

## SECOND AMENDMENT TO LEASE

### -EXTENSION-

This SECOND AMENDMENT TO LEASE ("Second Amendment") is made and entered into as of the 18<sup>th</sup> day of March, 2009, by and between International Boardwalk, LLC, a California limited liability company ("Landlord"), and Naja's International Inc., dba Naja's Place ("Sublessee").

#### RECITALS:

A. Redondo Boardwalk, LLC, a California limited liability company, ("Original Sublessor") and Sublessee entered into that certain Sublease Agreement dated August 1, 1999 ("Sublease"), as amended by that certain First Amendment dated as of February 2004 (collectively "Lease"), whereby Landlord leased to Tenant and Tenant leased from Landlord certain retail space located in that certain reinforced concrete structure located at 150 International Boardwalk, Redondo Beach, CA (the "Shop Structure"). Sublessor is successor-in-interest to Original Sublessor

B. By this Second Amendment, Sublessor and Sublessee desire that Sublessee extend the term of the Lease and to otherwise modify the Lease as provided herein.

C. Unless otherwise defined herein, capitalized terms as used herein shall have the same meanings as given thereto in the Lease.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

#### AGREEMENT:

- The Existing Premises.** Sublessor and Sublessee hereby acknowledge that pursuant to the Lease, Sublessee currently leases from Sublessor that certain retail space in the Shop Structure containing a total of approximately 2,750 rentable square feet located on the commonly known as Suite 150 ("Premises"), as further described in the Lease.
- Extended Lease Term.** The term for Sublessee's lease shall be extended for sixty months, to commence on August 1, 2009 ("New Commencement Date") and terminate on the date that is sixty months after the New Commencement Date ("New Expiration Date"). The period from August 1, 2009 through the New Expiration Date specified above, shall be referred to herein as the "Extended Term."
- Adjustment of Guaranteed Minimum Rent.** On August 1<sup>st</sup> of 2008, 2011 and 2014, the Guaranteed Minimum Rent shall be adjusted to reflect the increase, if any, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for All Urban Consumers for the Los Angeles-Anaheim-Riverside Urban Area (1982-1984 = 100) (hereinafter the "CPI"), from July of 1999 to the July immediately preceding the applicable Adjustment Date.
- Percentage Rent.** In addition to the Guaranteed Minimum Rent described above, Sublessee shall pay to Sublessor, for each month during the term of this Sublease, a sum equal to eight percent (8%) of Sublessee's Gross Income for such month, less the Guaranteed Minimum Rent due for such month (hereinafter referred to as "Percentage Rent"). For the purpose of this Sublessee, "Gross Income" shall be defined as it is defined in Section 4.3 of the Master Lease, which definition is incorporated into this Sublease by this reference.
- Option to Extend.** Sublessee shall have a second option to extend the Sublease for an additional period of five (5) years provided that Sublessee gives written notice to Sublessor at least six (6) months prior to the expiration of the first extended term, and further provided that Sublessee is not in default under this Sublease at the time such notice is given or at the time the second extended term commences.
- Brokers.** Each party represents and warrants to the other that no broker, agent or finder negotiated or was instrumental in negotiating or consummating this Second Amendment, other than Jamison Services, Inc. ("Broker"). Each party further agrees to defend, indemnify and hold harmless the other party from and against any claim for commission or finder's fee by any entity, other than Broker, who claims or alleges that they were retained or engaged by the first party or at the request of such party in connection with this Second Amendment.

7. **Tenant representations.** Each person executing this Second Amendment on behalf of Sublessee represents and warrants to Sublessor that: (a) Sublessee is properly formed and validly existing under the laws of the state in which Sublessee is formed and Sublessee is authorized to transact business in the state in which the Shop Structure is located; (b) Sublessee has full right and authority to enter into this Second Amendment and to perform all of Sublessee's obligations hereunder; and (c) each person (and persons if more than one signs) signing this Second Amendment on behalf of Sublessee is duly and validly authorized to do so.

8. **Defaults.** Sublessee hereby represents and warrants to Sublessor that, as of the date of this Second Amendment, Sublessee is in full compliance with all terms, covenants and conditions of the Lease and that there are no breaches or defaults under the Lease by Sublessor or Sublessee, and that Sublessee knows of no events or circumstances which, given the passage of time, would constitute a default under the Lease by either Sublessor or Sublessee.

9. **No Further Modification.** Except as set forth in this Second Amendment, all of the terms and provisions of the Lease shall apply to the Existing Premises and shall remain unmodified and in full force and effect. Effective as of the date hereof, all references to the "Lease" shall refer to the Lease as amended by this Second Amendment.

10. **Counterparts.** This Second Amendment may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute together one and the same instrument.

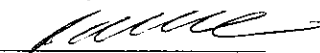
11. **Successors and Assigns.** The Lease, as amended hereby, shall apply to and bind Landlord and Tenant and their respective successors and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment as of the date first above written.

**Landlord:**


International Boardwalk, LLC.  
a California limited liability company

By: Jamison Services, Inc.,  
a California corporation  
Its Authorized Agent

By:   
Paul T. Kim, CPM  
President

**Tenant:**

Naja's International, Inc.  
dba Naja's Place

By:   
Print Name: Jim Trevellyan  
Title: President

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SUBLEASE AGREEMENT

~~This SUBLEASE AGREEMENT (the "Sublease"), dated August 1, 1988, for purposes of reference only,~~ is made by and between REDONDO BOARDWALK, LLC, a California limited liability company ("Sublessor"), and NAJA'S INTERNATIONAL, INC., a California corporation doing business as "NAJA'S PLACE" ("Sublessee").

WHEREAS, Sublessor is the lessee of a certain reinforced concrete structure commonly described as "Harbor Parcel No. 11, Basin III, Shop Structure," located within King Harbor at Redondo Beach, California, and more particularly described in Exhibit C to that certain Lease Agreement dated June 17, 1974, by and between the City of Redondo Beach, a chartered municipality (the "City"), as lessor, and Bay Area Development Co., predecessor in interest to Sublessor, as lessee (which lease, as amended, in hereinafter referred to as the "Master Lease"); and

WHEREAS, Sublessor desires to sublease a portion of the structure described above to Sublessee, and Sublessee desires to sublease such portion from Sublessor upon the terms and conditions set forth below;

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained in this Sublease, it is hereby agreed:

ARTICLE I

PREMISES

1.1 The Subleased Premises. Sublessor does hereby sublease to Sublessee, and Sublessee does hereby sublease from Sublessor, a portion of the reinforced concrete structure described above, commonly designated as Store Nos. 150, 152, 154, and 156, consisting of approximately 2,750 square feet, as outlined in red on the plot plan attached to this Sublease as Exhibit "A" (the "Premises").

ARTICLE II

TERM

2.1 Term. Subject to the terms and conditions set forth below, the Premises are subleased for a ~~initial term of ten (10) years~~ commencing on August 1, 1999, and terminating on July 30, 2009. ~~Sublessee shall have the option to extend the term of this Sublease for an additional period of five (5) years, provided,~~ that Sublessee gives written notice of Sublessee's intention to exercise such option to Sublessor at least six (6) months prior

to expiration of the initial term, and further provided that ~~Sublessee is not in default under~~ this Sublease at the time such notice is given or at the time the extended term commences.

### ARTICLE III

#### RENT

3.1 Guaranteed Minimum Rent. The minimum rent for use of the Premises (the "Guaranteed Minimum Rent") is Four Thousand One Hundred Twenty Five Dollars (\$4,125.00) per month, payable in advance on the first day of each calendar month during the term of this Sublease.

3.2 Adjustment of Guaranteed Minimum Rent. On August 1 in the year 2002, 2005, 2008, and, if Sublessee's option to extend is exercised, 2011 (hereinafter collectively referred to as "Adjustment Dates"), the Guaranteed Minimum Rent shall be adjusted to reflect the increase, if any, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for All Urban Consumers for the Los Angeles-Anaheim-Riverside Urban Area (1982-1984 = 100) (hereinafter the "CPI"), from July of 1999 to the July immediately preceding the applicable Adjustment Date.

