under any present or future laws in the event Tenant is evicted or dispossessed for any cause or in the event Landlord obtains possession of the Premises by reason of the violation by Tenant of any of the terms, covenants and conditions of this Lease or otherwise. The rights given to Landlord herein are in addition to any rights that may be given to Landlord by any statute or otherwise.

33.11 Labor Disputes. Tenant shall perform or cause Tenant's contractor to perform all work in the making and/or installation of any repairs, alterations or Improvements in a manner so as to avoid any labor dispute which causes or is likely to cause stoppage or impairment of work or delivery services in the Boardwalk Retail/Restaurant Area. In the event there shall be any such stoppage or impairment as the result of any such labor dispute or potential labor disputes, Tenant shall immediately undertake such action as may be necessary to eliminate such dispute or potential dispute, including but not limited to: (i) removing all parties in dispute from the job site until such time as the labor dispute no longer exists, (ii) seeking an injunction to remove such parties from the Boardwalk Retail/Restaurant Area, and (iii) filing appropriate unfair labor practice charges in the event of a union jurisdictional dispute.

33.12 Additional Assurances. Each of the parties agrees that it will execute such other documents or instruments as may be necessary to carry out and effectuate the purpose and terms of this Lease.

33.13 Gender and Person. Whenever the context of this Lease requires, the neuter, masculine or feminine genders shall each include the others; the singular shall include the plural and the plural shall include the singular; the conjunctive shall include the disjunctive and the disjunctive shall include the conjunctive.

33.14 Counterparts. This Lease and the documents, instruments and agreements executed in connection herewith may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

33.15 Time of Essence. Time is of the essence in the performance of this Lease.

33.16 Franchise. If Tenant is to operate a franchise location, Tenant shall, at the request of Landlord, supply Landlord with any and all information related to Tenant's relationship to franchisor; including, but not limited to, any financial reports required by franchisor, and a copy of Tenant's franchise license or other document displaying the ability to use franchisor's name, product, logo, etc. Tenant shall also furnish Landlord with the appropriate information to contact a representative at the office of franchisor with respect to any issue. Landlord may request this information to be supplied prior to signing this Lease.

33.17 Exhibits Incorporated. All exhibits attached hereto and referred to herein are incorporated in this Lease and are expressly made a part hereof.

33.18 Nondiscrimination. Tenant shall not discriminate against any person or class of persons by reason of sex, race, color, creed, ancestry, national origin, age, physical handicap, or medical condition, and shall make its accommodations and services available to all persons on a nondiscriminatory basis. Tenant hereby agrees that in all matters affecting this Lease, it will comply with all applicable federal, state and local laws and regulations prohibiting discrimination of any kind.

33.19 Independent Contractor. This Lease is by and between Landlord and Tenant and is not intended and shall not be construed to create the relationship of agent, servant, employee, or representative of Landlord by Tenant.

33.20 No Conflict of Interest. No member, official, officer, employee, agent, or representative of Landlord shall be personally liable to Tenant, or any successor in interest, in the event of any default or breach by Landlord or for any amount which may become due to Tenant or successor or on any obligations under the terms of this Lease. No member, official or employee of City shall have any personal interest, direct or indirect, in this Lease nor shall any such member, official or employee participate in any decision relating to the Lease which affects his personal interests or the interests of any corporation, partnership or association in which he is directly or indirectly interested. Tenant warrants that it has not paid or given, and will not pay or give, any third party any money or other consideration for obtaining this Lease.

IN WITNESS WHEREOF, Landlord has by motion duly adopted by the City Council, caused this Lease to be signed by its Mayor and attested by its City Clerk, and by Tenant caused these presents to be subscribed and have duly executed this Lease, all on the day and year first above written.

"LANDLORD":

CITY OF REDONDO BEACH,
a chartered municipal corporation

James A. Light
Mayor

ATTEST:

APPROVED AS TO FORM:

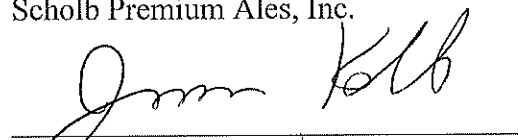
Eleanor Manzano
City Clerk

Joy A. Ford
City Attorney

APPROVED:

Diane Strickfaden
Risk Manager

"TENANT":
Scholb Premium Ales, Inc.

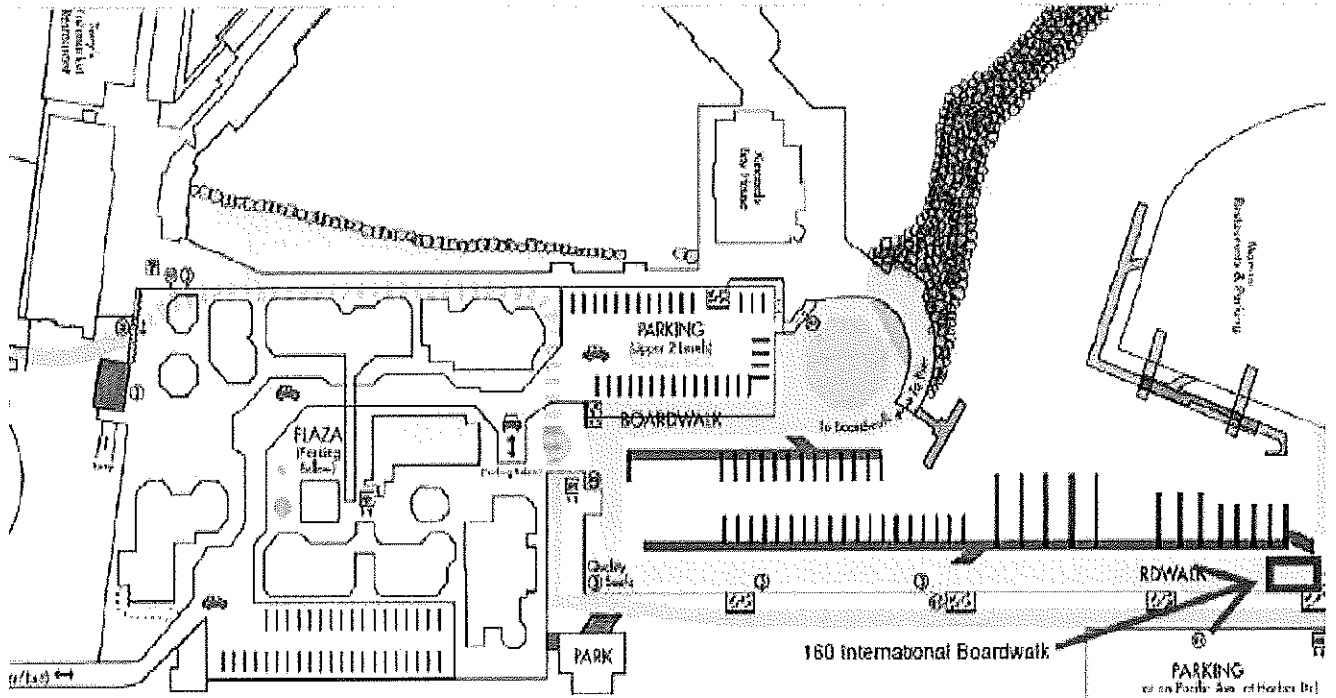


By: Jason Kulb
Its:

If Tenant is a CORPORATION, the authorized officers must sign on behalf of the corporation and indicate the capacity in which they are signing. The Lease must be executed by the president or vice-president and the secretary or assistant secretary, unless the bylaws or a resolution of the board of directors shall otherwise provide, in which event, a certified copy of the bylaws or a certified copy of the resolution, as the case may be, must be attached to this Lease.

