

NORTH ORANGE STREET
LEASE
FOR
CITY OF REDLANDS POLICE DEPARTMENT

INDEX

1.	Parties	1
2.	Demised Premises	1
3.	Initial Lease Term	1
4.	Rent	1
5.	Use of Premises	2
6.	Taxes and Assessments	3
7.	Maintenance	3
8.	Authority to Execute	3
9.	Signs	4
10.	Utilities Services	4
11.	Insurance	4
12.	Common Area	6
13.	Indemnity	7
14.	Exemption of Landlord From Liability	8
15.	Quiet Possession	8
16.	Estoppel Certificate	8
17.	Mechanic's Liens	8
18.	Assignment and Subletting	9
19.	Landlord's Entry on Premises	9
20.	Sale of Premises by Landlord	9
21.	Surrender of Premises	10
22.	Holding Over	10
23.	Merger	10
24.	Attorneys' Fees	10
25.	Notices	11
26.	Subordination	11
27.	Waiver	11
28.	Recordation	11
29.	Alterations	11
30.	Option to Extend Term of Lease	12
31.	Eminent Domain	13
32.	Default by Tenant	14

33.	Defaults by Landlord	16
34.	Exhibits	16
35.	Use of Language	16
36.	Captions	16
37.	Entire Agreement	16
38.	Execution of Lease	17
39.	Waiver of Redemption	17
40.	Severability	17
41.	Net Lease	17
42.	Cumulative Remedies	17
43.	Covenants and Conditions	18
44.	Binding Effect: Choice of Law	18
45.	Force Majeure	18
46.	Brokers	18
47.	Interest on Unpaid Rent	18
48.	Joint and Several Obligation	18
49.	Relocation	19
50.	Submission	19

LEASE

1. PARTIES

THIS LEASE is made and entered into this 29th day of June, 2004 and between Donny C. Lee, owner ("Landlord") and City of Redlands (hereinafter known as "Tenant").

Landlord, for and in consideration of the covenants and agreements hereinafter set forth to be kept and performed by Tenant, hereby demises and leases to Tenant, and Tenant does hereby take, accept, and hire from Landlord, the Premises hereinafter described for the term, at the rental and subject to and upon the terms, conditions, and agreements herein set forth.

2. DEMISED PREMISES

Landlord hereby leases to Tenant and Tenant hereby leases from Landlord that certain interior space known as 1568 N. Orange Street containing approximately Fourteen hundred (1,400) square feet of floor area ("Premises"). Location of the Premises is delineated in Exhibit A (Site Plan) attached hereto and incorporated by reference herein. Said Premises is located in a Shopping Center ("Shopping Center") commonly referred to as North Redlands Shopping Center, located in the City of Redlands, County of San Bernardino and State of California.

3. INITIAL LEASE TERM

The initial term of this Lease ("Initial Lease Term") shall commence on the earlier of the following dates (and be known as the "Commencement Date"), and shall continue for the term of five (5) years, or June 29, 2009.

4. RENT

4.1 Minimum Monthly Rent. Commencing on the Commencement Date, Tenant shall pay to Landlord as Minimum Monthly Rent, without deduction or set-off, prior to notice or demand, the sum of One Thousand Dollars (\$1,000) per month, in advance on the first day of each month of the term of the Lease. Minimum Monthly Rent for any partial month shall be prorated at the rate of 1/30th of the Minimum Monthly Rent per day. All rent shall be paid to Landlord at the address to which notices of Landlord are given. The minimum annual rent is twelve (12) times the Minimum Monthly Rent.

Any rent not paid by the tenth day of the month for which it is due shall be considered late and subject to the late payment penalty provided for in Section 4.2 hereof. Monthly rent for any partial month shall be prorated at the rate of 1/30th of the applicable Monthly Rent per day. All rent shall be paid to Landlord at the address set forth below in paragraph 4.3. The minimum annual rent is twelve (12) times the applicable Monthly Rent.

4.2 Late Payment Penalty. If Tenant shall fail to pay, when the same is due and payable, any rent or additional rent or any amount or other charges required to be paid under this Lease, Tenant promises to pay to Landlord, in addition to such unpaid amounts, a late payment penalty equal to ten percent (10%) of such unpaid amounts.

4.3 Place of Payment. All rental and other payments shall be paid by Tenant to Landlord at:

Donny C. Lee, Owner
31171 Via Del Verde
San Juan Capistrano, CA 92675

or at such other place as may from time to time be designated by Landlord in writing.

5. USE OF PREMISES

5.1 Tenant shall use the Premises only for the purpose of a Police Station and for no other use or purpose without the express written consent of Landlord.

5.2 Tenant shall comply with all regulations, conditions, and laws concerning the Premises or Tenant's use of the Premises, without limitation.

5.3 Tenant shall not use the Premises in any manner that will constitute waste, nuisance, or unreasonable annoyance to other tenants in the Shopping Center in, which the Premises is located. No second-hand store, auction, distress or fire sale, bankruptcy or, going-out-of-business sale may be conducted on the Premises without Landlord's consent. Tenant shall not sell or display merchandise outside the confines of the Premises or in the Common Area.

5.4 Tenant shall not do anything on the Premises that will cause damage to the Premises or the Shopping Center in which the Premises is located. The Premises shall not be overloaded, no machinery, apparatus, or other appliance shall be used or operated in or on the Premises that would injure or vibrate the Premises, without the Landlord's prior written consent

5.5 Tenant covenants and agrees that after opening for business in the Premises, it will continuously operate and conduct therein the business which it is permitted so to operate under the provisions hereof, except while the Premises is untenable by reason of fire or other casualty, and that it will at all times (a) keep and maintain within and upon the Premises an adequate stock of merchandise and trade fixtures, and (b) adequately staff the Premises with sufficient employees, as shall be required to supply and service the usual and ordinary demands and requirements of its

customers. Tenant shall remain open for business during normal school hours. Tenant may display in its display windows, in an attractive and professional manner, merchandise which Tenant is permitted to sell from the Premises.

5.6 Tenant agrees that all trash and rubbish of Tenant shall be deposited within receptacles and that there shall be no trash receptacles permitted to remain outside of the building of which the Premises is a part. In the event Landlord provides or designates trash receptacles, Tenant agrees to cause such receptacles to be emptied and trash removed at its own cost and expense. Tenant agrees to first bag the trash before depositing it in the authorized trash area.

6. TAXES AND ASSESSMENTS.

6.1 Personal Property Taxes. Tenant shall also pay before delinquency any and all taxes, assessments, license fees, and public charges levied, assessed or imposed at any time and which become payable during the term of this Lease upon Tenant's leasehold improvements, fixtures, equipment, furniture, inventories, or merchandise and any other personal property installed or located on the Premises whether or not such assessment is made against Tenant or against Landlord, either separately or as part of the assessment of the Shopping Center, and whether installed by Landlord or by Tenant.

6.2 Exclusions. It is agreed and understood that the term "taxes" as used herein shall not include any franchise, excise, gift, estate, inheritance, succession, capital levy, or transfer tax of Landlord arising out of or in connection with this Lease or Landlord's rights in the Premises, or any net income excess profits, tax, charge, or levy against Landlord.

7. MAINTENANCE

Tenant shall at its expense and risk maintain all of the interior and exterior and other improvements of the Premises in good repair and condition, including, but not limited to, all necessary repairs and replacements to the plumbing, electrical wiring, windows, window glass, plate glass, doors, painting, heating system, and the air conditioning equipment. Landlord shall provide, as necessary, maintenance, repair, replacement, repainting, and cleaning of all exterior areas of the building, including the roof and Common Area (as hereinafter defined), and provide all necessary utilities to Common Area. Tenant's obligations set forth in this paragraph form a material part of the consideration for this Lease, and Tenant hereby waives all rights to make repairs at the expense of Landlord as provided by any law, statute, or ordinance now or hereafter in effect.

8. AUTHORITY TO EXECUTE

Each individual executing this Lease on behalf of the Tenant represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of Tenant in accordance with a duly adopted resolution of the Tenant's board of directors, in accordance with the Tenant's bylaws, or

pursuant to Tenant's partnership agreement, and that the Lease is binding on Tenant in accordance with its terms.