AMENDMENT NO. 1 TO THE SUBLEASE BETWEEN  
REDONDO BOARDWALK, LLC  
AND  
NAJA'S INTERNATIONAL, INC.

This Amendment No. 1 to the Sublease dated August 1, 1999 by and between REDONDO BOARDWALK, LLC (hereinafter, SUBLESSOR) and NAJA'S INTERNATIONAL, INC. (hereinafter, SUBLESSEE) doing business as NAJA'S PLACE is made and entered into as of the \_\_\_\_\_ day of February, 2004.

~~1. The following is added to Article 2.17:~~

~~Sublessee shall have a second option to extend the Sublease for an additional period of five (5) years provided that Sublessee pays to Sublessor the amount of the~~  
prior to the expiration of the first extended term, and further provided that Sublessee is not in default under this Sublease at the time such notice is given or at the time the second extended term commences.

2. The first sentence of Article 3.2 Adjustment of Guaranteed Minimum Rent is deleted and the following inserted in it's place:

On August 1, in the year 2002, 2005, 2008 and, if Sublessee's options to extend are exercised, 2011, 2014, and each August 1 thereafter (hereinafter collectively referred to as "Adjustment Dates"), the Guaranteed Minimum Rent shall be adjusted to reflect the increase, if any, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for All Urban Consumers for the Los Angeles-Anaheim-Riverside Urban Area (1982-1984

SECOND AMENDMENT TO LEASE  
-EXTENSION-

This SECOND AMENDMENT TO LEASE ("Second Amendment") is made and entered into as of the 14<sup>th</sup> day of August, 2008, by and between International Boardwalk, LLC, a California limited liability company ("Landlord"), and Naja's International Inc., dba Naja's Place ("Sublessee").

**RECITALS:**

A. Redondo Boardwalk, LLC, a California limited liability company, ("Original Sublessor") and Sublessee entered into that certain Sublease Agreement dated August 1, 1999 ("Sublease"), as amended by that certain First Amendment dated as of February 2, 2004 (collectively "Lease"), whereby Landlord leased to Tenant and Tenant leased from Landlord certain retail space located in that certain reinforced concrete structure located at 150 International Boardwalk, Redondo Beach, CA (the "Shop Structure"). Sublessor is successor-in-interest to Original Sublessor

B. By this Second Amendment, Sublessor and Sublessee desire that Sublessee extend the term of the Lease and to otherwise modify the Lease as provided herein.

C. Unless otherwise defined herein, capitalized terms as used herein shall have the same meanings as given thereto in the Lease.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**AGREEMENT:**

1. **The Existing Premises.** Sublessor and Sublessee hereby acknowledge that pursuant to the Lease, Sublessee currently leases from Sublessor that certain retail space in the Shop Structure containing a total of approximately 2,750 rentable square feet located on the commonly known as Suite 150 ("Premises"), as further described in the Lease.

2. **Extended Lease Term.** The term for Tenant's lease shall be extended for sixty months, to commence on August 1, 2009 ("New Commencement Date") and terminate on the date that is sixty months after the New Commencement Date ("New Expiration Date"). The period from August 1, 2009 through the New Expiration Date specified above, shall be referred to herein as the "Extended Term."

3. **Guaranteed Minimum Rent for Premises.** The monthly installment of Guaranteed Minimum Rent payable to Sublessor ("Guaranteed Minimum Rent") for the first twelve (12) months of the Extended Term for the Premises shall be \$5,500.00 per month (approximately \$2.00 per rentable square foot per month), payable in advance on the first day of each calendar month during the term of this Sublease.

4. **Adjustment of Guaranteed Minimum Rent.** On August 1<sup>st</sup> of each year, the Guaranteed Minimum Rent shall be adjusted to reflect the increase, if any, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for All Urban Consumers for the Los Angeles-Anaheim-Riverside Urban Area (1982-1984 = 100) (hereinafter the "CPI"), from July of 1999 to the July immediately preceding the applicable Adjustment Date.

5. **Percentage Rent.** In addition to the Guaranteed Minimum Rent described above, Sublessee shall pay to Sublessor, for each month during the term of this Sublease, a sum equal to eight percent (8%) of Sublessee's Gross Income for such month, less the Guaranteed Minimum Rent due for such month (hereinafter referred to as "Percentage Rent"). For the purpose of this Sublease, "Gross Income" shall be defined as it is defined in Section 4.3 of the Master Lease, which definition is incorporated into this Sublease by this reference.

6. **Brokers.** Each party represents and warrants to the other that no broker, agent or finder negotiated or was instrumental in negotiating or consummating this Second Amendment, other than Jamison Services, Inc. ("Broker"). Each party further agrees to defend, indemnify and hold harmless the other party from and against any claim for commission or finder's fee by any entity, other than Broker, who claims or alleges that they were retained or engaged by the first party or at the request of such party in connection with this Second Amendment.

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7. **Tenant Representations.** Each person executing this Second Amendment on

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behalf of Sublessee represents and warrants to Sublessor that: (a) Sublessee is properly formed and validly existing under the laws of the state in which Sublessee is formed and Sublessee is authorized to transact business in the state in which the Shop Structure is located; (b) Sublessee has full right and authority to enter into this Second Amendment and to perform all of Sublessee's obligations hereunder; and (c) each person (and persons if more than one signs) signing this Second Amendment on behalf of Sublessee is duly and validly authorized to do so.

**8. Defaults.** Sublessee hereby represents and warrants to Sublessor that, as of the date of this Second Amendment, Sublessee is in full compliance with all terms, covenants and conditions of the Lease and that there are no breaches or defaults under the Lease by Sublessor or Sublessee, and that Sublessee knows of no events or circumstances which, given the passage of time, would constitute a default under the Lease by either Sublessor or Sublessee.

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**9. No Further Modification.** Except as set forth in this Second Amendment, all of the terms and provisions of the Lease shall apply to the Existing Premises and shall remain unmodified and in full force and effect. Effective as of the date hereof, all references to the "Lease" shall refer to the Lease as amended by this Second Amendment.

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**10. Counterparts.** This Second Amendment may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute together one and the same instrument.

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**11. Successors and Assigns.** The Lease, as amended hereby, shall apply to and bind Landlord and Tenant and their respective successors and assigns.

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IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment as of the date first above written.

**Landlord:**

International Boardwalk, LLC,  
a California limited liability company

By: Jamison Services, Inc.,  
a California corporation  
Its Authorized Agent

By: \_\_\_\_\_  
Paul T. Kim, CPM  
President

**Tenant:**

Naja's International, Inc.  
dba Naja's Place

By: \_\_\_\_\_  
Print Name:  
Title:



AMENDMENT NO. 1 TO THE SUBLEASE BETWEEN  
REDONDO BOARDWALK, LLC  
AND  
NAJA'S INTERNATIONAL, INC.

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This Amendment No. 1 to the Sublease dated August 1, 1999 by and between REDONDO BOARDWALK, LLC (hereinafter, SUBLESSOR) and NAJA'S INTERNATIONAL, INC. (hereinafter, SUBLESSEE) doing business as NAJA'S PLACE is made and entered into as of the \_\_\_\_\_ day of February, 2004.

1. The following is added to Article 2.1 Term of the Sublease:

Sublessee shall have a second option to extend the Sublease for an additional period of five (5) years provided that Sublessee gives written notice to Sublessor at least six (6) months prior to the expiration of the first extended term, and further provided that Sublessee is not in default under this Sublease at the time such notice is given or at the time the second extended term commences.

2. The first sentence of Article 3.2 Adjustment of Guaranteed Minimum Rent is deleted and the following inserted in it's place:

On August 1, in the year 2002, 2005, 2008 and, if Sublessee's options to extend are exercised, 2011, 2014, and each August 1 thereafter (hereinafter collectively referred to as "Adjustment Dates"), the Guaranteed Minimum Rent shall be adjusted to reflect the increase, if any, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for All Urban Consumers for the Los Angeles-Anaheim-Riverside Urban Area (1982-1984


= 100) (hereinafter the "CPI" from July of 1999 to the July immediately preceding the applicable Adjustment Date.