EXHIBIT A

PREMISES FLOOR PLAN AND SITE PLAN



160 International Boardwalk
Redondo Beach, CA 90277

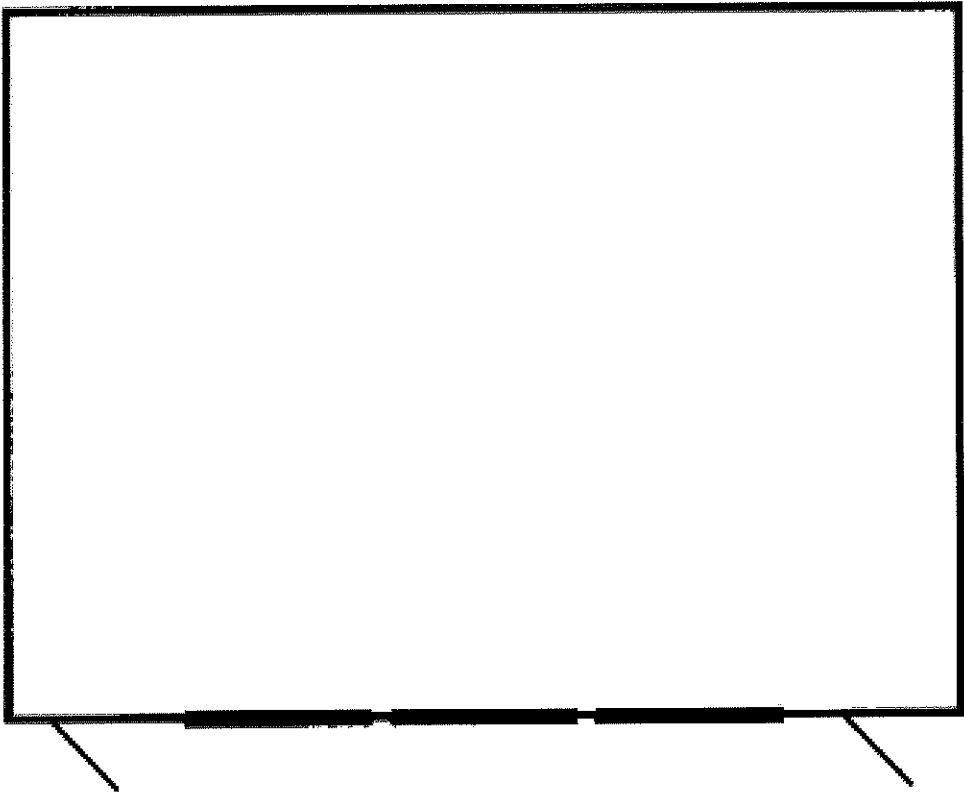


EXHIBIT B

DESCRIPTION OF PREMISES, TRADE NAME AND USE OF PREMISES

Description of Premises: Space located at 160 International Boardwalk, Redondo Beach, CA 90277 consisting of approximately 1,000 rentable square feet.

Trade Name: Scholb Premium Ales, Inc.

Use of Premises: Retail, Restaurant and Brewery provided Tenant, if applicable, procures all necessary and proper licenses, permits and permissions from all appropriate government agencies.

EXHIBIT C

GUARANTY OF LEASE

THIS LEASE GUARANTY ("Guaranty") is made by Guarantor Jason Kolb in favor of the CITY OF REDONDO BEACH, a chartered city and municipal corporation ("Landlord"), in connection with that certain lease dated as of August 5, 2025 (the "Lease") pursuant to which Landlord is to lease to Scholb Premium Ales, Inc. ("Tenant") those premises generally referred to as 160 International Boardwalk, Redondo Beach, California 90277 (the "Premises").

A. Landlord requires this Guaranty as a condition to its execution of the Lease and the performance of the obligations to be performed under the Lease by Landlord.

B. Guarantor has agreed to provide this Guaranty to induce Landlord to enter into the Lease with Tenant and perform its obligations under the Lease.

In consideration of Landlord's agreement to execute the Lease and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Guarantor does hereby agree with Landlord as follows:

1. The Lease is hereby incorporated into and made a part of this Guaranty by this reference.
2. Guarantor hereby unconditionally guarantees, as a primary obligor and not as a surety, without deduction by reason of setoff, defense or counterclaim, the full and punctual payment of all sums of rent and other amounts payable under the Lease and the full and punctual performance of all terms, covenants and conditions in the Lease to be kept, performed and/or observed by Tenant. Guarantor's obligations under this Guaranty are continuing and unconditional.
3. Guarantor hereby agrees that, without the consent of or notice to Guarantor and without affecting any of the obligations of Guarantor hereunder: (a) the Lease may be extended and any other term, covenant or condition of the Lease may be amended, compromised, released or otherwise altered by Landlord and Tenant, and Guarantor does guarantee and promise to perform all the obligations of Tenant under the Lease as so extended, amended, compromised, released or altered; (b) any guarantor of or party to the Lease may be released, substituted or added; (c) any right or remedy under the Lease may be exercised, not exercised, impaired, modified, limited, destroyed, or suspended; (d) Landlord or any other person may deal in any manner with Tenant, any guarantor, any party to the Lease or any other person; (e) Landlord may permit Tenant to holdover the Premises beyond the Lease Term; and (f) all or any part of the Premises or of Tenant's rights or liabilities under the Lease may be sublet, assigned or assumed. Without in any way limiting the foregoing, Guarantor agrees not to unreasonably withhold its consent to any sublease, assignment of the Lease or other modification of the Lease which is agreed

to by Landlord and Tenant.