9. SIGNS

Tenant shall not have the right to place, construct, or maintain on the glass panes or supports of the show windows of the Premises, the doors, or the exterior walls or roof of the building in which the Premises is located, or on any interior portions of the Premises, any signs, advertisements, names, insignia, trademarks, descriptive material, or any other items without first procuring Landlord's express written consent. Landlord shall designate the size, shape, color, design, and location of all exterior signs to be installed by Tenant. Tenant agrees to submit to Landlord copies of Tenant's sign plans for Landlord's written approval. Landlord at Tenant's cost can remove any item placed, constructed, or maintained that does not comply with the provisions of this section. Tenant shall not place, construct, or maintain on the Premises any advertisement media, including, without limitation, search lights, flashing lights, loud speakers, phonographs, or other visual or audio media. Tenant shall remove all signs at the termination of this Lease and shall repair any damage and close any holes caused by such removal. Lettering on signs will be installed by Tenant with Landlord's approval of style and color. Landlord, at Landlord's option, may install a pole and pole sign, with proper City approvals. Tenant shall not solicit business, in, on or about the Common Area, or distribute hand bills or other advertising or promotional media, in, on, or about the Common Area or in the parking areas.

10. UTILITIES SERVICES

Tenant shall pay for all water, gas, power, and electricity and any other utilities used by Tenant on the Premises from and after the delivery of possession thereof by Landlord. If any such charges are not paid when due, Landlord may pay the same, and any amount so paid by Landlord shall thereupon become due to Landlord from Tenant as additional rent upon demand. In the event that any utilities are furnished by Landlord, the rates charged Tenant shall not exceed those of the local public utility company as if its services were furnished directly to Tenant, and shall not be less than its pro rata share of any jointly metered service based upon the square footage of the buildings serviced. Landlord shall not be liable in damages or otherwise for any failure or interruption of any utility service being furnished the Premises, and no such failure or interruption shall entitle Tenant to terminate this Lease or to abate payment of any portion of the rent due hereunder. In the event Landlord furnishes any utilities to the Premises and elects to discontinue, or is unable to continue, furnishing such utilities for any reason other than the failure by Tenant to pay any utility charge or any rental payment due hereunder, Landlord shall so inform Tenant in writing and Tenant shall, upon receipt of such notice, obtain its own utilities for the Premises.

11. INSURANCE

11.1 Reimbursement of Insurance Premiums. Landlord shall at all times during the term hereof maintain in effect a policy or policies of insurance covering (a) the building of which the Premises are a part, in an amount not less than eighty percent (80%) of the insurable value of such building, providing protection against any peril generally included within the classification "Fire and Extended Coverage Insurance," and insuring against such other risks as Landlord may designate, and (b) the rents payable hereunder. The insurance Landlord procures may include coverage on buildings or stores other than the Premises. Tenant shall pay to Landlord its pro rata share of the cost of such insurance in the same proportion as set for in paragraph 7.1. Tenant shall pay one-twelfth (1/12th) of the amount estimated by Landlord to be Tenant's share of such costs with each monthly installment of Minimum Monthly Rent due hereunder. Any insurance coverage herein provided shall be for the benefit of Landlord and all proceeds payable thereunder shall be paid to Landlord, free and clear of any claims thereto by Tenant.

11.2 Public Liability and Property Insurance. Tenant shall at all times during the term hereof, and at its own cost and expense, procure and continue in force worker's compensation insurance and bodily injury liability and property damage liability insurance adequate to protect Landlord against liability for injury to or death of any person in connection with the construction of improvements on the Premises or with the use, operation, or condition of the Premises. Such insurance at all times shall be in an amount of not less than five hundred thousand dollars (\$500,000) combined each occurrence and in the aggregate insuring against any and all liability of the insured with respect to the Premises or arising out of the maintenance, use, or occupancy thereof.

11.3. Leasehold Improvements and Personal Property. Tenant shall at all times during the term hereof maintain in effect policies of insurance covering (a) its leasehold improvements (including any alterations, additions, or improvements as may be made by Tenant pursuant to the provisions of this Lease), trade fixtures, merchandise, and other personal property from time to time on or upon the Premises, in amount sufficient to meet all applicable co-insurance requirements but in no event less than eighty percent (80%) of their actual replacement cost from time to time during the term of this Lease providing protection against any peril included within the classification "Fire and Extended Coverage," together with insurance against sprinkler damage, vandalism, and malicious mischief and (b) all plate glass on the Premises. The proceeds of such insurance, so long as this Lease remains in effect, shall be used for the repair or replacement of the property so insured. Upon termination of this Lease, the proceeds under (a) above shall be paid to Tenant, and the proceeds under (b) above shall be paid to Landlord.

11.4 Policy Form. All insurance required to be carried by Tenant hereunder shall be issued by responsible insurance companies qualified to do business in the State of California and reasonably acceptable to Landlord. Each policy shall name Landlord as an additional insured and, if requested by Landlord, Landlord's first mortgagee or beneficiary, as their interests may appear, and copies of all policies, or certificates evidencing the existence and amounts of such insurance, shall be delivered to Landlord by Tenant at least ten (10) days prior to Tenant's opening for business in the Premises.

No such policy shall be cancelled except after thirty (30) days written notice to Landlord and all such policies or certificates thereof shall so state. Tenant shall, at least, thirty (30) days prior to the expiration of any such policy, furnish Landlord with renewals or "binders" thereof, or Landlord may order such Insurance and charge the cost thereof to Tenant, which amount shall be payable by Tenant upon demand. All such policies of insurance shall be written as primary policies, not contributing with, and not in excess of, coverage Landlord may carry. Any policy may be carried under so-called "blanket coverage" form of insurance policies.

11.5 Waiver of Subrogation. Landlord and Tenant each hereby waives any and all rights of recovery against the officers, employees, agents, and representatives of such other party for loss of or damage to such waiving party or its property or the property of others under its control, arising from any cause generally covered by fire and extended coverage insurance. Tenant shall obtain and furnish evidence to Landlord of the waiver by Tenant's insurance carriers of any right of subrogation against Landlord.

12. COMMON AREA

12.1 Common Area Landlord shall make available at all times during the term of this Lease, on such portions of the Shopping Center as Landlord shall from time to time designate or relocate, such automobile parking and other Common Area as Landlord shall from time to time deem appropriate. Tenant shall have the non-exclusive right during the term of this Lease to use the Common Area (except for those portions of the Common Area on which have been constructed or placed permanent or temporary kiosks, displays, carts, or stands) for itself, its employees, agents, customers, invitees and licensees, subject to the restrictions contained herein.

12.2 Common Area Defined. The term "Common Area" shall mean the portions of the Shopping Center which have at the time in question been designated and improved for common use by or for the benefit of more than one (1) tenant or concessionaire of the Shopping Center. Common Area may include but not be limited to any of the following: The land and facilities utilized as parking areas; access and perimeter roads; truck passageways (which may be in whole or in part subsurface); service corridors and stairways providing access from other Premises; landscaped areas; exterior walks, arcades, stairways; interior corridors, elevators, stairs, arcades and/or balconies; directory equipment; wash rooms, comfort rooms, drinking fountains, toilets and other public facilities; and bus stations and taxi stands, but excluding any portion thereof when designated by Landlord for a non-common use, provided any portion of the Shopping Center which is not included within the Common Area shall be so included when so designated and improved for common use.

12.3 Control of Common Area. The Common Area shall be subject to the exclusive control and management of Landlord or such other persons or nominees as Landlord may have delegated or assigned to exercise such management or control, in whole or in part, in Landlord's place and stead. In no event shall Tenant have the right to sell or solicit in any manner in any Common Area without the express written consent of Landlord.

Landlord shall have the right to close, if necessary, all or any portion of the Common Area to such extent as may in the opinion of Landlord's counsel be legally necessary to prevent a dedication thereof or the accrual of any rights of any person or of the public therein; to close temporarily all or any portion of the Common Area to discourage non-customer use; to use portions of the Common Area while engaged in making additional improvements or repairs or alterations to the Shopping Center, and to do and perform such other acts in, to, and with respect to, the Common Area as in the use of good business judgment Landlord shall determine to be appropriate for the Shopping Center.

Landlord shall have the right to increase the size of the Common Area, including the expansion thereof to adjacent property, to reduce the Common Area; to turn Common Area into floor area to be occupied by tenants of the Shopping Center, to rearrange the parking spaces and improvements on the Common Area; and to make such changes therein and thereto from time to time which in its opinion are deemed to be desirable and for the best interests of all persons using the Common Area.

Tenant agrees that it and its concessionaires, agents, employees, and vendors, suppliers, and other independent contractors will use such access roads and will operate trucks and trailers in delivering merchandise to and from the Premises upon and over such access roads as are designated therefor by Landlord as a means of ingress to and egress from the Premises.

12.4 Rules and Regulations. Landlord shall have the right to establish, and from time to time to change, alter, and amend, and to enforce against Tenant and the other users of the Common Area, such reasonable rules and regulations (including the exclusion of employees' parking from the Common Area) as may be deemed necessary or advisable for the proper and efficient operation and maintenance of the Common Area. Such rules and regulations may provide, without limitation, the hours during which the Common Area shall be open for use.