3. The following is added to ARTICLE IV REIMBURSEMENT OF EXPENSES:

4.12 Payment of Reimbursed Expenses. Sublessee shall pay the sum of \$770.00 per month on the first of each month to reimburse Sublessor for Sublessee's share of expenses as provided in this Article IV. Said \$770.00 monthly payment represents Sublessor's best estimate of the actual monthly cost for reimbursement of expenses. Should costs change for any reason, Sublessor shall increase or decrease this monthly amount to Sublessor's best estimate of the true monthly cost. On or before February 1<sup>st</sup> of each year, Sublessor shall calculate the total sum due for reimbursement of expenses for the prior calendar year and immediately refund any excess paid by Sublessee. Should Sublessee have underpaid the actual amount due, Sublessee shall have 30 days after billing to pay of the deficiency to Sublessor.

REDONDO BOARDWALK, LLC

NAJA'S INTERNATIONAL, INC.

  
Gordon McRae, Jr., President

Jason Rosenfeld

  
James Kelly Trevillyan

## SUBLEASE AGREEMENT

This SUBLEASE AGREEMENT (the "Sublease"), dated August 1, 1999, for purposes of reference only, is made by and between REDONDO BOARDWALK, LLC, a California limited liability company ("Sublessor"), and NAJA'S INTERNATIONAL, INC., a California corporation doing business as "NAJA'S PLACE" ("Sublessee").

WHEREAS, Sublessor is the lessee of a certain reinforced concrete structure commonly described as "Harbor Parcel No. 11, Basin III, Shop Structure," located within King Harbor at Redondo Beach, California, and more particularly described in Exhibit C to that certain Lease Agreement dated June 17, 1974, by and between the City of Redondo Beach, a chartered municipality (the "City"), as lessor, and Bay Area Development Co., predecessor in interest to Sublessor, as lessee (which lease, as amended, in hereinafter referred to as the "Master Lease"); and

WHEREAS, Sublessor desires to sublease a portion of the structure described above to Sublessee, and Sublessee desires to sublease such portion from Sublessor upon the terms and conditions set forth below;

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained in this Sublease, it is hereby agreed:

ARTICLE I

PREMISES

1.1 The Subleased Premises. Sublessor does hereby sublease to Sublessee, and Sublessee does hereby sublease from Sublessor, a portion of the reinforced concrete structure described above, commonly designated as Store Nos. 150, 152, 154, and 156, consisting of approximately 2,750 square feet, as outlined in red on the plot plan attached to this Sublease as Exhibit "A" (the "Premises").

ARTICLE II

TERM

2.1 Term. Subject to the terms and conditions set forth below, the Premises are subleased for a initial term of ten (10) years, commencing on August 1, 1999, and terminating on July 30, 2009. Sublessee shall have the option to extend the term of this Sublease for an additional period of five (5) years, provided that Sublessee gives written notice of Sublessee's intention to exercise such option to Sublessor at least six (6) months prior

to expiration of the initial term, and further provided that Sublessee is not in default under this Sublease at the time such notice is given or at the time the extended term commences.

### ARTICLE III

#### RENT

3.1 Guaranteed Minimum Rent. The minimum rent for use of the Premises (the "Guaranteed Minimum Rent") is Four Thousand One Hundred Twenty Five Dollars (\$4,125.00) per month, payable in advance on the first day of each calendar month during the term of this Sublease.

3.2 Adjustment of Guaranteed Minimum Rent. On August 1 in the year 2002, 2005, 2008, and, if Sublessee's option to extend is exercised, 2011 (hereinafter collectively referred to as "Adjustment Dates"), the Guaranteed Minimum Rent shall be adjusted to reflect the increase, if any, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for All Urban Consumers for the Los Angeles-Anaheim-Riverside Urban Area (1982-1984 = 100) (hereinafter the "CPI"), from July of 1999 to the July immediately preceding the applicable Adjustment Date.

The new Guaranteed Minimum Rent payable on and after each Adjustment Date shall be calculated as follows: the Guaranteed Minimum Rent set forth in Section 3.1 of this Sublease shall be multiplied by a fraction, the numerator of which shall be the CPI for the July immediately preceding the Applicable Adjustment Date, and the denominator of which shall be the CPI for July of 1999. The amount so calculated shall constitute the new Guaranteed Minimum Rent under this Sublease, but in no event shall such new Guaranteed Minimum Rent be less than the Guaranteed Minimum Rent payable for the month immediately preceding the applicable Adjustment Date.

In the event that the compilation and/or publication of the CPI shall be discontinued, the available index which is most nearly the same as the CPI shall be used to make the above calculation.

Sublessor shall inform Sublessee of the amount of the new Guaranteed Minimum Rent as soon as the necessary data becomes available to make the above calculation. Sublessee shall not be relieved of the obligation to pay the new Guaranteed Minimum Rent, nor shall such obligation be deemed waived, if Sublessor fails to promptly notify Sublessee of the new amount. Sublessee shall continue to pay the previous Guaranteed Minimum Rent until

such time as Sublessee is informed of the new amount, at which time Sublessee shall pay Sublessor the difference between the previous and the new Guaranteed Minimum Rent for the months transpiring since the applicable Adjustment Date.

3.3 Percentage Rent. In addition to the Guaranteed Minimum Rent described above, Sublessee shall pay to Sublessor, for each month during the term of this Sublease, a sum equal to eight percent (8%) of Sublessee's Gross Income for such month, less the Guaranteed Minimum Rent due for such month (hereinafter referred to as "Percentage Rent"). For the purposes of this Sublease, "Gross Income" shall be defined as it is defined in Section 4.3 of the Master Lease, which definition is incorporated into this Sublease by this reference.

3.4 Monthly Statement and Payment of Percentage Rent. By the tenth (10<sup>th</sup>) day of each calendar month, Sublessee shall furnish to Sublessor a written statement of Sublessee's Gross Income for the month just concluded, and shall pay to Sublessor by that date any Percentage Rent due for such month.

3.5 Audit Rights. Sublessor shall have the right to audit Sublessee's business in accordance with the provisions of the Master Lease.

3.6 Renegotiated Rent. Sublessee acknowledges that Section 4.8 of the Master Lease requires periodic renegotiation of the rents paid by Sublessor to the City under the Master Lease. Sublessee agrees that, in the event any such renegotiation results in an increase in the rents payable by Sublessor to the City for the Premises, the rents due to Sublessor under this Sublease shall be increased in like amounts.

3.7 Late Charges and Interest. If Sublessee fails to make any payment of money due to Sublessor under this Sublease within ten (10) days of the applicable due date, Sublessee shall pay a late charge of six percent (6%) of such payment to Sublessor to reimburse Sublessor for the additional administrative and other costs incurred by Sublessor as a result of Sublessee's failure to make timely payment. In addition, Sublessee agrees to pay interest at ten percent (10%) per year, or at the highest legal rate of interest, whichever is less, on all sums that have not been paid within thirty (30) days of the applicable due date.

3.8 Place of Payment. All amounts payable under this Sublease shall be paid to Sublessor at Sublessor's address stated below, or at such other place as Sublessor may from time to time designate in writing.



3.9 Security Deposit. Sublessee shall deposit the sum of Thirteen Thousand Two Hundred Seventy Five Dollars (\$13,275.00) with Sublessor to be retained by Sublessor as security for the faithful performance by Sublessee of all of its covenants and obligations under this Sublease. One-fifth of such sum shall be deposited on each of the following dates: August 1, 1999; September 1, 1999; October 1, 1999; November 1, 1999; and December 1, 1999. In the event Sublessee breaches any covenant or obligation under this Sublease, including the covenant to pay rent, Sublessor, at Sublessor's option, may apply all or any part of such security deposit to cure such breach, or in satisfaction of any damages sustained by reason of such breach, without waiving any other right or remedy Sublessor may have. Thereafter, Sublessee shall, upon demand, restore the security deposit to its original amount.