4. Guarantor hereby waives and agrees not to assert or take advantage of: (a) any right to require Landlord to proceed against Tenant, or any other guarantor or person or to pursue any other security or remedy before proceeding against Guarantor; (b) any defense based on the genuineness, validity, regularity or enforceability of the Lease; (c) any right or defense that may arise by reason of the incapacity, lack of authority, death or disability of Tenant or any other person; and (d) any right or defense arising by reason of the absence, impairment, modification, limitation, destruction or cessation (in bankruptcy, by an election of remedies, or otherwise) of the liability of Tenant, of the subrogation rights of Guarantor or of the right of Guarantor to proceed against Tenant for reimbursement. Without limiting the generality of the foregoing, Guarantor hereby waives any and all benefits of the provisions of Sections 2809, 2810 and 2845 of the California Civil Code and any similar or analogous statutes of California or any other jurisdiction.

5. Guarantor hereby waives and agrees not to assert or take advantage of (a) any right or defense based on the absence of any or all presentments, demands (including demands for performance), notices (including notices of any adverse change in the financial status of Tenant, notices of any other facts which increase the risk to Guarantor, notices of non-performance and notices of acceptance of this Guaranty) and protests of each and every kind; (b) the defense of any statute of limitations in any action under or related to this Guaranty or the Lease; (c) any right or defense based on a lack of diligence or failure or delay by Landlord in enforcing its rights under this Guaranty or the Lease.

6. Guarantor hereby waives and agrees not to assert or take advantage of any right to (a) exoneration if Landlord's actions shall impair any security or collateral of Guarantor; (b) any security or collateral held by Landlord; (c) require Landlord to proceed against or exhaust any security or collateral before proceeding against Guarantor; (d) require Landlord to pursue any right or remedy for the benefit of Guarantor. Without limiting the generality of the foregoing, Guarantor hereby waives any and all benefits of the provisions of Sections 2819, 2849 and 2850 of the California Civil Code and any similar or analogous statutes of California or any other jurisdiction.

7. Guarantor shall not, without the prior written consent of Landlord, commence, or join with any other person in commencing, any bankruptcy, reorganization or insolvency proceeding against Tenant. Guarantor's obligations under this Guaranty shall in no way be affected by any bankruptcy, reorganization or insolvency of Tenant or any successor or assignee of Tenant or by any disaffirmance or abandonment of the Lease or any payment under this Guaranty by a trustee of Tenant in any bankruptcy proceeding including, without limitation, any impairment, limitation, or modification of the liability of Tenant or the estate of Tenant in bankruptcy, or of any remedy for the enforcement of Tenant's liability under the Lease resulting from the operation of any present or future provision of any federal or state bankruptcy or insolvency law or other statute or from the decision of any court. Guarantor shall file in any bankruptcy or other proceeding in which the filing of claims is required or permitted by law all claims which Guarantor may have against Tenant relating to any indebtedness of Tenant to Guarantor and will assign

to Landlord all rights of Guarantor thereunder. Landlord shall have the sole right to accept or reject any plan proposed in such proceeding and to take any other action which a party filing a claim is entitled to do. In all such cases, whether in administration, bankruptcy or otherwise, the person or persons authorized to pay such claim shall pay to Landlord the amount payable on such claim and, to the full extent necessary for that purpose, Guarantor hereby assigns to Landlord all of Guarantor's rights to any such payments or distributions to which Guarantor would otherwise be entitled; provided, however, that Guarantor's obligations hereunder shall not be satisfied except to the extent that Landlord receives cash by reason of any such payment or distribution. If Landlord receives anything hereunder other than cash, the same shall be held as collateral for amounts due under this Guaranty.

8. Until all the Tenant's obligations under the Lease are fully performed, Guarantor: (a) shall have no right of subrogation or reimbursement against the Tenant by reason of any payments or acts of performance by Guarantor under this Guaranty; (b) subordinates any liability or indebtedness of the Tenant now or hereafter held by Guarantor to the obligations of the Tenant under, arising out of or related to the Lease or Tenant's use of the Premises; and (c) acknowledges that the actions of Landlord may affect or eliminate any rights of subrogation or reimbursement of Guarantor as against Tenant without any liability or recourse against Landlord. Without limiting the generality of the foregoing, Guarantor hereby waives any and all benefits of the provisions of Section 2848 of the California Civil Code and any similar or analogous statutes of California or any other jurisdiction.

9. Prior to the execution of this Guaranty and at any time during the Term of the Lease upon ten (10) days prior written notice from Landlord, Guarantor agrees to provide Landlord with a current financial statement for Guarantor and financial statements for Guarantor for the two (2) years prior to the current financial statement year to the extent not previously delivered to Landlord. Guarantor's financial statements are to be prepared in accordance with generally accepted accounting principles and, if such is the normal practice of Guarantor, audited by an independent certified public accountant. Guarantor represents and warrants that all such financial statements shall be true and correct statements of Guarantor's financial condition.

10. The liability of Guarantor and all rights, powers and remedies of Landlord hereunder and under any other agreement now or at any time hereafter in force between Landlord and Guarantor relating to the Lease shall be cumulative and not alternative and such rights, powers and remedies shall be in addition to all rights, powers and remedies given to Landlord by law.

11. This Guaranty applies to, inures to the benefit of and binds all parties hereto, their heirs, devisees, legatees, executors, administrators, representatives, successors and assigns. This Guaranty may be assigned by Landlord voluntarily or by operation of law.

12. This Guaranty shall constitute the entire agreement between Guarantor and the Landlord with respect to the subject matter hereof. No provision of this Guaranty or right

of Landlord hereunder may be waived nor may any guarantor be released from any obligation hereunder except by a writing duly executed by an authorized officer, director or trustee of Landlord. The waiver or failure to enforce any provision of this Guaranty shall not operate as a waiver of any other breach of such provision or any other provisions hereof. No course of dealing between Landlord and Tenant shall alter or affect the enforceability of this Guaranty or Guarantor's obligations hereunder.

13. Guarantor hereby agrees to indemnify, protect, defend and hold Landlord harmless from and against, all losses, costs and expenses including, without limitation, all interest, default interest, post-petition bankruptcy interest and other post-petition obligations, late charges, court costs and attorneys' fees, which may be suffered or incurred by Landlord in enforcing or compromising any rights under this Guaranty or in enforcing or compromising the performance of Tenant's obligations under the Lease.

14. The term "Landlord" whenever hereinabove used refers to and means the Landlord in the foregoing Lease specifically named and also any assignee of said Landlord, whether by outright assignment or by assignment for security, and also any successor to the interest of said Landlord or of any assignee of such Lease or any part thereof, whether by assignment or otherwise. The term "Tenant" whenever hereinabove used refers to and means the Tenant in the foregoing Lease specifically named and also any assignee or subtenant of said Lease and also any successor to the interests of said Tenant, assignee or sublessee of such Lease or any part thereof, whether by assignment, sublease or otherwise including, without limitation, any trustee in bankruptcy and any bankruptcy estate of Tenant, Tenant's assignee or sublessee.