12.5 Parking. Tenant, for the use and benefit of Tenant, its agents, employees, and customers shall have the non-exclusive right in common with Landlord and other tenants and their agents, employees and customers to use parking areas for ingress, egress and automobile parking. Tenant agrees to comply with such reasonable rules and regulations for parking as Landlord may adopt from time to time for the orderly and proper operation of the parking lot. Such rules may include, but shall not be limited to restricting of employee parking to a limited, designated area or areas or prohibiting employee parking on site. Tenant hereby authorizes Landlord to tow away from the Shopping Center at Tenant's expense any improperly parked car or cars belonging to Tenant or Tenant's employees and/or attach violation stickers or notices to such cars. Landlord shall at all times have the right and privilege of determining and changing the nature and extent of the automobile parking as in its opinion are deemed to be desirable and for the best interest of all persons using the Shopping Center and the Common Area.

13. INDEMNITY

Tenant hereby indemnifies and holds Landlord harmless from and against (a) any and all claims arising from Tenant's construction on or use of the Premises for the conduct of its business or from any activity, work, or thing done, permitted or suffered by Tenant and its agents and employees in or about the Premises; (b) any and all claims arising from any breach or default in the performance of any obligation on Tenant's part to be performed under the terms of this Lease, or arising from any act or negligence of Tenant, or any of its agents, contractors, or employees; and (c) all costs, attorneys' fees, expenses, and liabilities incurred by Landlord in defending any such claim or any action or proceeding brought thereon; and in case any action or proceeding be brought against Landlord by reason of any such claim, Tenant, upon notice from Landlord, shall defend the same at Tenant's expense by counsel reasonably satisfactory to Landlord. Tenant, as a material part of the consideration to Landlord, hereby assumes all risks of damage to property or injury to persons, in, upon, or about the Premises from any cause and Tenant hereby waives all claims in respect thereof against Landlord.

14. EXEMPTION OF LANDLORD FROM LIABILITY

Tenant hereby agrees that Landlord shall not be liable for injury or damage which may be sustained by the person, goods, wares, merchandise, or property of Tenant, its employees, invitees, or customers, or by any other person in or about the Premises caused by or resulting from fire, steam, electricity, gas, water, or rain which may leak or flow from or into any part of the Premises, or from the breakage, leakage, obstruction, or other defects of the pipes, sprinklers, wires, appliances, plumbing, air, conditioning, or lighting fixtures whether said damage or injury results from conditions arising upon the Premises or from other sources. Tenant further agrees that Landlord shall not be liable for any damages arising from any act or negligence of any other tenant of the Shopping Center.

15. QUIET POSSESSION

Landlord agrees that Tenant, upon paying the rent and performing the covenants and conditions of this Lease, may quietly have, hold, and enjoy the Premises during the term of this Lease.

16. ESTOPPEL CERTIFICATE

Within ten (10) days after written request by Landlord, Tenant shall execute and deliver to Landlord an estoppel certificate. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Premises or of all or any portion of the Shopping Center of which the Premises is a part. Further, such failure to deliver such statement (showing any exceptions to any of the statements of fact required thereby) shall be a material breach of this Lease and if, after additional written notice from Landlord, Tenant does not deliver such certificate to Landlord within seventy-two (72) hours, Landlord may, in addition to any other remedies it has at law or in equity, terminate this Lease.

17. MECHANIC'S LIENS

Tenant shall keep the Premises and the property on which the Premises is situated, free and clear of all mechanic's liens arising out of any work performed, material furnished, construction done by or for Tenant. Tenant shall have the right to contest the correctness or the validity of any such lien, if immediately on demand by Landlord, Tenant procures and records a lien release bond issued by a corporation authorized to issue surety bonds in California in an amount equal to 1 1/2 times the amount of the claim of lien. The bond shall meet the requirements of Civil Code Section 3143 and shall provide for the payment of any sum that the claimant may recover on the claim together with costs of suit, if they are awarded in such action.

18. ASSIGNMENT AND SUBLETTING

Tenant shall not assign this Lease, or any interest herein, and shall not sublet the Premises, or any part thereof, or permit any other person or entity (except the agents and servants of Tenant) to occupy or use the Premises, or any portion thereof, without first obtaining the written consent of Landlord, which consent shall not be unreasonably withheld. Consent by Landlord to one assignment, subletting, occupational use by another person or entity shall not be deemed to be a consent to any subsequent assignment, subletting, occupation, or use by another person or entity. Consent to an assignment, subletting, or occupation, shall not release the original Tenant from liability for the continued performance of the terms and provisions on the part of Tenant to be kept and performed hereunder.

19. LANDLORD'S ENTRY ON PREMISES

Landlord and its authorized representatives shall have the right to enter the Premises at all reasonable times for any of the following purposes: (a) to determine whether the Premises is in good condition and whether Tenant is complying with its obligations under this Lease; (b) to do any necessary maintenance and to make any restoration to the Premises or the building and other improvements of the Shopping Center in which the Premises is located that Landlord has the right or obligation to perform; (c) to serve, post, or keep posted any notices required or allowed under the provisions of this Lease; (d) to post "for rent" or "for lease" signs during the last three months of the Lease term, or during any period while Tenant is in default; (e) to show the Premises to prospective brokers, agents, buyers, tenants, or persons interested in an exchange, at any time during the Lease term; (f) to shore the foundations, footings, and walls of the Premises or the Shopping Center in which the Premises is located and to erect scaffolding and protective barricades around and about the Premises, but not so as to prevent entry to the Premises, and to do any other act or thing necessary for the safety or preservation of the Premises or the building and other improvements of the Shopping Center in which the Premises is located. If any excavation or other construction is undertaken or is about to be undertaken on any adjacent property or nearby street, Landlord's right under this provision extends to the owner of the adjacent property and the adjacent property owner's authorized representatives.

20. SALE OF PREMISES BY LANDLORD

Notwithstanding anything contained herein to the contrary, Landlord may assign, in whole or in part, Landlord's interest in this Lease, and may sell all or part of the Shopping Center. In the event of any sale or exchange of the Premises by Landlord and/or an assignment by Landlord of this Lease, Landlord shall be and is hereby entirely freed and relieved of all liability under any and all of its covenants and obligations contained in or derived from this Lease arising out of any act, occurrence or omission, relating to the Premises or to this Lease occurring after the consummation of such sale or exchange and/or assignment.

21. SURRENDER OF PREMISES

Immediately upon termination of the Lease term, Tenant shall surrender to Landlord the Premises and all Tenant's improvements and alterations in good condition (except for reasonable wear and tear) except for alterations that Tenant has the right to remove, or is obligated to remove under the provisions of this Lease. Tenant shall remove all its personal property, including trade fixtures. Tenant shall perform all restoration made necessary by the removal of any alterations or Tenant's personal property, including trade fixtures.

If Tenant fails to surrender the Premises to Landlord on expiration or ten (10) days after termination of the Lease term as required by this paragraph, Tenant shall hold Landlord harmless from all damages resulting from Tenant's failure to surrender the Premises, including, without limitation, claims made by a succeeding tenant resulting from Tenant's failure to surrender the Premises.

22. HOLDING OVER

If Tenant, with Landlord's consent, remains in possession of the Premises after expiration or termination of the Lease term, or after the date in any notice given by Landlord to Tenant terminating this Lease, such possession by Tenant shall be deemed to be a month-to-month tenancy, terminable on thirty (30) days notice given at any time by either party. All provisions of this Lease, except those pertaining to term, shall apply to the month-to-month tenancy period. During any such month-to-month tenancy, Tenant shall pay all rent required by this Lease, including Minimum Monthly Rent and additional rent as provided for by the terms of this Lease.

23. MERGER

The voluntary or other surrender of this Lease by Tenant, or mutual cancellation thereof, shall not work as a merger and shall, at the option of Landlord, terminate all or any existing subtenancies, or may, at the option of Landlord, operate as an assignment to Landlord of any or all of such subtenancies.

24. ATTORNEYS' FEES

If either party becomes a party to any litigation concerning this Lease the Premises, the building, or other improvements in which the Premises is located, by reason of any act or omission of the other party or its authorized representatives, and not by any act or omission of the party or its authorized representatives who become a party to that litigation, the party that causes the other party to become involved in the litigation shall be liable to that party for reasonable attorneys' fees and court costs incurred by it in the litigation.