#### ARTICLE IV

##### REIMBURSEMENT OF EXPENSES

4.1 Reimbursement of Expenses Generally. Sublessee shall reimburse Sublessor for the expenses specified in this Article IV. Amounts due for reimbursement of expenses shall be deemed to be "additional rent" for the purposes of this Lease, and "offsets" for purposes of the Master Lease.

4.2 Taxes and Other Assessments. As additional rent, Sublessee shall pay to Sublessor, within thirty (30) days after demand, Sublessee's prorata share of all real property taxes, charges, and other assessments of any nature levied by any federal, state, county, city, municipal or local authority upon the Master Lease Premises during the term of this Sublease. It is agreed that Sublessee's prorata share, based upon the ratio that the square footage of the Premises bears to the total square footage of the Master Lease Premises, is sixteen percent (16%). Any tax, charge, or assessment relating to a fiscal period of a taxing authority, a part of which period is included within the term of this Sublease and a part of which period is included in the period of time before commencement or after termination of this Sublease, shall be prorated between Sublessor and Sublessee as of the commencement or termination (as the case may be) of the term of this Sublease, so that Sublessor shall bear that portion of such tax, charge, or assessment which bears the same proportion to the entire amount as that part of such fiscal period included in the period of time prior to the commencement of or after the termination of this Sublease bears to such fiscal period, and Sublessee shall pay the remainder. Any installment of any such tax, charge, or assessment which becomes due and payable in the year of commencement or termination of the term of this Sublease shall

be prorated as between Sublessor and Sublessee in the same manner as other taxes, charges, and assessments.

4.3 Personal Property Taxes. As additional rent, Sublessee shall pay to Sublessor, upon demand, all taxes or other charges assessed against Sublessor during the term of this Sublease which are based upon any furniture, trade fixtures, equipment, or other personal property installed by or in possession of Sublessee in, upon, or about the Premises, whether such assessment be made separately or as a part of an assessment of the entire Master Lease Premises. It is mutually agreed that the figures supplied by the County Assessor as to the amount so assessed shall be conclusive. It is agreed that Sublessee's prorata share of any such tax or charge assessed as to the Master Lease Premises as a whole shall be sixteen percent (16%). Sublessee further promises to pay, prior to delinquency, any such tax or charge assessed directly against Sublessee.

4.4 Fire and Liability Insurance. As additional rent, Sublessee shall pay to Sublessor, upon demand, its prorata share of the premiums required to maintain a fire insurance policy with a standard extended coverage endorsement covering the Master Lease Premises in an amount not less than its full insurable replacement value, and its prorata share of liability

insurance premiums for the Master Lease Premises. It is agreed that Sublessee's prorata share of such premiums is sixteen percent (16%).

4.5 Loss of Rents Insurance. As additional rent, Sublessee shall pay to Sublessor, upon demand, its prorata share of the premiums required to maintain a policy of loss of rents insurance for the Master Lease Premises. It is agreed that Sublessee's prorata share of such premiums is sixteen percent (16%).

4.6 Utilities. As additional rent, Sublessee shall pay to Sublessor, upon demand, all charges for gas, water, electricity, fencing, trash collection, sewer service, or other utility services attributable to the Premises, and a prorata share of all such charges attributable to the Master Lease Premises as a whole. It is agreed that Sublessee's prorata share of such charges attributable to the Master Lease Premises is sixteen percent (16%). Sublessee shall pay, prior to delinquency, any such charges which are billed directly to Sublessee.

4.7 Licenses and Permits. Sublessee shall pay, prior to delinquency, any and all fees imposed by law for licenses and

permits for any business or activity of Sublessee upon the Premises.

4.8 Flood Insurance. Sublessee acknowledges that the Premises are adjacent to the ocean and are subject to flooding or wave wash, which are perils that may be insured against by Sublessor and/or Sublessee. Should Sublessor obtain flood and/or wave wash insurance for the Master Lease Premises, Sublessee shall pay its prorata share of the premiums for such insurance. It is agreed that Sublessee's prorata share of such premiums is sixteen percent (16%).

4.9 Advertising and Promotion. As additional rent, and to reimburse Sublessor for advertising and promotion costs for the Master Lease Premises, Sublessee shall pay to Sublessor, on the first day of each month, an amount equivalent to Eight Hundred Thirty Three One Hundred Thousandths of One Percent (0.00833%) of its or its predecessor's prior calendar year's Gross Income plus the sum of Three Hundred Dollars (\$300.00). Such amount shall be adjusted on August 1 of each year to reflect Gross Income for the prior calendar year. Until August 1, 2000, this amount shall be Three Hundred Twenty Two Dollars (\$322.00) per month.

4.10 Trash Removal and Maintenance. As additional rent, Sublessee shall pay, upon demand, all trash removal charges and common area maintenance costs assessed by the City against Sublessee for the Premises, as well as the sixty percent (60%) surcharge on such amounts assessed by the City against Sublessor under the Master Lease. Sublessee acknowledges that as of April 1999, the trash removal charges and maintenance costs assessed for the Premises, together with the surcharge assessed against Sublessor, amounted to the sum of \$284.19 per month.

4.11 Special Assessment for Improvements to Master Lease Premises. As additional rent, Sublessee shall to pay to Sublessor the sum of Five Thousand Dollars (\$5,000.00) on August 1, September 1, October 1, November 1, 1999, and December 1, 1999, for a total of \$25,000.00, to be used by Sublessor for improvements to the Master Lease Premises.

## ARTICLE V

### USE

5.1 Permitted Use. Sublessee shall use the Premises for the purpose of conducting a restaurant. The restaurant shall sell Middle Eastern food and alcoholic beverages.

5.2 Prohibited Uses. Sublessee shall not use the Premises, nor permit the Premises to be used, for any purpose other than the purpose identified in Section 5.1.

5.3 Operating Hours. Sublessee's business on the Premises shall be open for business no less than six (6) days per week, from 11:00 a.m. to 5:00 p.m., from October through May, and no less than seven (7) days per week, from 10:00 a.m. to 7:00 p.m., from June through September. Sublessee's business on the Premises shall be open for business for a minimum of eight (8) hours per day on weekends and holidays, with the exception of Christmas Day. Sublessee shall post a professional sign, visible to the public at all times, stating the hours its business on the Premises is open for business, and agrees that such business shall be open for business during the hours posted.

## ARTICLE VI

### IMPROVEMENTS

6.1 Sublessee's Obligation to Construct Improvements. Sublessor is leasing only the shell of the building to be occupied by Sublessee, and all construction, improvement, and repair work shall be at the expense of Sublessee. Sublessor

shall not be required to make any improvements, alterations, additions, or repairs to the Premises.

6.2 Design Controls. Sublessee acknowledges that the City prescribes laws, rules, and regulations which govern all improvements, fixtures, and signs (hereinafter collectively referred to as "Improvements") constructed or maintained on the Premises, and that all Improvements are subject to approval by the City. Sublessee further acknowledges that Sublessor has adopted, with the City's approval, an overall general plan which governs the design and architectural theme of all Improvements located on the premises which are subject to the Master Lease (the "Master Lease Premises"). All Improvements constructed by Sublessee, and any alterations, remodeling, or relocation of such Improvements, must comply with the City's laws, rules, and regulations, and Sublessor's general plan.



6.3 Approval of Improvements. Before Sublessee commences the construction, alteration, remodeling, or relocation of any Improvement on the Premises, Sublessee shall submit to Sublessor three complete sets of building plans for the proposed work, together with three sets of specifications and three diagrams showing the location of the Improvement. No Improvement shall be constructed, altered, remodeled, or relocated unless the plans, specifications, and diagrams have received the written approval of Sublessor and the City.