15. If any or all Guarantors shall become bankrupt or insolvent, or any application shall be made to have any or all Guarantors declared bankrupt or insolvent, or any or all Guarantors shall make an assignment for the benefit of creditors, or any or all Guarantors shall enter into a proceeding for the dissolution of marriage, or in the event of death of any or all Guarantors, notice of such occurrence or event shall be promptly furnished to Landlord by such Guarantor or such Guarantor's fiduciary. This Guarantee shall extend to and be binding upon each Guarantor's successors and assigns, including, but not limited to, trustees in bankruptcy and Guarantor's estate.

16. Any notice, request, demand, instruction or other communication to be given to any party hereunder shall be in writing and sent by registered or certified mail, return receipt requested in accordance with the notice provisions of the Lease. The Tenant shall be deemed Guarantor's agent for service of process and notice to Guarantor delivered to the Tenant at the address set forth in the Lease shall constitute proper notice to Guarantor for all purposes. Notices to Landlord shall be delivered to Landlord's address set forth in the Lease. Landlord, at its election, may provide an additional notice to Guarantor at the address provided under Guarantor's signature below.

17. If either party hereto participates in an action against the other party arising out of or in connection with this Guaranty, the prevailing party shall be entitled to have and recover from the other party reasonable attorneys' fees, collection costs and other costs

incurred in and in preparation for the action. Guarantor hereby waives any right to trial by jury and further waives and agrees not to assert or take advantage of any defense based on any claim that any arbitration decision binding upon Landlord and Tenant is not binding upon Guarantor.

18. Guarantor agrees that all questions with respect to this Guaranty shall be governed by, and decided in accordance with, the laws of the State of California.

19. Should any one or more provisions of this Guaranty be determined to be illegal or unenforceable, all other provisions shall nevertheless be effective.

20. Time is strictly of the essence under this Guaranty and any amendment, modification or revision hereof.

21. If more than one person signs this Guaranty, each such person shall be deemed a guarantor and the obligation of all such guarantors shall be joint and several. When the context and construction so requires, all words used in the singular herein shall be deemed to have been used in the plural. The word "person" as used herein shall include an individual, company, firm, association, partnership, corporation, trust or other legal entity of any kind whatsoever.

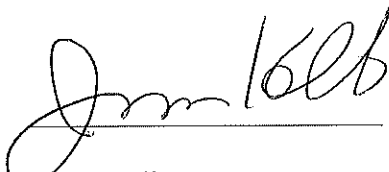
22. If Guarantor is a corporation, each individual executing this Guaranty on behalf of said corporation represents and warrants that he is duly authorized to execute and deliver this Guaranty on behalf of said corporation, in accordance with a duly adopted resolution of the Board of Directors of said corporation or in accordance with the by-laws of said corporation, and that this Guaranty is binding upon said corporation in accordance with its terms. If Guarantor is a corporation, Landlord, at its option, may require Guarantor to concurrently, with the execution of this Guaranty, deliver to Landlord a certified copy of a resolution of the Board of Directors of said corporation authorizing or ratifying the execution of this Guaranty.

THE UNDERSIGNED HAS READ AND UNDERSTANDS THE TERMS AND CONDITIONS CONTAINED IN THIS GUARANTY INCLUDING, WITHOUT LIMITATION, ALL WAIVERS CONTAINED IN THIS GUARANTY.

Executed on this 14 day of July, 2025.

Executed on this day of, 2025.

[If Guarantor is a married individual, Guarantor's spouse must sign this Guaranty]


Jason Kolb

Address of Guarantor:

3401 W. 229th Place

Address of Guarantor:

Torrance CA 90505

*A.If the person(s) signing this Guaranty on behalf of Guarantor [is/are] [an] officers] of a corporation that is incorporated in California, then one of the following conditions must be satisfied: (i) This Guaranty must be signed by two officers, one being the Chairman of the Board, the President or a Vice President, and the other one being the Secretary, an Assistant Secretary, the Chief Financial Officer or an Assistant Treasurer; or (ii) if clause (i) above is not satisfied, or if this Guaranty is signed by one person acting in two capacities, then Guarantor shall have delivered to Landlord a certified copy of a corporate resolution in form acceptable to Landlord authorizing the signatory(ies) to execute this Guaranty.

EXHIBIT D

ESTOPPEL CERTIFICATE

The undersigned, as Tenant under that certain Lease (the "Lease"), made and entered into as of August 5, 2025, by and between City of Redondo Beach, a chartered city and municipal corporation, as "Landlord," and the undersigned, as "Tenant," for the Premises outlined on Exhibit A attached to this Certificate and incorporated in it by this reference, which Premises are commonly known as 160 International Boardwalk, Redondo Beach, California, certifies as follows:

1. The undersigned has commenced occupancy of the Premises described in the Lease. The Commencement Date under the Lease is August 5, 2025. All space and improvements leased by Tenant have been completed in accordance with the provisions of the Lease, and Tenant has accepted and taken possession of the Premises. If any, all contributions required to be paid by Landlord to date for improvements to the Premises have been paid in full.

2. The Lease is in full force and effect as of the date of this Certificate and has not been modified, supplemented, or amended in any way except as follows:

_____.

3. The Lease represents the entire agreement between the parties as to the Premises.

4. Minimum Monthly Rent became payable on August 5, 2025.

5. The Term began on August 5, 2025, and expires on August 4, 2030.

6. Except as indicated in paragraph 7 below, no rent has been paid in advance and no security deposit has been deposited with Landlord, except for the Security Deposit in the amount of \$2,500.00 deposited with Landlord in accordance with the Lease. There are no setoffs or credits against any rent payable under the Lease. No free periods or rental abatements, rebates, or concessions have been granted to Tenant, except as follows:

_____.

7. Minimum Monthly Rent in the sum of \$_____ per month has been paid through the month of _____, 20___. Monthly Percentage Rent in the sum of \$_____ per month has been paid through the month of _____, 20___. Tenant's Monthly Expense Share in the sum of \$_____ per month has been paid through the month of _____, 20___. Tenant's Association Share in the sum of \$_____ per month has been paid through the month of _____, 20___. Additional Rent in the sum of \$_____ has been paid through _____, 20___ for the following:

_____.

8. As of the date of this Certificate, the undersigned has no defenses or offsets against any of Tenant's obligations under the Lease and there are no uncured defaults of Landlord or any events that (with or without the giving of notice, the lapse of time, or both) constitute a default of Landlord or Tenant under the Lease, except

9. The undersigned has no rights of first refusal or options to (a) purchase all or any portion of the Premises or the Fisherman's Wharf; or (b) renew or extend the Term, except as provided in the Lease.