25. NOTICES

Any notice, demand, request, consent, approval of communication that either party desires or is required to give to the other party or any other person shall be in writing and either served personally or sent by prepaid, certified, or registered mail, and shall be addressed to the other party of the address set forth after their signatures at the end of this Lease.

26. SUBORDINATION

This Lease is and shall be subordinate to any encumbrance now of record or recorded after the date of this Lease affecting the building, and other improvements of the Shopping Center of which the Premises is apart. Such subordination is effective without any further act of Tenant. Tenant shall from time to time, on request from Landlord, execute and deliver any documents or instruments that may be required by a lender to effectuate any subordination.

27. WAIVER

No delay or omission in the exercise of any right or remedy of Landlord on any default by Tenant shall impair such a right remedy or be construed as a waiver. The receipt and acceptance of Landlord of delinquent rent shall not constitute a waiver of any other default; it shall constitute only a waiver of timely payment for the particular rent payment involved. No act or conduct of Landlord, including, without limitation, the acceptance of the Keys to the Premises, shall constitute an acceptance of the surrender of the Premises by Tenant before the expiration of the Lease term. Only a notice from Landlord to Tenant shall constitute acceptance of the surrender of the Premises and accomplish a termination of the Lease. Any waiver by Landlord of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision of the Lease.

28. RECORDATION

This Lease shall not be recorded without Landlord's prior written consent and such recordation without Landlord's consent shall, at Landlord's option, constitute non-curable default. Tenant shall execute and deliver to Landlord on the expiration or termination of this Lease, immediately upon Landlord's request, a quit claim deed to the Premises, in recordable form, designating Landlord as transferee.

29. ALTERATIONS

29.1 Permitted Alteration. Tenant shall not make any alterations or additions to the Premises nor make any contract therefor without first procuring Landlord's written consent, except for non-structural, interior alterations, improvements, or adjustments costing less than one thousand dollars (\$1,000). All alterations, additions, and improvements made by Tenant to or upon the Premises, including floor coverings, but excluding tight fixtures, signs, cases, counters, or other removable trade fixtures, shall at once when made or installed be deemed to have become the property of Landlord; provided, however, if prior to termination of this Lease, or within ten (10) days thereafter, Landlord so directs by written notice to Tenant, Tenant shall promptly remove the additions, improvements, fixtures, trade fixtures, and installations which were placed in or on the Premises by Tenant and which are designated in said notice and shall repair any damage occasioned by such removal. If Tenant shall fail to remove any such addition, improvement, fixture, or trade fixture as directed by Landlord, Landlord may effect such removal and repair at Tenant's expense.

29.2 Standards of Construction. All work with respect to alterations, additions, and changes shall not diminish the market value of the Premises and shall be done in a good and workmanlike manner and diligently prosecuted to completion to the end that the Improvements on the Premises shall at all times be a complete unit except during the period of work. Any such changes, alterations, and improvements shall be performed and done strictly in accordance with the laws and ordinances relating thereto, and with the requirements of all carriers of Insurance on the Premises and the Board of Underwriters, Fire Rating Bureau, or similar organization. In performing the work of any such alterations, additions, or changes, Tenant shall have the work performed in such a manner so as not to obstruct the access to the Shopping Center of any other tenant in the Shopping Center.

29.3 Notification of Landlord. At least ten (10) days prior to commencing any such work or construction in or about the Premises, Tenant shall notify Landlord in writing of the expected date of commencement thereof. Landlord shall have the right at any time and from time to time to post and maintain on the Premises such notices as Landlord deems necessary to protect the Premises and Landlord or vendors.

29.4 Performance and Completion Bond. Before the commencement of any alterations or additions to the Premises, Tenant, at its sole cost, shall furnish to Landlord a performance and completion bond issued by an insurance company qualified to do business in California, in a sum equal to one and one-half times the cost of the alterations (as determined by the construction contract between Tenant and its contractor) guaranteeing the completion of the alterations or additions free and clear of all liens and other charges, in accordance with the plans and specifications approved by Landlord. The alterations shall be performed in a manner that will not interfere with the quiet enjoyment of the other tenants of the Shopping Center.

30. OPTION TO EXTEND TERM OF LEASE

30.1 Landlord grants to Tenant the option to extend the term of the Lease, beyond the Initial Lease Term, for one (1) additional period of five (5) years.

30.2 Such option shall be personal to the tenant and shall be terminated upon any subletting of the Premises by Tenant.

30.3 Such Option shall be null and void if at anytime during the Initial Lease Term Tenant shall have been in default under this Lease.

30.4 Tenant shall exercise option by notifying Landlord in writing of Tenant's decision to exercise the option no less than one hundred and twenty (120) days or more the one hundred and eighty (180) days from the termination date of the initial Lease term.

30.5 Such option shall be upon the same terms and conditions as herein set forth in this Lease. Notwithstanding the above, at the commencement of each option period, the Minimum Monthly Rent shall be adjusted to be equal to then current market rent ("Market Rent") pursuant to paragraph 30.6 herein; however, the adjusted Minimum Monthly Rent shall never be less than the Minimum Monthly Rent in effect for the month prior to the expiration of the Initial Lease Term plus five percent (5%).

30.6 Market Rent shall be determined by Landlord considering the most recent new leases and renewal leases for comparable space and for a comparable usage in the Shopping Center or in comparable shopping centers within the vicinity of the Shopping Center. At least thirty (30) days prior to the date the Minimum Monthly Rent is to be determined, Landlord shall give Tenant notice (the "Market Rent Notice") of the determination of such Minimum Monthly Rent and the basis upon which Landlord made its determination of such amount. Upon receipt of the Market Rent Notice, Tenant shall pay the Minimum Monthly Rent stated in the Market Rent Notice, effective on the date of the commencement of the applicable extended term.

31. EMINENT DOMAIN

31.1 Definitions of Taking. The term "total taking" means the taking of so much of the Premises by right of eminent domain or other authority of law, including a voluntary transfer under the threat. of the exercise thereof, that the remainder of the Premises is not suitable to conduct the business which Tenant intends to conduct therein. The term "partial taking" means the taking of a portion of the Premises which does not constitute a total taking as above defined.

31.2 Total Taking. If during the term hereof there shall be a total taking by public authority under the power of eminent domain, then this Lease, and the leasehold estate of Tenant in and to the Premises, shall cease and terminate as of the date the condemning authority takes actual physical possession of the Premises.

31.3 Partial Taking. If during the term hereof there shall be a partial taking of the Premises, this Lease, as to the portion of the Premises so taken, shall terminate on the date on which the condemning authority takes actual physical possession of such portion, but this Lease shall continue in full force and effect as to the remainder of the Premises. The Minimum Monthly Rent payable by Tenant for the balance of the term shall be abated in the ratio that the floor area of the Premises taken bears to the total floor area of the Premises immediately prior to such taking, and Landlord shall make all necessary exterior and structural repairs or alterations in order to make the remaining portion of the Premises a complete architectural unit.

31.4 Award. All compensation and damages awarded for the taking of the Premises or any portion thereof shall belong to and be the sole property of Landlord, and Tenant shall not have any claim or be entitled to any award for diminution in value of its leasehold interest hereunder or for the value of any unexpired term of this Lease; provided, however, that Tenant shall be entitled to make its own claim for and receive any award that may be made for Tenant's improvements, or on account of any cost or loss Tenant may sustain in the removal of Tenant's trade fixtures, equipment, and furnishings.

31.5 Proration of Rent. If this Lease is terminated pursuant to the provisions of this Article, then all rentals and other charges payable by Tenant to Landlord hereunder shall be paid up to the date on which possession shall be taken by the condemning authority and any rentals and other charges theretofore paid by Tenant which are applicable to any period subsequent to the date possession is taken, shall be repaid to Tenant by Landlord, and the parties shall thereupon be released from all further liability hereunder.

31.6 Waiver of Rights of Termination. 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.

32. DEFAULT BY TENANT

32.1 The following events shall be deemed to be events of default by Tenant under this Lease:

a. Tenant shall fail to pay any installment of the rent, additional rent, or other charges payable by Tenant, on the date that same is due and such failure shall continue for a period of three (3) days after written notice from Landlord.

b. Tenant shall fail to comply with any term, condition, or covenant of this Lease, other than the payment of rent and shall not cure such failure within ten (10) days after written notice thereof the Tenant, or if such failure cannot reasonably be cured within the said ten (10) days and Tenant shall not have commenced to cure such failure within ten (10) days after written notice thereof to Tenant.

c. Tenant shall become insolvent, or shall make a transfer in fraud of creditors, or shall make an assignment for the benefit of creditors.

d. Tenant shall file a petition under any section or chapter of the National Bankruptcy Act, as amended, or under any similar law or statute of the United States or any State thereof, or Tenant shall be adjudged bankrupt or insolvent in proceedings filed against Tenant thereunder.

e. A receiver or trustee shall be appointed for all or substantially all of the assets of Tenant.