6.4 Bonds. No work shall be commenced by Sublessee until Sublessee shall have provided to Sublessor acceptable corporate security bonds in favor of Sublessor and the City, guaranteeing the faithful performance of the proposed work in strict accordance with the plans and specifications previously approved and within the required time frame, and guaranteeing the payment of all costs of labor and materials.

6.5 Mechanic's Liens. Sublessee agrees to keep the Premises and the Improvements upon the Premises free and clear of mechanic's liens and other liens of any nature, and Sublessee agrees that it will at all times fully protect and indemnify Sublessor against any and all mechanic's liens and related claims.

6.6 Condition of Premises. Sublessor and Sublessee acknowledge that the Premises have been improved by previous sublessees of the Premises, that Sublessee has inspected those improvements, and that Sublessee is taking possession of the Premises in "as is" condition. Sublessee agrees that, promptly following the execution of this Sublease, it will paint both the interior and exterior of the Premises, using paint of a standard and color acceptable to Sublessor and the City. Sublessee agrees that the exterior will be painted by a professional painter, and shall not have a mural. Sublessee further agrees that it will obtain and install a sign on the Premises of a quality and design acceptable to Sublessor and the City.

6.7 Restoration. In the event that any of Sublessee's Improvements shall, during the term of this Sublease, be completely or partially destroyed or injured by fire, flood, the elements, or any other casualty, Sublessee shall, at its own cost and expense, and without cost, liability or expense to Sublessor, rebuild, repair, and restore such Improvements; provided, however, that in the event Sublessor has obtained insurance covering such Improvements, and Sublessee has reimbursed Sublessor for the cost of such insurance pursuant to Article III above, Sublessor shall deliver the proceeds of such insurance to Sublessee, who shall use such proceeds for the

rebuilding, repair, and restoration of the Improvements. Sublessee shall commence such work within thirty (30) days after the injury occurs, and shall complete such work with reasonable diligence, but not later than one hundred (100) days after commencement. The plans and specifications for such work shall be submitted to Sublessor and the City for approval in the manner set forth above.

6.8 Ownership of Improvements. It is agreed that any and all Improvements (not including trade fixtures) now located on the Premises, and any and all Improvements constructed by Sublessee on the Premises in the future, are and shall be the property of Sublessor. Notwithstanding the foregoing, upon the termination of this Sublease, Sublessee shall, at its sole cost and expense, remove any Improvement located upon the Premises which Sublessor may designate, and shall restore the portion of the Premises occupied by such Improvement to its condition prior to the installation of such Improvement.

6.9 Trade Fixtures. Upon the termination of this Sublease, if Sublessee be not in default under this Sublease, Sublessee shall have the right to remove at its own expense all trade fixtures installed by it upon the Premises, provided that such removal shall be completed by the date that Sublessee is

obligated to surrender possession of the Premises to Sublessor, and provided further that in the course of such removal Sublessee shall not cause any damage to the Premises. If any such damage does occur, Sublessee shall repair it at its own expense. If such trade fixtures are not removed on or before the date that Sublessee is obligated to surrender possession of the Premises to Sublessor, Sublessor shall have the right to remove, sell, and/or destroy the same at Sublessee's expense, and Sublessee agrees to pay Sublessor the reasonable cost of any such removal, sale, or destruction. Alternatively, at the option of the Sublessor, such fixtures shall become the property of Sublessor.

6.10 Removal of Improvements Upon Order. Sublessee shall, at its sole cost and expense, move or remove any Improvements installed by it, upon the order of any governmental entity having jurisdiction to require such movement or removal; provided, however, that Sublessee shall have the right to contest, by appropriate legal proceedings, without cost or expense to Sublessor, the validity of any such order, if compliance with such order may be held legally in abeyance without subjecting Sublessee or Sublessor to any liability for failure to comply. In such event, compliance may be postponed until the final determination of any such proceeding, provided

that such proceeding shall be prosecuted by Sublessee with due diligence and dispatch. Any such order shall not in any way affect the validity of this Sublease, or Sublessee's obligations hereunder.

## ARTICLE VII

### MAINTENANCE

7.1 Maintenance Obligations Generally. The foundation, concrete roof structure (as distinguished from the ceiling), rear concrete wall, and columns on the Premises are owned and maintained by the City. Should the City fail in its obligation to maintain and repair such structures, Sublessor shall not be held liable to Sublessee. Sublessee acknowledges that, notwithstanding the obligation of the City just described, Sublessee is responsible for maintaining the structure in a watertight condition. Sublessee acknowledges that the roof of the structure is a public walkway with expansion joints that cannot be sealed to prevent leaking, and agrees to install and maintain such leak control systems as may be necessary to prevent water damage to the Premises and the Improvements on the Premises.

Except as provided above, Sublessee shall keep and maintain the Premises and all Improvements upon the Premises in good condition and repair. Sublessee shall maintain the Premises as required by Article 9 of the Master Lease, as amended by Amendment No. 7 and any subsequent amendment.

Any unsatisfactory conditions relative to the maintenance of the Premises and Improvements upon the Premises shall be corrected by Sublessee at its own expense, and such corrections shall be commenced within fifteen (15) days after receipt of written notice from Sublessor.

7.2 Common Areas. The City maintains the public walkway adjacent to the Premises and other common areas located through the pier and harbor area. The City charges Sublessor for the cost of maintaining these common areas. Sublessee shall pay, as additional rent, Sublessee's prorata share of all costs charged to Sublessor for such maintenance, as provided in Article IV, above.

Any chairs, tables, umbrellas, and similar items placed by Sublessee along the public walkway west of the Premises and between the north and south boundaries of the Premises shall be kept clean and litter free by Sublessee. Sublessee acknowledges

that the public walkway is City property and is also used as a fire lane, and that any use by Sublessee and its customers may be canceled at any time by the City.

7.3 Rubbish. Sublessee shall provide proper containers for trash and garbage, and shall keep the Premises free and clear of rubbish, debris, and litter at all times. The containers shall be located so as not to be visible to members of the public. Sublessee shall arrange for regular removal of the contents of the containers at Sublessee's expense, and shall not permit the creation of a health or fire hazard. If the City provides trash removal service, Sublessee shall pay for the cost of such service as provided in Article III, above.

7.4 Sublessor's Right to Inspect and Repair. Sublessee shall permit Sublessor, the City, and the authorized representatives of each to enter the Premises at all reasonable times for the purpose of inspecting the Premises, and for the purpose of making any necessary repairs to the Premises and performing any other work that may be necessary to comply with any laws, ordinances, rules, regulations or requirements of any public authority. Nothing in this section shall imply any duty upon the part of Sublessor or the City to do any work which, under any provision of this Sublease, Sublessee is required to

perform, and the performance of any such work by Sublessor shall not constitute a waiver of Sublessee's default in failing to perform such work. Sublessor and the City may, during the progress of any work in the Premises, store upon the Premises all necessary materials, tools, and equipment. Neither Sublessor nor the City shall in any event be liable for any inconvenience, annoyance, disturbance, loss of business, or other damage to Sublessee by reason of making repairs or performing any work on the Premises, nor on account of bringing materials, tools, or equipment into or through the Premises during the course of such work, and the obligations of Sublessee under this Sublease shall not thereby be affected in any manner whatsoever. Sublessor shall, however, in connection with the doing of its work, cause as little inconvenience, annoyance, disturbance, loss of business, or other damage to Sublessee as may reasonably be possible under the circumstances.

7.5 Compliance With Laws. Sublessee agrees to maintain the Premises in a clean and sanitary condition at all times in accordance with all municipal, county, state, and federal laws, and to the satisfaction of the City. Any deficiency communicated to Sublessor by the City and subsequently communicated to Sublessee shall be immediately corrected as provided in Section 7.1, above.