10. The undersigned has not received nor is it aware of any notification from the Department of Building and Safety, the Health Department, or any other city, county, or state authority having jurisdiction that work is required to be done to the improvements constituting the Premises or the Fisherman's Wharf or that the existing improvements in any way violate existing laws, ordinances, or regulations. Tenant has no actual or constructive knowledge of any processing, use, storage, disposal, release, or treatment of any hazardous or toxic material or substance on the Premises except as follows:

11. The undersigned has no knowledge of any actions, suits, material claims, legal proceedings, or any other proceedings, including threatened or pending eminent domain proceedings, affecting the Premises, at law or in equity, before any court or governmental agency, domestic or foreign. There are no pending actions, voluntary or involuntary, under any bankruptcy or insolvency laws of the United States or any state against Tenant or any guarantor of Tenant's obligations under the Lease.

12. The undersigned has not assigned, sublet, encumbered, pledged, hypothecated, transferred, or conveyed (or suffered any of the preceding) any interest in the Lease or the Premises.

13. The undersigned represents and warrants that to the best of its knowledge all statements contained in this Certificate are true and correct.

14. The undersigned acknowledges that this Certificate may be delivered to any proposed mortgagee, trust deed beneficiary, lessor, lessee, purchaser, or successor-in-interest to Landlord, of all or any portion of the Premises or the Boardwalk. The undersigned acknowledges that it recognizes that if the same is done, the proposed mortgagee, trust deed beneficiary, lessor, lessee, purchaser, or successor-in-interest will be relying on the statements contained in this Certificate in making the lease, purchase, or loan (or in accepting an assignment of the Lease as collateral security), and that receipt by it of this Certificate is a condition of the making of such lease, purchase, or loan. Tenant will be estopped from denying that the statements made in this Certificate by Tenant are true.

15. The undersigned representative of Tenant hereby certifies that they are duly authorized to execute and deliver this Certificate on behalf of Tenant.

Executed at _____ on _____, 20__.

TENANT:

Scholb Premium Ales, Inc.

By: _____

Title: _____

EXHIBIT E

SIGN CRITERIA

These criteria have been established for the purpose of assuring an outstanding shopping experience and for the mutual benefit of all tenants. Conformance will be strictly enforced; and any installed nonconforming or unapproved signs must be brought into conformance at the expense of the tenant. All criteria contained herein shall conform to all resolutions, ordinances, general policies and rules of the city of Redondo Beach and the city of Redondo Beach Harbor Department (the City's ordinances, resolutions, etc. shall rule in the event of any conflict).

GENERAL REQUIREMENTS

1. Each Tenant shall submit or cause to be submitted to the Landlord for approval before fabrication at least four copies of detailed drawings indicating the location, size, layout, design and color of the proposed signs, including all lettering and/or graphics.
2. All permits for signs and their installation shall be obtained by the tenant or tenant representative prior to installation which have not been done by owner previously
3. Tenant shall be responsible for the fulfillment of all requirements and specifications.
4. All signs shall be constructed and installed at tenant's expense.
5. All signs shall be reviewed by the Landlord and his designated Project Architect for conformance with this criteria and overall design quality. Approval or disapproval of sign submittal based on esthetics of design shall remain the sole right of the Landlord.
6. Tenant sign contractors to be responsible to obtain all required city and county approvals and permits, including Regional Planning and Building & Safety Division.
7. All Tenants' sign Contractors to be State licensed and shall carry appropriate insurance.

GENERAL SPECIFICATIONS

1. No projections above or below the sign panel will be permitted. Sign must be within dimensioned limits as indicated on the attached drawings.
2. Sign cabinets shall be grey non-illuminated w/white pales face 2'6" x 6" smallest 2'6" x 20" largest. Sizes are determined by store frontage. Tenant is allowed 8" of sign width for every 12" of storefront Typical 15' storefront would have a sign 2'6" x 10'.
3. Letter style will be Century ultra italic (vivid). No florescent colors.

4.Tenant shall be responsible for the cost of installation and maintenance of all signs.

5.The width of the Tenant fascia sign shall not exceed 70% of storefront. The maximum height of the tenant fascia sign shall be 30". Sign shall center on store unless prior approvals are obtained from the Landlord/Developer.

6.Each tenant space along International Boardwalk includes an existing double-sided, projecting "blade" sign that consists of a permanent frame, a double-sided sign face, and hardware to secure the sign to the building. Tenant shall be responsible for installing a new double-sided sign face unique to their business and installing and maintaining the entire "Blade" sign, inclusive of the existing frame, hardware, and sign face that is perpendicular to their storefront. No modifications to the existing frame or hardware are allowed. Replacement of the double-sided sign face will be at the sole expense of Tenant and the updated sign shall not exceed the existing dimensions, shape, attachment points, and exact height and location of the original sign. Only one such "Blade" sign is allowed per Tenant. The double-sided sign face unique to the business shall be a high-resolution full color print with a 2-foot diameter on an adhesive backing. Tenant shall procure and install the double-sided sign face unique to the business within three months of signing the lease with the City. Tenant shall contact property management for any questions regarding the blade sign requirements above.

7.Tenants sign contractor shall repair any damages to the premises caused by his work.

CONSTRUCTION REQUIREMENTS

1.Signs fastening and clips are to be concealed and be of galvanized, stainless aluminum, brass or bronze metals.

2.No labels will be permitted on the exposed surface of signs, except those required by local ordinance which shall be placed in an Inconspicuous location.

3.Tenants shall have identification signs designed in a manner compatible with and complimentary to adjacent and facing storefront and the overall concept of the center.

4.Signs may be illuminated at the tenant's expense to run electrical for the signs. These signs would still meet criteria for size, lettering and color.

MISCELLANEOUS REQUIREMENTS

1.Each tenant shall be permitted to place upon each entrance of its demised premises not more than 200 square inches of decal application lettering not to exceed 6" inches in height indicating hours of business, emergency telephone numbers & etc.

2.Except as proved herein, no advertising placards, banners, pennants names, insignias,

trademarks, or other descriptive material, shall be affixed or maintained upon the glass panes and supports of the show windows and doors, or upon the exterior walls of the buildings without the written previous approval of the Landlord.

3. Each tenant who has a non-customer door for receiving merchandise may apply his name on said door in 4" high block letters and in a location as directed by the Project Architect. Letters shall be placed in the middle of the said door. Where more than one tenant uses the same door, each name and address may be applied. Color of letters shall be black. Letter style shall be Century ultra italic, all capital letters. No other rear entry signs will be permitted.