32.2. Upon the occurrence of any of such events or default by Tenant, Landlord shall have the option to pursue any one or more of the following remedies without any notice of demand whatsoever:

a. Terminate this Lease, in which event Tenant shall immediately surrender the Premises to Landlord, and if Tenant fails to do so, Landlord may, without prejudice to any other remedy which it may have for possession or arrearage in rent, enter upon and take possession of the Premises and expel or remove Tenant and any other person who may be occupying said Premises or any part thereof, by force if necessary, without being liable for prosecution of any claim or damages therefore; and Tenant agrees to pay to Landlord on demand the amount of all loss and damage which Landlord may suffer by reason of such termination, whether through inability to relet the Premises on satisfactory terms or otherwise, including the worth at the time of award of the amount by which the unpaid rent for the balance of the term of the Lease after the time of award exceeds the amount of such rental loss that the Tenant proves could be reasonably avoided, such amount to be computed by discounting the amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus one percent (1%).

b. Continue this Lease in full force and effect, and the Lease will continue in effect as long as Landlord does not terminate Tenant's right to possession, and Landlord shall have the right to collect rent when due. During the time Tenant is in default, Landlord can enter the Premises and relet it or any part of it for a period shorter or longer than the remaining term of this Lease, and Tenant shall pay all costs incurred in reflecting the Premises and the rent due under this Lease, less the rent Landlord receives from subletting. No acts by Landlord allowed by this paragraph shall terminate this Lease unless Landlord notifies Tenant that Landlord elects to terminate this Lease.

c. Enter upon the Premises by force if necessary without being liable for prosecution or any claim for damages therefore, and do whatever Tenant is obligated to do under the terms of this Lease, and Tenant agrees to reimburse Landlord on demand for expenses which Landlord may incur in effecting compliance with Tenant's obligation under this Lease, and Tenant further agrees that Landlord shall not be liable for any damages resulting to the Tenant from such action, whether caused by negligence of Landlord or otherwise.

32.3 Pursuit of any of the foregoing remedies shall not preclude pursuit of any of the other remedies herein provided or any other remedies provided by law, nor shall pursuit of any remedy herein provided or any other remedies provided by law, nor shall pursuit of any remedy herein provided constitute a forfeiture or waiver of any rent due to Landlord hereunder or of any damages accruing to Landlord by reason of the violation of any of the terms, conditions, and covenants herein contained.

32.4 The Tenant's sole remedy in the event of a default by Landlord under this Lease, shall be an action of damages, injunction, or specific performance, and not the withholding of rent or the termination of his Lease.

33. DEFAULTS BY LANDLORD

In the event Landlord shall neglect or fail to perform or observe any of the covenants, provisions, or conditions contained in this Lease on its part to be performed or observed within thirty (30) days after written notice of default (or if more than thirty (30) days shall be required because of the nature of the default, if Landlord shall fail to proceed diligently to cure such default after written notice thereof), then in that event Landlord shall be liable to Tenant for any and all damages sustained by Tenant as a result of Landlord's breach; provided, however, it is expressly understood and agreed that any money judgment resulting from any default or other claim arising under this Lease shall be satisfied only out of the net rents, issues, profits, and other income (called "net income" for purposes of this paragraph only) actually received from the operation of the Shopping Center, and no other real, personal, or mixed property of Landlord (the term "Landlord" for purposes of this paragraph only shall mean any and all partners; both general and/or limited, of any, which comprise Landlord), wherever situated, shall be subject to levy on any such judgment obtained against Landlord, and if such net income is insufficient for the payment of such judgment, Tenant will not institute any further action, suit, claim, or demand, in law or in equity, against Landlord for or on the account of such deficiency. Notwithstanding any provision of this Lease to the contrary, Tenant shall have no right to terminate this Lease in an event of default by Landlord hereunder.

34. EXHIBITS

Any exhibits attached hereto, and addenda and schedules initialed by the parties, are deemed by attachment. to constitute a part of this Lease are incorporated herein.

35. USE OF LANGUAGE

Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular shall be held to include the plural, unless the context otherwise requires.

36. CAPTIONS

The captions or headings of paragraphs in this Lease are inserted for convenience only, and shall not be considered in construing the provisions hereof if any question of intent should arise.

37. ENTIRE AGREEMENT

It is understood that there are no oral agreements or representations between the parties hereto affecting this Lease, and this Lease supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements, or representations and understandings, if any, between the parties hereto, and there are no other representations or warranties between the parties and all reliance with respect to representations is solely upon the representations and agreements contained in this document. This Lease may be modified in writing only, signed by the parties hereto.

38. EXECUTION OF LEASE

The submission of this document for examination and negotiation does not constitute an offer to lease, or a reservation of, or option for, the Premises; and this document shall become effective and binding only upon execution and delivery hereof by Tenant and by Landlord (or, when duly authorized, by Landlord's agent or employee). No act or omission of any agent of Landlord or of Landlord's broker shall alter, change, or modify any of the provisions hereof.

39. WAIVER OF REDEMPTION

Tenant hereby expressly waives any and all rights of redemption granted by or under any present or future laws in the event of Tenant being evicted or dispossessed for any cause, or in the event of Landlord obtaining possession of the Premises by reason of the violation by Tenant of any of the 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.

40. 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; and it is the intention of the parties hereto that if any provision of this Lease is capable of two constructions, only one (1) of which would render the provision valid, then the provision shall have the meaning which renders it valid.

41. NET LEASE

Landlord and Tenant acknowledge that this Lease is a "Net Lease" with respect to taxes, insurance, and other repairs on the Premises as specifically set forth herein and Landlord shall receive all rents and all payments hereunder that Tenant is required to make to Landlord free from any charges, assessments, impositions, expenses, deductions, or offsets.

42. CUMULATIVE REMEDIES

No remedy or election hereunder shall be deemed exclusive, but shall, wherever possible, be cumulative with all other remedies at law or in equity.

43. COVENANTS AND CONDITIONS

Each provision of this Lease performed by Tenant shall be deemed both a covenant and a condition.

44. BINDING EFFECT: CHOICE OF LAW

This Lease shall bind the parties, their personal representatives, successors, and assigns. This Lease shall be governed by the laws of the State of California, and venue shall be San Bernardino County.

45. FORCE MAJEURE

Any prevention, delay, or stoppage due to strikes, lockouts, labor disputes, acts of God, inability to obtain labor or materials or reasonable substitutes therefor, governmental restrictions, governmental regulations, governmental controls, enemy or hostile governmental action, civil commotion, fire, or other casualty, and other causes beyond the reasonable control of the party obligated to perform any term, covenant, or condition of this Lease, shall excuse the performance by such party for a period equal to any such prevention, delay, or stoppage, except the obligations imposed with regard to rental and other charges to be paid by Tenant pursuant to this Lease.

46. BROKERS

Tenant warrants that it has had no dealings with any real estate broker or agents in connection with the negotiation of this Lease it knows of no other real estate broker nor agent who is entitled to a commission in connection with this Lease with the exception of acting on behalf of the Landlord.

47. INTEREST ON UNPAID RENT

Except as expressly provided herein, any amount due to Landlord not paid when due shall bear interest at the maximum legal rate of interest per annum from the date due to the date of payment. Payment of such interest shall not excuse or cure any default by Tenant under this Lease.

48. JOINT AND SEVERAL OBLIGATION

If more than one person or entity is Tenant, the obligations imposed on each such person or entity shall be joint and several.

49. RELOCATION

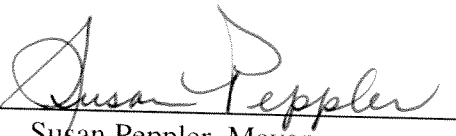
Landlord reserves and is hereby granted the right upon not less than thirty (30) days written notice to Tenant, to relocate and to substitute as the Premises hereunder other premises within the Center for the premises originally leased hereunder for all uses and purposes as though originally leased to Tenant at the time of the execution hereof; provided, however, that the substituted premises shall contain an area not less than eighty percent (80%) nor greater than one hundred twenty percent (120%) times the square footage contained in the originally leased Premises, with a pro-rata adjustment to Minimum Rent and Additional Rent as described herein as a result of the increase or decrease in the size of the substituted premises.

50. SUBMISSION

This document is null and void and shall have no effect whatsoever unless and until countersigned by Landlord.