ARTICLE VIII

ASSIGNMENT

8.1 Assignment of Rights or Interest. Neither this Sublease nor any interest in this Sublease, whether legal or equitable, shall be assigned or sublet in whole or in part, transferred, pledged, mortgaged or hypothecated, voluntarily or by operation of law, nor shall concessions or licenses be granted, without the prior written consent of Sublessor and the City (which consent may not be unreasonably withheld by Sublessor), nor shall this Sublease be subject to attachment or sale under execution in any suit or proceeding which may be brought against or by Sublessee. A transfer of fifty percent (50%) or more of the outstanding voting capital stock of Sublessee shall be deemed to be an assignment within the meaning of this section; provided, however, that a pledge or transfer of Sublessee's stock to Bishara and Najah Zeinaty pursuant to the terms of that certain Pledge Agreement dated September 1, 1998, shall be permitted and shall not require the consent of Sublessor.

8.2 Termination Upon Unpermitted Assignment. If Sublessee, without securing prior written approval of Sublessor and the City, attempts to effect such an assignment, sublease,

transfer, pledge, mortgage or hypothecation, or to grant any concessions or licenses; or a transfer occurs by operation of law; or this Sublease or any interest in this Sublease becomes subject to attachment or sale under execution in any suit or proceeding brought against or by Sublessee, and the same is not released within fifteen (15) days; or a voluntary or involuntary petition in bankruptcy is filed by or against Sublessee if Sublessee is a sole proprietor or corporation, or against any member of Sublessee if Sublessee is a partnership or joint venture; or if Sublessee is adjudged insolvent by any court; or a receiver is appointed for the business or the assets of Sublessee; or Sublessee makes an assignment for the benefit of creditors; then Sublessor may, at its option, terminate this Sublease upon written notice to Sublessee, and thereupon Sublessee shall have no further rights under this Sublease.

### 8.3 Liability of Sublessee Upon Permitted Assignment.

Any assignment, subleasing, hypothecation, or occupation permitted with the consent of Sublessor shall not relieve Sublessee of any liability under this Sublease, and Sublessee shall be jointly and severally liable with any and all assignees for the full performance of all of Sublessee's agreements and obligations.

8.4 Payment of Costs Upon Assignment. Sublessee agrees to reimburse Sublessor for any charge made by the City or any other government agency resulting from an assignment. In addition, Sublessee agrees to pay to Sublessor, as additional rent (which shall be deemed an "offset" for purposes of the Master Lease), a sum equivalent to Fifty Cents (50¢) per square foot of the Premises as reimbursement for Sublessor's administrative costs in granting an assignment.

8.5 No Waiver. The acceptance of rent from any person other than Sublessee shall not be deemed to be a waiver of any of the provisions of this Sublease or a consent to an assignment or subletting of the Premises.

## ARTICLE IX

### INSURANCE AND INDEMNIFICATION

9.1 Insurance. Sublessee shall maintain liability and property damage insurance of such type and in such amounts as may be requested by Sublessor, provided, however, that such insurance coverage shall not exceed the coverage demanded of Sublessor by the Master Lease. Sublessee shall name Sublessor and the City as additional insureds on such insurance policies.

9.2 Waiver of Subrogation. Sublessor and Sublessee agree that in the event of a loss due to any of the perils for which insurance has been obtained pursuant to the terms of this Sublease, each party shall look solely to the insurance for recovery of the loss. Sublessor and Sublessee hereby grant to each other, on behalf of any insurer providing insurance to either of them with respect to the Premises, a waiver of any right of subrogation that any such insurer of one party may acquire against the other party by virtue of payment of any loss under that insurance.

9.3 Sublessee's Indemnification of Sublessor. Except in a case of Sublessor's gross negligence, willful misconduct, or breach of express warranties, Sublessee shall indemnify, defend, and hold Sublessor, the City, and their respective agents harmless from and against any and all claims or liabilities arising out of or related to Sublessee's occupation of the Premises, the conduct of Sublessee's business, or the acts, omissions, or neglect of Sublessee or any of its agents or invitees, including, but not limited to, any claim or liability related to the storage, use, transportation, or disposition of hazardous substances or materials. In the event any action or proceeding is brought against any indemnified party by reason of any of the foregoing matters, Sublessee shall defend such action

or proceeding at its expense by counsel reasonably satisfactory to the indemnified party and the indemnified party shall cooperate in such defense.

9.4 Sublessor's Exemption from Liability. Except in a case of Sublessor's gross negligence, willful misconduct, or breach of express warranties, Sublessor shall not be liable for injury or damage to the person or property of Sublessee, any of its agents or invitees, or any other person in or about the Premises, regardless of cause. Under no circumstances shall Sublessor be liable for any injury to Sublessee's business or for any loss of income or profits from such business.

## ARTICLE X

### EMINENT DOMAIN

10.1 Eminent Domain. If the whole or a substantial part of the Premises shall be taken by any public authority under the power of eminent domain, then this Sublease shall terminate as to the part so taken.

ARTICLE XI

DESTRUCTION OF PREMISES

11.1 Destruction of Premises. If the Premises are totally or partially destroyed, and the part destroyed is not rebuilt by the City or Sublessor as provided in the Master Lease, then this Sublease shall terminate as to the part destroyed.

11.2 Destruction of Improvements. In the event of the total or partial destruction of any Improvements located upon the Premises, Sublessee shall rebuild, repair, and restore such Improvements as provided in Article VI, above.

11.3 Operation of Business. Sublessee agrees to continue the operation of its business in the Premises to the extent reasonably practicable from the standpoint of good business during any period of reconstruction or repair.

11.4 Percentage Rent. Nothing in this Article shall be construed to abate or diminish Sublessee's obligation to pay Percentage Rent.

## ARTICLE XII

### RECORDS AND ACCOUNTS

12.1 Records and Accounts. Sublessee agrees that it will at all times during the term of this Sublease keep records and accounts in accordance with Sections 4.5 and 4.7 of the Master Lease as amended by Amendment No. 6 or any subsequent amendment. A copy of Amendment No. 6 is attached to this Sublease as Exhibit "B." Sublessor shall have the right to inspect and audit the records of Sublessee at all reasonable times. If any audit reveals that Sublessee has underreported Gross Income by five percent (5%) or more, or records are insufficient to determine Gross Income, Sublessee agrees to pay for the cost of the audit. If an audit reveals that records do not exist or are insufficient for any period of time during the term of this Sublease, the Guaranteed Minimum Rent due for such period shall be one hundred fifty percent (150%) of the amount provided in Section 3.1 after any adjustment as provided in Section 3.2. Such increased rent shall be in addition to any other remedies Sublessor may have under the terms of this Sublease.

12.2 Recording Sales. Sublessee shall ring up all sales on a cash register which has a tape record which constantly accumulates totals, which cannot be reset, and which issues a

customer receipt which shall be given to each customer upon each sale.

ARTICLE XIII

RULES, REGULATIONS, AND LAWS

13.1 Observance of Sublessor's Rules. Sublessee acknowledges that it is leasing only a portion of the Master Lease Premises. Sublessee further acknowledges that its operation of the Premises must conform to and be in harmony with Sublessor's concept and plan for the entire Master Lease Premises. Accordingly, Sublessee agrees to observe Sublessor's rules and regulations for the Master Lease Premises ("Sublessor's Rules"), in addition to all other rules and regulations contained in this Sublease. A copy of Sublessor's Rules is attached to this Sublease as Exhibit "C."

13.2 Amendment of Sublessor's Rules. Sublessor shall have the right to amend Sublessor's Rules at any time, and to expand Sublessor's Rules to include such additional reasonable rules and regulations relating to the maintenance and operation of the Premises as Sublessor may in its judgment deem necessary. Sublessee agrees to abide by all such rules and regulations, and to enforce compliance by all of its agents and invitees.



13.3 Violation of Sublessor's Rules. In the event that Sublessor believes that Sublessor's Rules are not being observed or enforced by Sublessee, then Sublessor may give written notice of such belief to Sublessee, who shall, immediately upon receipt of such notice, cause any such deficiency to be corrected, or, where it is physically impossible to correct such deficiency immediately, commence the correction of such deficiency and thereafter diligently prosecute the same to completion.