4. All directory lettering will be provided by Landlord.

Landlord's Initials: _____

Tenant's Initials: JCK

EXHIBIT F

PARKING FEE SCHEDULE

Per paragraph 18.4 of the lease and Landlord's standard parking rates in effect at the time and adjustable from time-to-time.

The current parking rates are as follows:

DAILY RATE

\$2.00 each hour

HOLIDAYS AND SPECIAL EVENTS

July 4th: Flat fee of \$30 payable upon entry.

PARKING FOR THE DISABLED

Free with approved placards or license plates.

PIER/BOARDWALK EMPLOYEE MONTHLY AND YEARLY PASSES

Passes are to be purchased by business owners/managers to satisfy employment verification; parking spaces are occupied on a first-come, first-served basis; passes do not guarantee a parking space.

Annual Employee Passes (January 1 – December 31):

- a. Annual Pass – 7 days/week in Pier Parking Structure, Plaza Parking Structure, or Marina Parking Lot: **\$35/month or an early discounted rate of \$280.00 if the pass is purchased in January** (Purchases after January 31 will be prorated at the rate of \$35/month times the number of months remaining in the year.)

Summer Season Employee Passes (May 1 – September 30):

- a. Summer Pass – 7 days/week in Pier Parking Structure, Plaza Parking Structure, or Marina Parking Lot: **\$35/month or an early special rate of \$120.00 if the pass is purchased in May** (Purchases after May 31 will be prorated at the rate of \$35/month times the number of months remaining in the summer.)

EXHIBIT G

RULES AND REGULATIONS

RULES AND REGULATIONS

1. The sidewalks, halls, passages, exits, entrances, elevators, escalators and stairways of the Building shall not be obstructed by any of the tenants or used by them for any purpose other than for ingress to and egress from their respective premises. The halls, passages, exits, entrances, elevators, escalators and stairways are not for the general public and Landlord shall in all cases retain the right to control and prevent access thereto of all persons whose presence in the judgment of Landlord would be prejudicial to the safety, character, reputation and interests of the Building and its tenants, provided that nothing herein contained shall be construed to prevent such access to persons with whom any tenant normally deals in the ordinary course of its business, unless such persons are engaged in illegal activities. No tenant and no agent, employee, contractor, invitee or licensee of any tenant shall go upon the roof of the Building. Landlord shall have the right at any time, without the same constituting an actual or constructive eviction and without incurring any liability to any tenant therefor, to change the arrangement or location of entrances or passageways, doors or doorways, corridors, elevators, stairs, toilets and other common areas of the Building.

2. No sign, placard, picture, name, advertisement or notice visible from the exterior of any tenant's premises shall be inscribed, painted, affixed or otherwise displayed by any tenant on any part of the Building without the prior written consent of Landlord except that Tenant shall have the right, at its sole cost, to place its name on the door of the Premises. Landlord will adopt and furnish to tenants general guidelines relating to signs inside the Building. Tenants shall conform to such guidelines. All approved signs or lettering on doors shall be printed, painted, affixed or inscribed at the expense of any such tenant by a person approved by Landlord. Material visible from outside the Building will not be permitted.

3. The premises shall not be used for lodging. No cooking shall be done or permitted on the premises except that private use by any tenant of Underwriters' Laboratory approved equipment for brewing coffee, tea, hot chocolate and similar beverages, for preparation of meals by employees of any such tenant in a manner customary for an employee lounge or lunchroom, and for catering to serve food in connection with meetings or receptions will be permitted, provided that such use is in accordance with all applicable federal, state and municipal laws, codes, ordinances, rules and regulations.

4. No tenant shall employ any person or persons other than the janitor of Landlord for the purpose of cleaning its premises unless otherwise agreed to by Landlord in writing. Except with the written consent of Landlord, no person or persons other than those approved by Landlord shall be permitted to enter the Building for the purpose of cleaning the same. No tenant shall cause any unnecessary labor by reason of such tenant's

carelessness or indifference in the preservation of good order and cleanliness. Landlord shall not be responsible to any tenant for any loss of property on the premises, however occurring, or for any damage done to the effects of any tenant by the janitor or any other employee or any other person. Tenant shall pay to Landlord the cost of removal of any of tenant's refuse and rubbish, to the extent that the same exceeds the refuse and rubbish usually attendant upon the use of tenant's premises as offices. Janitor service will not be furnished on nights when rooms are occupied after 9:00 P.M. unless, by agreement in writing, service is extended to a later hour for specifically designated rooms.

5. Landlord will furnish each tenant without charge with two (2) keys to each door lock provided in the premises by Landlord. Landlord may make a reasonable charge for any additional keys. No tenant shall have any such keys copied or any keys made. No tenant shall alter any lock or install a new or additional lock or any bolt on any door of its premises. Each tenant, upon the termination of its lease, shall deliver to Landlord all keys to doors in the Building.

6. Landlord shall designate appropriate entrances and a freight elevator for deliveries or other movement to or from the premises of equipment, materials, supplies, furniture or other property, and tenants shall not use any other entrances or elevators for such purposes. The freight elevator shall be available for use by all tenants in the Building subject to such reasonable scheduling as Landlord in its discretion shall deem appropriate. All persons employed and means or methods used to move equipment, materials, supplies, furniture or other property in or out of the Building must be approved by Landlord prior to any such movement. Landlord shall have the right to prescribe the maximum weight, size and position of all equipment, materials, furniture or other property brought into the Building. Heavy objects shall, if considered necessary by Landlord, stand on a platform of such thickness as is necessary properly to distribute the weight. Landlord will not be responsible for loss of or damage to any such property from any cause, and all damage done to the Building by moving or maintaining such property shall be repaired at the expense of tenants.

7. No tenant shall use or keep in the premises or the Building any kerosene, gasoline or inflammable or combustible fluid or material other than limited quantities thereof reasonably necessary for the operation or maintenance of office equipment. No tenant shall use any method of heating or air conditioning other than that supplied by Landlord. No tenant shall use or keep or permit to be used or kept any foul or noxious gas or substance in the premises, or permit or suffer the premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Building by reason of noise, odors or vibrations, or interfere in any way with other tenants or those having business in the Building, nor shall any animals or birds be brought or kept in the premises or the Building. All materials stored in the Premises by Tenant shall be stored in compliance with all applicable laws and shall not exceed the maximum floor load for the Premises as reasonably determined by Landlord.

8. Landlord shall have the right, exercisable without notice and without liability to any tenant, to change the name or street address of the Building.