TENANT: CITY OF REDLANDS

By:

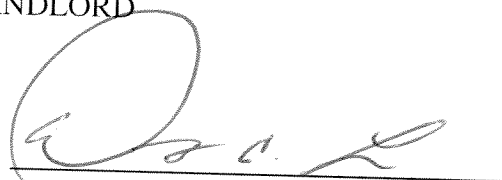

Susan Peppler, Mayor

ATTEST:


City Clerk

LANDLORD

By:


Donny C. Lee, Owner

Date: 7-17-04

Only
Name
change
on 6-29-04

Contract - North Police Substation - A lease agreement with Ryken Investments for the North Police substation located at 1568 North Orange Street was withdrawn from this agenda.

Funds - Contract Award - Community Center Rehabilitation - Bids were opened and publicly declared on May 6, 2004, by the City Clerk for the Redlands Community Center Rehabilitation, Phase III Project; a bid opening report is on file in the Office of the City Clerk. It was the recommendation of the Police Department that the responsible bidder submitting the bid for said project which will result in the lowest cost for the City was Thomco Construction, Inc. in the amount of \$335,180.00, and it would be in the best interest of the City that this contract be awarded to said firm. Following brief discussion, Councilmember Gil moved to approve use of the balance of EDI funds in the amount of \$54,000.00 and the use of ADA compliance funds up the amount of \$40,000.00 for the Redlands Community Center Rehabilitation, Phase III Project, award the contract to Thomco Construction, Inc. and authorized the Mayor and City Clerk to execute the contract on behalf of the City. Motion seconded by Councilmember George and carried unanimously.

Agreement - Environmental Impact Report - On motion of Councilmember Harrison, seconded by Councilmember Gil, the City Council unanimously approved a contract with Chambers Group, Inc. for preparation of an Environmental Impact Report and associated documents for the entitlement applications commonly known as the "Walton Project" for Agricultural Preserve Removal No. 104, Zone Change No. 396, Conditional Use Permit No. 809, Tentative Tract No. 16465, Demolition No. 79, Agricultural Preserve Removal No. 105, Zone Change No. 399, Conditional Use Permit No. 819, and Tentative Tract No. 16627, and authorized the Mayor and City Clerk to execute the agreement on behalf of the City.

PLANNING AND COMMUNITY DEVELOPMENT

Residential Development Allocations - Community Development Director Shaw reviewed the following applications for residential development allocations for the second quarter of 2004:

1. RDA 2004-II-01 - A Residential Development Allocation request for Tentative Tract No. 16548, an approved residential subdivision consisting of 64 multiple-family residential units on five acres located at the southwest corner of Orange Avenue and Kansas Street - ABCO Realty & Investments, Inc., applicant;
2. RDA 2004-II-02 - A Residential Development Allocation request for Tentative Tract No. 16488, an approved residential subdivision consisting of seven lots on 10.6 acres located on the north side of Sunset Drive, approximately 200 feet west of Helen Drive - Vespar Development Company/William C. Buster, Inc., applicant; and

1568
NORTH ORANGE STREET

LEASE

FOR

CITY OF REDLANDS POLICE DEPARTMENT

INDEX

1.	Parties	1
2.	Demised Premises	1
3.	Initial Lease Term	1
4.	Rent	1
5.	Use of Premises	2
6.	Taxes and Assessments	3
7.	Maintenance	3
8.	Authority to Execute	3
9.	Signs	4
10.	Utilities Services	4
11.	Insurance	4
12.	Common Area	6
13.	Indemnity	7
14.	Exemption of Landlord From Liability	8
15.	Quiet Possession	8
16.	Estoppel Certificate	8
17.	Mechanic's Liens	8
18.	Assignment and Subletting	9
19.	Landlord's Entry on Premises	9
20.	Sale of Premises by Landlord	9
21.	Surrender of Premises	10
22.	Holding Over	10
23.	Merger	10
24.	Attorneys' Fees	10
25.	Notices	11
26.	Subordination	11
27.	Waiver	11
28.	Recordation	11
29.	Alterations	11
30.	Option to Extend Term of Lease	12
31.	Eminent Domain	13
32.	Default by Tenant	14

33.	Defaults by Landlord	16
34.	Exhibits	16
35.	Use of Language	16
36.	Captions	16
37.	Entire Agreement	16
38.	Execution of Lease	17
39.	Waiver of Redemption	17
40.	Severability	17
41.	Net Lease	17
42.	Cumulative Remedies	17
43.	Covenants and Conditions	18
44.	Binding Effect: Choice of Law	18
45.	Force Majeure	18
46.	Brokers	18
47.	Interest on Unpaid Rent	18
48.	Joint and Several Obligation	18
49.	Relocation	19
50.	Submission	19

LEASE

1. PARTIES

THIS LEASE is made and entered into this 29th day of June, 2004 and between Ryken Investments, Donny C. Lee, owner ("Landlord") and City of Redlands (hereinafter known as "Tenant").

Landlord, for and in consideration of the covenants and agreements hereinafter set forth to be kept and performed by Tenant, hereby demises and leases to Tenant, and Tenant does hereby take, accept, and hire from Landlord, the Premises hereinafter described for the term, at the rental and subject to and upon the terms, conditions, and agreements herein set forth.

2. DEMISED PREMISES

Landlord hereby leases to Tenant and Tenant hereby leases from Landlord that certain interior space known as 1568 N. Orange Street containing approximately Fourteen hundred (1,400) square feet of floor area ("Premises"). Location of the Premises is delineated in Exhibit A (Site Plan) attached hereto and incorporated by reference herein. Said Premises is located in a Shopping Center ("Shopping Center") commonly referred to as North Redlands Shopping Center, located in the City of Redlands, County of San Bernardino and Sate of California.

3. INITIAL LEASE TERM

The initial term of this Lease ("Initial Lease Term") shall commence on the earlier of the following dates (and be known as the "Commencement Date"), and shall continue for the term of five (5) years, or June 29, 2009.

4. RENT

4.1 Minimum Monthly Rent. Commencing on the Commencement Date, Tenant shall pay to Landlord as Minimum Monthly Rent, without deduction or set-off, prior to notice or demand, the sum of One Thousand Dollars (\$1,000) per month, in advance on the first day of each month of the term of the Lease. Minimum Monthly Rent for any partial month shall be prorated at the rate of 1/30th of the Minimum Monthly Rent per day. All rent shall be paid to Landlord at the address to which notices of Landlord are given. The minimum annual rent is twelve (12) times the Minimum Monthly Rent.

Any rent not paid by the tenth day of the month for which it is due shall be considered late and subject to the late payment penalty provided for in Section 4.2 hereof. Monthly rent for any partial month shall be prorated at the rate of 1/30th of the applicable Monthly Rent per day. All rent

shall be paid to Landlord at the address set forth below in paragraph 4.3. The minimum annual rent is twelve (12) times the applicable Monthly Rent.

4.2 Late Payment Penalty. If Tenant shall fail to pay, when the same is due and payable, any rent or additional rent or any amount or other charges required to be paid under this Lease, Tenant promises to pay to Landlord, in addition to such unpaid amounts, a late payment penalty equal to ten percent (10%) of such unpaid amounts.

4.3 Place of Payment. All rental and other payments shall be paid by Tenant to Landlord at:

Ryken Investments
Donny C. Lee, Owner
31171 Via Del Verde
San Juan Capistrano, CA 92675

or at such other place as may from time to time be designated by Landlord in writing.

5. USE OF PREMISES

5.1 Tenant shall use the Premises only for the purpose of a Police Station and for no other use or purpose without the express written consent of Landlord.

5.2 Tenant shall comply with all regulations, conditions, and laws concerning the Premises or Tenant's use of the Premises, without limitation.

5.3 Tenant shall not use the Premises in any manner that will constitute waste, nuisance, or unreasonable annoyance to other tenants in the Shopping Center in, which the Premises is located. No second-hand store, auction, distress or fire sale, bankruptcy or, going-out-of-business sale may be conducted on the Premises without Landlord's consent. Tenant shall not sell or display merchandise outside the confines of the Premises or in the Common Area.

5.4 Tenant shall not do anything on the Premises that will cause damage to the Premises or the Shopping Center in which the Premises is located. The Premises shall not be overloaded, no machinery, apparatus, or other appliance shall be used or operated in or on the Premises that would injure or vibrate the Premises, without the Landlord's prior written consent

5.5 Tenant covenants and agrees that after opening for business in the Premises, it will continuously operate and conduct therein the business which it is permitted so to operate under the provisions hereof, except while the Premises is untenable by reason of fire or other casualty, and that it will at all times (a) keep and maintain within and upon the Premises an adequate stock of merchandise and trade fixtures, and (b) adequately staff the Premises with sufficient employees, as shall be required to supply and service the usual and ordinary demands and requirements of its

customers. Tenant shall remain open for business during normal school hours. Tenant may display in its display windows, in an attractive and professional manner, merchandise which Tenant is permitted to sell from the Premises.