13.4 Observance of City's Rules. Sublessee agrees to abide by all rules and regulations of any nature whatsoever which may from time to time be adopted by the City relating to the maintenance and operation of the Premises. Sublessee agrees to enforce compliance with such rules and regulations by all of its agents and invitees.

13.5 Observance of Laws. Sublessor agrees to comply with all rules, regulations, statutes, ordinances, and laws of the United States of America, State of California, County of Los Angeles, City of Redondo Beach, and every other governmental body or agency having lawful jurisdiction over the Premises or any businesses, enterprises, or activities conducted on the Premises, including, but not limited, to any laws governing the storage, use, transportation, or disposition of hazardous

substances or materials. Sublessee shall not use the Premises or permit the Premises to be used in any manner that will constitute a nuisance or unreasonable annoyance to the owners or occupants of adjoining or neighboring property, or that will injure the reputation of the Master Lease Premises.

13.6 Orders of Abatement. If during the term of this Sublease an order of abatement or any other order or judgment affecting the use of the Premises is issued upon the ground that the Premises are being used or have been used in violation of any law, Sublessee shall not be relieved thereby, or by reason of Sublessee's loss of possession or use of the Premises, from any of Sublessee's obligations under this Sublease.

#### ARTICLE XIV

#### ENCUMBRANCES

14.1 Encumbrances by Sublessor. This Sublease and the leasehold interest created hereby are, and shall be, at the option and upon the declaration of Sublessor, subordinate and inferior to any deeds of trust which may hereafter be imposed upon the Premises. The beneficiary of such deeds of trust shall recognize this Sublease, and shall be bound by the terms of this

Sublease, in the event of foreclosure, if Sublessee is not in default under the terms of this Sublease.

ARTICLE XV

DEFAULT AND TERMINATION OF LEASE

15.1 Definition of Default. Each of the following events shall be deemed to constitute a default by Sublessee and a breach of this Sublease:

(a) Failure to pay rent, additional rent, or any other sum when due.

(b) Failure to do, observe, keep, or perform any of the covenants, conditions, or agreements of this Sublease to be done, observed, kept or performed by Sublessee.

(c) The abandonment of the Premises; the voluntary or involuntary assignment or transfer of Sublessee's interest in this Sublease without prior written consent of Sublessor; the filing of a voluntary or involuntary petition in bankruptcy by or against Sublessee if Sublessee is a sole proprietor or corporation, or against any member of Sublessee if Sublessee is a partnership or joint venture; adjudication of Sublessee as

insolvent; appointment of a receiver of the business or of the assets of Sublessee; or an assignment by Sublessee for the benefit of its creditors.

15.2 Sublessor's Election in the Event of an Uncured Default. If Sublessee fails within ten (10) days of receipt of written notice from Sublessor to remedy any default in the payment of any sum due under this Sublease, including, but not limited to, Guaranteed Minimum Rent, Percentage Rent, or any deficiency in the security deposit due under this Sublease, or if Sublessee fails, within thirty (30) days after receipt of written notice from Sublessor to remedy any other default under this Sublease, then Sublessee shall be in breach of this Sublease, and Sublessor shall have, without further demand or notice and in addition to any other remedy permitted by law, the right to:

(a) terminate Sublessee's right to possession of the Premises by any lawful means, in which case this Sublease shall terminate and Sublessee shall immediately surrender possession of the Premises to Sublessor. In such event, Sublessor shall be entitled to recover from Sublessee: (i) the worth at the time of award of the unpaid rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount

by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Sublessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that Sublessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Sublessor for all of the detriment proximately caused by Sublessee's failure to perform its obligations under this Sublease or which in the ordinary course of things would be likely to result therefrom, including but not limited to, the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Sublessor in connection with this Sublease applicable to the unexpired term of this Sublease. The worth at the time of award of the amount referred to in subsection (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco plus one percent (1%);

(b) continue this Sublease and Sublessee's right to possession in effect under California Civil Code Section 1951.4

after Sublessee's breach and recover the rent as it becomes due, provided Sublessee has the right to sublet or assign, subject only to reasonable limitations. Sublessor and Sublessee agree that the limitations on assignment and subletting in this Sublease are reasonable. Acts of maintenance or preservation, efforts to relet the Premises, or the appointment of a receiver to protect the Sublessor's interest under this Sublease, shall not constitute a termination of the Sublessee's right to possession; and/or

(c) pursue any other remedy now or hereafter available to Sublessor under the laws or judicial decisions of California.

15.3 Percentage Rent Upon Default. For the purposes of this Article XVI, the monthly Percentage Rent due for any period after a default by Sublessee shall be deemed to be an amount equal to the average monthly Percentage Rent which Sublessee was obligated to pay to Sublessor during the preceding year, or if such default occurred during the first year of the Sublease term, during the then elapsed portion of the Sublease term.

15.4 Sublessor's Right to Cure Default. In the event of Sublessee's default, Sublessor may, at any time, without notice,

cure such default for the account of and at the expense of Sublessee. If Sublessor, at any time, by reason of such default, is compelled to pay, or elects to pay, any sum of money, or elects to do any act which will require the payment of any sum of money, or is compelled to incur any expense, including reasonable attorneys' fees, in instituting, prosecuting, or defending any action or proceeding to enforce Sublessor's rights under this Sublease or otherwise, the sum or sums paid by Sublessor, together with all interest, costs, and incidental damages, shall be due from Sublessee to Sublessor on the first day of the month following the incurring of such amounts.

15.5 Attorneys' Fees. In the event either party to this Sublease brings an action against the other for the purpose of enforcing, or obtaining a declaration of rights under, this Sublease, the prevailing party in such action shall be entitled to recover reasonable attorneys' fees. The term "prevailing party" shall include, without limitation, the party who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other party of its claim or defense. Sublessor shall be entitled to recover attorneys' fees, costs, and expenses incurred in preparation and service of notices of

default and for consultations in connection with such matters, whether or not an action is subsequently commenced in connection with such default. Sublessee agrees that \$350.00 is a reasonable minimum sum to cover the fees, costs, and expenses incurred by Sublessor in the event of a default, and that Sublessor may include such amount (or a higher amount, if actually incurred) as rent due and payable to cure a default.

15.6 Right to All Legal and Equitable Remedies. In the event of a default or breach, or threatened default or breach, by Sublessee under this Sublease, Sublessor shall have the right to pursue an injunction or any other remedy allowed at law or in equity. The mention in this Sublease of any particular remedy shall not preclude Sublessor from any other remedy available at law or in equity.

15.7 Litigation Resulting in Termination of the Master Lease. If at any time during the term of this Sublease any litigation is commenced by parties other than Sublessor, Sublessee, or the City, and such litigation results in termination of the Master Lease and/or this Sublease, then this Sublease shall forthwith terminate, and in such event neither Sublessor nor Sublessee shall have any further liability to the other; provided, however, that upon such termination all of the



Improvements then situated on the Premises shall become the property of Sublessor, and provided further that if Sublessor receives any funds from the City on account of such Improvements as a result of such termination, then Sublessor shall pay that amount, as and when received, to Sublessee. The provisions of this section shall not apply to any litigation which relates to the performance of the terms of this Sublease by Sublessee or Sublessor, or to the performance of any of the terms of the Master Lease by Sublessor, but shall apply only to litigation instituted by third parties which does not relate to the performance of the terms of this Sublease by either of the parties thereto or the performance of Sublessor under the terms of the Master Lease.

#### ARTICLE XVI

#### SURRENDER OF PREMISES

16.1 Surrender of Premises. Sublessee shall, upon termination of this Sublease, surrender the Premises to Sublessor in good condition and repair, reasonable wear and tear excepted, and shall allow Sublessor to take peaceable possession.