9. Except as expressly set forth in the Lease, Landlord establishes the hours of 8 A.M. to 6 P.M. Monday through Friday, and Saturday 9:00 A.M. to 1:00 P.M., except legal holidays, as reasonable and usual business hours. If during any other hours or any other days, tenant desires to have any services or utilities supplied to tenant, and if Landlord is able to provide the same, tenant shall pay Landlord such charge as Landlord shall establish from time to time for providing such services or utilities during such hours. Any such charges which such tenant is obligated to pay shall be deemed to be additional rent under such tenant's lease.

10. The Building's air conditioning system achieves maximum cooling when the drapes and windows are closed. Landlord shall not be responsible for the room temperature if tenant does not keep all drapes and windows in the premises closed whenever the system is in operation. Tenant agrees to cooperate fully at all times with Landlord and to abide by all regulations and requirements which Landlord may prescribe for the proper functioning and protection of said air conditioning system. Tenant agrees not to connect any apparatus device, conduit or pipe to the Building chilled and hot water conditioning supply lines. Tenant further agrees that neither tenant nor its servants, employees, agents, visitors, licensees or contractors shall at any time enter mechanical installations or facilities of the Building or adjust, tamper with, touch or otherwise in any manner affect said installations or facilities.

11. Electric current is furnished as required by the Building standard office lighting and fractional horsepower office business machines in the amount of approximately four (4) watts per square foot. The tenant agrees, should its electrical installation or electrical consumption be in excess of the aforesaid quantity or extend beyond normal business hours, to reimburse Landlord monthly for the measured consumption under the terms, classifications and rates charged to similar consumers by said public utilities serving in the neighborhood in which the Building is located. If a separate meter is not installed at tenant's cost, such excess cost will be established by an estimate agreed upon by Landlord and tenant, and if the parties fail to agree, as established by an independent licensed engineer. Tenant agrees not to use any apparatus or device in, or upon, or about the premises which will in any way increase the amount of such services usually furnished or supplied to said premises, and tenant further agrees not to connect any apparatus or device or wires, conduits or pipes, or other means by which such services are supplied, for the purpose of using additional or unusual amounts of such services without written consent of Landlord. Should tenant use the same to excess, the refusal on the part of tenant to pay, upon demand of Landlord, the amount established by Landlord for such excess charge shall constitute a breach of the obligation to pay rent current under tenant's lease and shall entitle Landlord to the rights therein granted for such breach. At all times tenant's use of electric current shall never exceed the capacity of the feeders to the Building or the risers or wiring installation.

12. Water will be available in public areas for drinking and lavatory purposes only, but if tenant requests, uses or consumes water for any purpose in addition to ordinary drinking and lavatory purposes, of which fact tenant constitutes Landlord to be the sole

judge, Landlord may install a water meter and thereby measure tenant's water consumption for all purposes. Tenant shall pay Landlord for the cost of the meter and the cost of the installation thereof and throughout the duration of tenant's occupancy, tenant shall keep said meter installation equipment in good working order and repair at tenant's own cost and expense, in default of which Landlord may cause such meter and equipment to be replaced or repaired and collect the cost thereof from tenant. Tenant agrees to pay for water consumed, as shown on said meter, as and when bills are rendered, and on default in making such payment, Landlord may pay such charges and collect the same from tenant. Any such costs or expenses incurred, or payments made by Landlord for any of the reasons or purposes hereinabove stated shall be deemed to be additional rent, payable by tenant, and collectible by Landlord as such.

13. Landlord reserves the right to stop service of the elevator, plumbing, ventilating, air conditioning and electric systems, when necessary, by reason of accident or emergency or for repairs, alterations or improvements, in the judgment of Landlord desirable or necessary to be made, until said repairs, alterations or improvements shall have been completed, and shall further have no responsibility or liability for failure to support elevator facilities, plumbing, ventilating, air conditioning or electric service, when prevented from doing so by strike or accident or by any cause beyond Landlord's reasonable control or by laws, rules, orders, ordinances, directions, regulations or requirements of any federal, state, county or municipal authority or failure of gas, oil or other suitable fuel supplied or inability by exercise of reasonable diligence to obtain gas, oil or other suitable fuel. It is expressly understood and agreed that any covenants on Landlord's part to furnish any service pursuant to any of the terms, covenants, conditions, provisions or agreements of tenant's lease or to perform any act or thing for the benefit of tenant, shall not be deemed breached if Landlord is unable to furnish or perform the same by virtue of a strike or labor trouble or any other cause whatsoever beyond Landlord's control.

14. Landlord reserves the right to exclude from the Building between the hours of 6 P.M. and 8 A.M. Monday through Friday and at all hours on Saturdays, Sundays and legal holidays all persons who do not present identification acceptable to Landlord. Each tenant shall provide Landlord with a list of all persons authorized by such tenant to enter its premises and shall be liable to Landlord for all acts of such persons. Landlord shall in no case be liable for damages for any error with regard to the admission to or exclusion from the Building of any person. In the case of invasion, mob, riot, public excitement or other circumstances rendering such action advisable in Landlord's opinion, Landlord reserves the right to prevent access to the Building during the continuance of the same by such action as Landlord may deem appropriate, including closing doors.

15. The directory of the Building will be provided for the display of the name and location of tenants and the principal officers and employees of tenants (not to exceed two (2) names per one thousand (1,000) rentable feet in the Premises) at the expense of such tenant. Periodic revisions and updating shall be provided by Landlord without charge.

16. No curtains, draperies, blinds, shutters, shades, screens or other coverings, hangings

or decorations shall be attached to, hung or placed in, or used in connection with any window of the Building without the prior written consent of Landlord. In any event, with the prior written consent of Landlord, such items shall be installed on the office side of Landlord's standard window covering and shall in no way be visible from the exterior of the Building. Tenants shall keep window coverings closed when the effect of sunlight (or the lack thereof) would impose unnecessary loads on the Building's heating or air conditioning system.

17. No tenant shall obtain for use in the premises ice, drinking water, food, beverage, towel or other similar services, except at such reasonable hours and under such reasonable regulations as may be established by Landlord.

18. Each tenant shall ensure that the doors of its premises are closed and locked and that all water faucets, water apparatus and utilities are shut off before such tenant or such tenant's employees leave the premises so as to prevent waste or damage, and for any default or carelessness in this regard, such tenant shall compensate for all injuries sustained by other tenants or occupants of the Building or Landlord. On multiple-tenancy floors, all tenants shall keep the doors to the Building corridors closed at all times except for ingress and egress.

19. The toilet rooms, toilets, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed, no foreign substance of any kind whatsoever shall be thrown therein, and the expense of any breakage, stoppage or damage resulting from the violation of this rule shall be paid by the tenant who, or whose agent, employee, contractor, invitee or licensee, caused it.