5.6 Tenant agrees that all trash and rubbish of Tenant shall be deposited within receptacles and that there shall be no trash receptacles permitted to remain outside of the building of which the Premises is a part. In the event Landlord provides or designates trash receptacles, Tenant agrees to cause such receptacles to be emptied and trash removed at its own cost and expense. Tenant agrees to first bag the trash before depositing it in the authorized trash area.

6. TAXES AND ASSESSMENTS.

6.1 Personal Property Taxes. Tenant shall also pay before delinquency any and all taxes, assessments, license fees, and public charges levied, assessed or imposed at any time and which become payable during the term of this Lease upon Tenant's leasehold improvements, fixtures, equipment, furniture, inventories, or merchandise and any other personal property installed or located on the Premises whether or not such assessment is made against Tenant or against Landlord, either separately or as part of the assessment of the Shopping Center, and whether installed by Landlord or by Tenant.

6.2 Exclusions. It is agreed and understood that the term "taxes" as used herein shall not include any franchise, excise, gift, estate, inheritance, succession, capital levy, or transfer tax of Landlord arising out of or in connection with this Lease or Landlord's rights in the Premises, or any net income excess profits, tax, charge, or levy against Landlord.

7. MAINTENANCE

Tenant shall at its expense and risk maintain all of the interior and exterior and other improvements of the Premises in good repair and condition, including, but not limited to, all necessary repairs and replacements to the plumbing, electrical wiring, windows, window glass, plate glass, doors, painting, heating system, and the air conditioning equipment. Landlord shall provide, as necessary, maintenance, repair, replacement, repainting, and cleaning of all exterior areas of the building, including the roof and Common Area (as hereinafter defined), and provide all necessary utilities to Common Area. Tenant's obligations set forth in this paragraph form a material part of the consideration for this Lease, and Tenant hereby waives all rights to make repairs at the expense of Landlord as provided by any law, statute, or ordinance now or hereafter in effect.

8. AUTHORITY TO EXECUTE

Each individual executing this Lease on behalf of the Tenant represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of Tenant in accordance with a duly adopted resolution of the Tenant's board of directors, in accordance with the Tenant's bylaws, or

pursuant to Tenant's partnership agreement, and that the Lease is binding on Tenant in accordance with its terms.

9. SIGNS

Tenant shall not have the right to place, construct, or maintain on the glass panes or supports of the show windows of the Premises, the doors, or the exterior walls or roof of the building in which the Premises is located, or on any interior portions of the Premises, any signs, advertisements, names, insignia, trademarks, descriptive material, or any other items without first procuring Landlord's express written consent. Landlord shall designate the size, shape, color, design, and location of all exterior signs to be installed by Tenant. Tenant agrees to submit to Landlord copies of Tenant's sign plans for Landlord's written approval. Landlord at Tenant's cost can remove any item placed, constructed, or maintained that does not comply with the provisions of this section. Tenant shall not place, construct, or maintain on the Premises any advertisement media, including, without limitation, search lights, flashing lights, loud speakers, phonographs, or other visual or audio media. Tenant shall remove all signs at the termination of this Lease and shall repair any damage and close any holes caused by such removal. Lettering on signs will be installed by Tenant with Landlord's approval of style and color. Landlord, at Landlord's option, may install a pole and pole sign, with proper City approvals. Tenant shall not solicit business, in, on or about the Common Area, or distribute hand bills or other advertising or promotional media, in, on, or about the Common Area or in the parking areas.

10. UTILITIES SERVICES

Tenant shall pay for all water, gas, power, and electricity and any other utilities used by Tenant on the Premises from and after the delivery of possession thereof by Landlord. If any such charges are not paid when due, Landlord may pay the same, and any amount so paid by Landlord shall thereupon become due to Landlord from Tenant as additional rent upon demand. In the event that any utilities are furnished by Landlord, the rates charged Tenant shall not exceed those of the local public utility company as if its services were furnished directly to Tenant, and shall not be less than its pro rata share of any jointly metered service based upon the square footage of the buildings serviced. Landlord shall not be liable in damages or otherwise for any failure or interruption of any utility service being furnished the Premises, and no such failure or interruption shall entitle Tenant to terminate this Lease or to abate payment of any portion of the rent due hereunder. In the event Landlord furnishes any utilities to the Premises and elects to discontinue, or is unable to continue, furnishing such utilities for any reason other than the failure by Tenant to pay any utility charge or any rental payment due hereunder, Landlord shall so inform Tenant in writing and Tenant shall, upon receipt of such notice, obtain its own utilities for the Premises.

11. INSURANCE

11.1 Reimbursement of Insurance Premiums. Landlord shall at all times during the term hereof maintain in effect a policy or policies of insurance covering (a) the building of which the Premises are a part, in an amount not less than eighty percent (80%) of the insurable value of such building, providing protection against any peril generally included within the classification "Fire and Extended Coverage Insurance," and insuring against such other risks as Landlord may designate, and (b) the rents payable hereunder. The insurance Landlord procures may include coverage on buildings or stores other than the Premises. Tenant shall pay to Landlord its pro rata share of the cost of such insurance in the same proportion as set for in paragraph 7.1. Tenant shall pay one-twelfth (1/12th) of the amount estimated by Landlord to be Tenant's share of such costs with each monthly installment of Minimum Monthly Rent due hereunder. Any insurance coverage herein provided shall be for the benefit of Landlord and all proceeds payable thereunder shall be paid to Landlord, free and clear of any claims thereto by Tenant.

11.2 Public Liability and Property Insurance. Tenant shall at all times during the term hereof, and at its own cost and expense, procure and continue in force worker's compensation insurance and bodily injury liability and property damage liability insurance adequate to protect Landlord against liability for injury to or death of any person in connection with the construction of improvements on the Premises or with the use, operation, or condition of the Premises. Such insurance at all times shall be in an amount of not less than five hundred thousand dollars (\$500,000) combined each occurrence and in the aggregate insuring against any and all liability of the insured with respect to the Premises or arising out of the maintenance, use, or occupancy thereof.

11.3. Leasehold Improvements and Personal Property. Tenant shall at all times during the term hereof maintain in effect policies of insurance covering (a) its leasehold improvements (including any alterations, additions, or improvements as may be made by Tenant pursuant to the provisions of this Lease), trade fixtures, merchandise, and other personal property from time to time on or upon the Premises, in amount sufficient to meet all applicable co-insurance requirements but in no event less than eighty percent (80%) of their actual replacement cost from time to time during the term of this Lease providing protection against any peril included within the classification "Fire and Extended Coverage," together with insurance against sprinkler damage, vandalism, and malicious mischief and (b) all plate glass on the Premises. The proceeds of such insurance, so long as this Lease remains in effect, shall be used for the repair or replacement of the property so insured. Upon termination of this Lease, the proceeds under (a) above shall be paid to Tenant, and the proceeds under (b) above shall be paid to Landlord.

11.4 Policy Form. All insurance required to be carried by Tenant hereunder shall be issued by responsible insurance companies qualified to do business in the State of California and reasonably acceptable to Landlord. Each policy shall name Landlord as an additional insured and, if requested by Landlord, Landlord's first mortgagee or beneficiary, as their interests may appear, and copies of all policies, or certificates evidencing the existence and amounts of such insurance, shall be delivered to Landlord by Tenant at least ten (10) days prior to Tenant's opening for business in the Premises.

No such policy shall be cancelled except after thirty (30) days written notice to Landlord and all such policies or certificates thereof shall so state. Tenant shall, at least, thirty (30) days prior to the expiration of any such policy, furnish Landlord with renewals or "binders" thereof, or Landlord may order such Insurance and charge the cost thereof to Tenant, which amount shall be payable by Tenant upon demand. All such policies of insurance shall be written as primary policies, not contributing with, and not in excess of, coverage Landlord may carry. Any policy may be carried under so-called "blanket coverage" form of insurance policies.

11.5 Waiver of Subrogation. Landlord and Tenant each hereby waives any and all rights of recovery against the officers, employees, agents, and representatives of such other party for loss of or damage to such waiving party or its property or the property of others under its control, arising from any cause generally covered by fire and extended coverage insurance. Tenant shall obtain and furnish evidence to Landlord of the waiver by Tenant's insurance carriers of any right of subrogation against Landlord.