ARTICLE XVII

MASTER LEASE

17.1 Master Lease Agreement. Sublessee acknowledges that this Sublease is made under and pursuant to the Master Lease, and is subject to all of its provisions, as such provisions may be amended from time to time. Sublessee acknowledges that it has examined the Master Lease, and agrees to be bound by its provisions. Sublessee further agrees that this Sublease is subordinate to the Master Lease and that if a conflict occurs between this Sublease and the Master Lease, the Master Lease shall control.

17.2 Attornment. Sublessee agrees to attorn to the City in the event the Master Lease is terminated by reason of the default of Sublessor. In such event, after Sublessee is notified of Sublessor's default, Sublessee shall make all rent payments directly to the City.

17.3 City Approval of Sublease. This Sublease shall ipso facto terminate and be rendered not binding on either party, without liability to either party, if the City does not give written approval of this Sublease as provided in the Master Lease.

17.4 City's Right of Entry. It is acknowledged and agreed that the City has a right of entry to and over the Premises in the event that it becomes necessary for the City to perform any of the obligations required of it under the Master Lease and/or to establish any new bulkheads or rebuild the seawall. Sublessor shall not be responsible for or liable to Sublessee for any damages occasioned to Sublessee by the City's right of entry.

17.5 Construction Liability Release. Sublessee acknowledges that the City may, but is not obligated to, cause the King Harbor Basin III Seawall and Roadway Improvements (the "Works of Improvement") to be built. Sublessee further acknowledges that the City has advised Sublessor that the City will make a good faith effort to schedule all or a substantial portion of the construction of the Works of Improvement to take place in months other than June, July, and August in order to minimize the disruption to Sublessee's business. Sublessee further acknowledges that Sublessor may hire a contractor to construct a facade for one or more of its sublessees (including Sublessor) and that this construction may disrupt the business of Sublessee. Sublessee, for itself and on behalf of its agents, servants, employees, successors, predecessors, representatives, assignors, assignees, partners, insurers, and

attorneys, and all others acting by, through or in concert with them, or any of them, hereby fully releases and forever discharges the City and Sublessor, and all of their elected officials, officers, directors, employees, agents, insurers, reinsurers, investigators, attorneys, adjusters, members of all boards and commissions, council members, successors and assigns and all others acting by, through or in concert with them, or any of them, of and from any and all claims, demands, actions, causes of action, and/or damages of any kind and nature, whether known or unknown, which in any way arise from or relate to the Works of Improvement or construction of the facade, including, without limitation, claims of inverse condemnation, but excluding from such release those claims, demands, actions, causes of action, and/or damages resulting from the active negligence of the City or Sublessor.

#### ARTICLE XVIII

#### MISCELLANEOUS PROVISIONS

18.1 Estoppel Letter. Sublessee shall, within twenty (20) days of receiving Sublessor's written request, execute, acknowledge and deliver to Sublessor a statement in writing certifying that this Sublease is unmodified and in full force and effect. Requests for such statements shall not be made more

often than once every six (6) months, unless Sublessor's interest is being sold or encumbered.

18.2 Holdover. It is mutually agreed that if Sublessee shall hold over after the termination of this Sublease for any reason, such holding over shall be deemed a tenancy from month to month only, at the same rent per month and upon the same terms, conditions and provisions as are contained in this Sublease. Such holding over shall include any time used by the Sublessee to remove its trade fixtures during the twenty (20) day period allowed for such removal.

18.3 Remedies. The various rights, options, elections, powers, and remedies of Sublessor under this Sublease shall be construed as cumulative, and no one of them shall be exclusive of any other or of any other legal or equitable remedy which Sublessor might otherwise have in the event of a default or breach under this Sublease, and the exercise of one right or remedy by Sublessor shall not in any way impair its right to exercise any other right or remedy until all obligations imposed upon Sublessee have been fully performed and satisfied.

18.4 Successors and Assigns. The covenants and obligations of this Sublease shall be binding upon and inure to

the benefit of the parties and, except as otherwise specifically provided in this Sublease, their respective heirs, executors, administrators, successors and assigns, subject to all restrictions contained in this Sublease with respect to assignment, subletting or hypothecation of Sublessee's interest in this Sublease.

18.5 No Other Relationship. Nothing contained in this Sublease shall be deemed or construed by the parties or by any third person to create the relationship of principal and agent, or of partners or joint venturers, or of any other association between Sublessor and Sublessee, and neither the method of computation of rent, nor any other provision contained in this Sublease, nor any act of the parties, shall be deemed to create any relationship between Sublessor and Sublessee, other than the relationship of sublessor and sublessee.

18.6 Entire Agreement. It is hereby expressly agreed that this Sublease, together with the Master Lease, contains all of the terms, covenants, conditions, and agreements between the parties relating in any manner to this Sublease, including, but not by way of limitation, the rental, use, improvement, and occupancy of the Premises, and that no prior agreements or oral representations or understandings pertaining to the same shall

be valid or of any force or effect. All oral statements and representations have been merged into this written Sublease. The terms, covenants, conditions and provisions of this Sublease cannot be altered, changed, modified or added to except in a writing signed by the parties.

18.7 Notices. All notices, statements, demands, requests, consents, approvals, authorizations, offers, or designations under this Sublease from one party to the other shall be in writing, and shall be sufficiently given if served upon the other party by mail, postage prepaid and addressed as follows:

To Sublessee: NAJA'S INTERNATIONAL, INC.  
150 International Boardwalk  
Redondo Beach, California 90277

To Sublessor: REDONDO BOARDWALK, LLC  
553 N. Pacific Coast Hwy. #167  
Redondo Beach, CA 90277

or such other place as Sublessor may from time to time designate.

18.8 Interpretation. As used in this Sublease, the word "it," when referring to Sublessee, shall include all individuals, associations, partnerships, corporations, and/or limited liability companies comprising Sublessee, and all

obligations of Sublessee shall be deemed to be joint and several as among those entities. The word "person" wherever used shall include individuals, associations, partnerships, corporations, and limited liability companies. Whenever the singular number is used and when required by the context, the same shall include the plural, and the plural shall include the singular, and the masculine gender shall include the feminine and neuter genders, and the neuter gender shall include the masculine and feminine genders. The headings and titles of the articles and sections of this Sublease are not a part of this Sublease and shall have no effect upon the construction or interpretation of any part of this Sublease.

18.9 Severability. In the event that any provision of this Sublease is, or is hereafter adjudged to be for any reason, unenforceable or invalid, it is the specific intent of the parties that the remainder of this Sublease shall subsist and be remained in full force and effect.



ARTICLE XIX

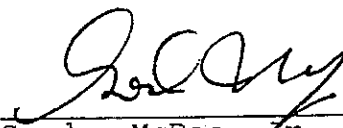
GUARANTY

19.1 Requirement of Guaranty. Sublessee's obligations under this Sublease shall be personally guaranteed by Hermann H. Britfeld and Achim Britfeld pursuant to a separate guaranty in a form acceptable to Sublessor.

IN WITNESS WHEREOF, each of the parties has executed this  
Sublease on the date stated below.

Dated: 7/27/99

REDONDO BOARDWALK, LLC, a  
California limited liability  
company

By:   
Gordon McRae, Jr., President

Dated: \_\_\_\_\_

NAJA'S INTERNATIONAL, INC., dba  
"NAJA'S PLACE", a California  
corporation

By: \_\_\_\_\_

IN WITNESS WHEREOF, each of the parties has executed this  
Sublease on the date stated below.

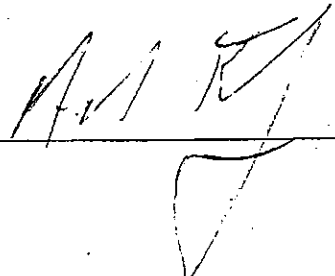
Dated: \_\_\_\_\_

REDONDO BOARDWALK, LLC, a  
California limited liability  
company

By: \_\_\_\_\_  
Gordon McRae, Jr., President

Dated: 7-27-99

NAJA'S INTERNATIONAL, INC., dba  
"NAJA'S PLACE", a California  
corporation

By:  \_\_\_\_\_