20. Except with the prior written consent of Landlord, no tenant shall sell at retail newspapers, magazines, periodicals, theater or travel tickets or any other goods or merchandise to the general public in or on the premises, nor shall any tenant carry on or permit or allow any employee or other person to carry on the business of stenography, typewriting, printing or photocopying or any similar business in or from the premises for the service or accommodation of occupants of any other portion of the Building, nor shall the premises of any tenant be used for manufacturing of any kind, or any business activity other than that specifically provided for in the tenant's lease.

21. No tenant shall install any radio or television antenna, loudspeaker, or other device on the roof or exterior walls of the Building. No television or radio or recorder shall be played in such a manner as to cause a nuisance to any other tenant.

22. There shall not be used in any space, or in the public halls of the Building, either by any tenant or others, any hand trucks except those equipped with rubber tires and side guards or such other material handling equipment as Landlord approves. No other vehicles of any kind shall be brought by any tenant into the Building or kept in or about its premises.

23. Each tenant shall store all its trash and garbage within its premises. No material

shall be placed in the trash boxes or receptacles if such material is of such nature that it may not be disposed of in the ordinary and customary manner of removing and disposing of office building trash and garbage in the vicinity of the Building, without being in violation of any law or ordinance governing such disposal. All garbage and refuse disposal shall be made only through entryways and elevators provided for such purposes and at such times as Landlord shall designate.

24. Canvassing, soliciting, distribution of handbills or any other written material and peddling in the Building are prohibited, and each tenant shall cooperate to prevent the same.

25. The requirements of tenants will be attended to only upon application in writing at the office of the Building. Employees of Landlord shall not perform any work or do anything outside of their regular duties unless under special instructions from Landlord.

26. Landlord may waive any one or more of these Rules and Regulations for the benefit of any particular tenant or tenants, but no such waiver by Landlord shall be construed as a waiver of such Rules and Regulations in favor of any other tenant or tenants, nor prevent Landlord from thereafter enforcing any such Rules and Regulations against any or all of the tenants of the Building.

27. These Rules and Regulations are in addition to, and shall not be construed to in any way modify or amend, in whole or in part, the agreements, covenants, conditions and provisions of any lease of premises in the Building.

28. Landlord reserves the right to make such other rules and regulations as in its judgment may from time to time be needed for the safety, care and cleanliness of the Building and for the preservation of good order therein.

29. All construction projects and tenant improvement work must conform to the General Construction and Building Rules.

30. Tenant agrees that all employees will park on the lower levels of the parking structure and that the surface level parking spaces are to be reserved for customers and service providers.

31. Tenant agrees to limit the sale of Beer and Alcohol to:

What is allowed under the lease agreement.

32. Tenant shall display signage indicating that a "no shirt, no shoes, no service" policy is in effect.

EXHIBIT H

CONFIRMATION OF LEASE

TO: Tenant

DATED:

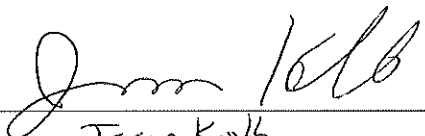
Re: Lease dated August 5, 2025 by and between CITY OF REDONDO BEACH a chartered city and municipal corporation as Landlord, and Scholb Premium Ales, Inc. as Tenant (the "Lease"), for those premises generally referred to as 160 International Boardwalk, Redondo Beach, CA 90277 (the "Premises").

Please acknowledge that the Commencement Date of the Lease is August 5, 2025 and that the Expiration Date of the Lease is August 4, 2030.

Very truly yours,

Agent for "Landlord"

Tenant hereby confirms the information set forth above, and further acknowledges that Landlord has fulfilled its obligations under the above-referenced Lease.

By: 

By: Jason Kolb
Title:

EXHIBIT I

[Intentionally Deleted]

EXHIBIT J

**RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:**

CITY OF REDONDO BEACH
415 Diamond Street
Redondo Beach, CA 90277
Attention: City Clerk

MEMORANDUM OF LEASE

This Memorandum of Lease ("Memorandum") is made and entered into as of August 5, 2025, by and between the CITY OF REDONDO BEACH, a chartered municipal corporation, hereinafter referred to as the "Landlord" and Scholb Premium Ales, Inc., hereinafter referred to as "Tenant."

RECITALS

A. Landlord and Tenant have entered in a Lease (hereinafter, "Lease") dated August 5, 2025, for certain premises which are located on real property which is legally described in Exhibit A attached hereto and incorporated herein by reference (the "Premises"). Copies of the Lease are available for public inspection at Landlord's office at 415 Diamond Street, Redondo Beach, CA 90277.

B. The Lease provides that a short form memorandum of the Lease shall be executed and recorded in the Official Records of Los Angeles County, California.

NOW, THEREFORE, the parties hereto certify as follows:

1. Landlord, pursuant to the Lease, has leased the Premises to the Tenant upon the terms and conditions provided for therein, generally for the purposes of general restaurant use.
2. Unless earlier terminated, the term of the Lease shall expire on August 4, 2030.
3. This Memorandum is not a complete summary of the Lease, and shall not be used to interpret the provisions of the Lease.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Memorandum of Amended Lease as of the day and year first above written.

CITY OF REDONDO BEACH

James A. Light, Mayor

ATTEST:

Eleanor Manzano, City Clerk

APPROVED AS TO FORM:

Joy A. Ford, City Attorney

Scholb Premium Ales, Inc.

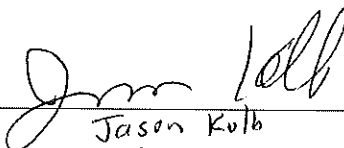
By: _____
Title: owner

EXHIBIT "A" TO MEMORANDUM OF LEASE

LEGAL DESCRIPTION

The space located at 160 International Boardwalk, Redondo Beach, California, consisting of approximately 1,000 rentable square feet as more particularly depicted on the attached floor and site plan of the premises. The Premises is located on a portion of the strip retail development, a development of approximately 48,000 square feet, situated north of the Redondo Beach Pier Parking Structure, a structure of approximately 520,000 square feet and over 1,000 parking spaces located at the western terminus of Torrance Boulevard in the City of Redondo Beach.

APN: 7507-002-932

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

}

} ss.

County of Los Angeles

}

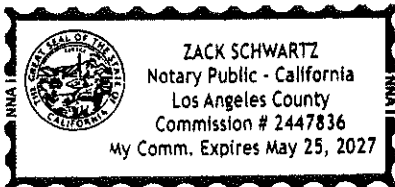
On 14 July, 2025, before me, Zack Schwartz, a Notary Public, personally appeared, Jason Kolb, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature

(seal) [Signature]



A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California }
County of Los Angeles } ss.

On _____, 20__, before me, _____, a Notary Public, personally appeared, _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature

[illegible]

(seal)