12. COMMON AREA

12.1 Common Area Landlord shall make available at all times during the term of this Lease, on such portions of the Shopping Center as Landlord shall from time to time designate or relocate, such automobile parking and other Common Area as Landlord shall from time to time deem appropriate. Tenant shall have the non-exclusive right during the term of this Lease to use the Common Area (except for those portions of the Common Area on which have been constructed or placed permanent or temporary kiosks, displays, carts, or stands) for itself, its employees, agents, customers, invitees and licensees, subject to the restrictions contained herein.

12.2 Common Area Defined. The term "Common Area" shall mean the portions of the Shopping Center which have at the time in question been designated and improved for common use by or for the benefit of more than one (1) tenant or concessionaire of the Shopping Center. Common Area may include but not be limited to any of the following: The land and facilities utilized as parking areas; access and perimeter roads; truck passageways (which may be in whole or in part subsurface); service corridors and stairways providing access from other Premises; landscaped areas; exterior walks, arcades, stairways; interior corridors, elevators, stairs, arcades and/or balconies; directory equipment; wash rooms, comfort rooms, drinking fountains, toilets and other public facilities; and bus stations and taxi stands, but excluding any portion thereof when designated by Landlord for a non-common use, provided any portion of the Shopping Center which is not included within the Common Area shall be so included when so designated and improved for common use.

12.3 Control of Common Area. The Common Area shall be subject to the exclusive control and management of Landlord or such other persons or nominees as Landlord may have delegated or assigned to exercise such management or control, in whole or in part, in Landlord's place and stead. In no event shall Tenant have the right to sell or solicit in any manner in any Common Area without the express written consent of Landlord.

Landlord shall have the right to close, if necessary, all or any portion of the Common Area to such extent as may in the opinion of Landlord's counsel be legally necessary to prevent a dedication thereof or the accrual of any rights of any person or of the public therein; to close temporarily all or any portion of the Common Area to discourage non-customer use; to use portions of the Common Area while engaged in making additional improvements or repairs or alterations to the Shopping Center, and to do and perform such other acts in, to, and with respect to, the Common Area as in the use of good business judgment Landlord shall determine to be appropriate for the Shopping Center.

Landlord shall have the right to increase the size of the Common Area, including the expansion thereof to adjacent property, to reduce the Common Area; to turn Common Area into floor area to be occupied by tenants of the Shopping Center, to rearrange the parking spaces and improvements on the Common Area; and to make such changes therein and thereto from time to time which in its opinion are deemed to be desirable and for the best interests of all persons using the Common Area.

Tenant agrees that it and its concessionaires, agents, employees, and vendors, suppliers, and other independent contractors will use such access roads and will operate trucks and trailers in delivering merchandise to and from the Premises upon and over such access roads as are designated therefor by Landlord as a means of ingress to and egress from the Premises.

12.4 Rules and Regulations. Landlord shall have the right to establish, and from time to time to change, alter, and amend, and to enforce against Tenant and the other users of the Common Area, such reasonable rules and regulations (including the exclusion of employees' parking from the Common Area) as may be deemed necessary or advisable for the proper and efficient operation and maintenance of the Common Area. Such rules and regulations may provide, without limitation, the hours during which the Common Area shall be open for use.

12.5 Parking. Tenant, for the use and benefit of Tenant, its agents, employees, and customers shall have the non-exclusive right in common with Landlord and other tenants and their agents, employees and customers to use parking areas for ingress, egress and automobile parking. Tenant agrees to comply with such reasonable rules and regulations for parking as Landlord may adopt from time to time for the orderly and proper operation of the parking lot. Such rules may include, but shall not be limited to restricting of employee parking to a limited, designated area or areas or prohibiting employee parking on site. Tenant hereby authorizes Landlord to tow away from the Shopping Center at Tenant's expense any improperly parked car or cars belonging to Tenant or Tenant's employees and/or attach violation stickers or notices to such cars. Landlord shall at all times have the right and privilege of determining and changing the nature and extent of the automobile parking as in its opinion are deemed to be desirable and for the best interest of all persons using the Shopping Center and the Common Area.

13. INDEMNITY

Tenant hereby indemnifies and holds Landlord harmless from and against (a) any and all claims arising from Tenant's construction on or use of the Premises for the conduct of its business or from any activity, work, or thing done, permitted or suffered by Tenant and its agents and employees in or about the Premises; (b) any and all claims arising from any breach or default in the performance of any obligation on Tenant's part to be performed under the terms of this Lease, or arising from any act or negligence of Tenant, or any of its agents, contractors, or employees; and (c) all costs, attorneys' fees, expenses, and liabilities incurred by Landlord in defending any such claim or any action or proceeding brought thereon; and in case any action or proceeding be brought against Landlord by reason of any such claim, Tenant, upon notice from Landlord, shall defend the same at Tenant's expense by counsel reasonably satisfactory to Landlord. Tenant, as a material part of the consideration to Landlord, hereby assumes all risks of damage to property or injury to persons, in, upon, or about the Premises from any cause and Tenant hereby waives all claims in respect thereof against Landlord.

14. EXEMPTION OF LANDLORD FROM LIABILITY

Tenant hereby agrees that Landlord shall not be liable for injury or damage which may be sustained by the person, goods, wares, merchandise, or property of Tenant, its employees, invitees, or customers, or by any other person in or about the Premises caused by or resulting from fire, steam, electricity, gas, water, or rain which may leak or flow from or into any part of the Premises, or from the breakage, leakage, obstruction, or other defects of the pipes, sprinklers, wires, appliances, plumbing, air, conditioning, or lighting fixtures whether said damage or injury results from conditions arising upon the Premises or from other sources. Tenant further agrees that Landlord shall not be liable for any damages arising from any act or negligence of any other tenant of the Shopping Center.

15. QUIET POSSESSION

Landlord agrees that Tenant, upon paying the rent and performing the covenants and conditions of this Lease, may quietly have, hold, and enjoy the Premises during the term of this Lease.

16. ESTOPPEL CERTIFICATE

Within ten (10), days after written request by Landlord, Tenant shall execute and deliver to Landlord an estoppel certificate. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Premises or of all or any portion of the Shopping Center of which the Premises is a part. Further, such failure to deliver such statement (showing any exceptions to any of the statements of fact required thereby) shall be a material breach of this Lease and if, after additional written notice from Landlord, Tenant does not deliver such certificate to Landlord within seventy-two (72) hours, Landlord may, in addition to any other remedies it has at law or in equity, terminate this Lease.

17. MECHANIC'S LIENS

Tenant shall keep the Premises and the property on which the Premises is situated, free and clear of all mechanic's liens arising out of any work performed, material furnished, construction done by or for Tenant. Tenant shall have the right to contest the correctness or the validity of any such lien, if immediately on demand by Landlord, Tenant procures and records a lien release bond issued by a corporation authorized to issue surety bonds in California in an amount equal to 1 1/2 times the amount of the claim of lien. The bond shall meet the requirements of Civil Code Section 3143 and shall provide for the payment of any sum that the claimant may recover on the claim together with costs of suit, if they are awarded in such action.

18. ASSIGNMENT AND SUBLETTING

Tenant shall not assign this Lease, or any interest herein, and shall not sublet the Premises, or any part thereof, or permit any other person or entity (except the agents and servants of Tenant) to occupy or use the Premises, or any portion thereof, without first obtaining the written consent of Landlord, which consent shall not be unreasonably withheld. Consent by Landlord to one assignment, subletting, occupational use by another person or entity shall not be deemed to be a consent to any subsequent assignment, subletting, occupation, or use by another person or entity. Consent to an assignment, subletting, or occupation, shall not release the original Tenant from liability for the continued performance of the terms and provisions on the part of Tenant to be kept and performed hereunder.

19. LANDLORD'S ENTRY ON PREMISES

Landlord and its authorized representatives shall have the right to enter the Premises at all reasonable times for any of the following purposes: (a) to determine whether the Premises is in good condition and whether Tenant is complying with its obligations under this Lease; (b) to do any necessary maintenance and to make any restoration to the Premises or the building and other improvements of the Shopping Center in which the Premises is located that Landlord has the right or obligation to perform; (c) to serve, post, or keep posted any notices required or allowed under the provisions of this Lease; (d) to post "for rent" or "for lease" signs during the last three months of the Lease term, or during any period while Tenant is in default; (e) to show the Premises to prospective brokers, agents, buyers, tenants, or persons interested in an exchange, at any time during the Lease term; (f) to shore the foundations, footings, and walls of the Premises or the Shopping Center in which the Premises is located and to erect scaffolding and protective barricades around and about the Premises, but not so as to prevent entry to the Premises, and to do any other act or thing necessary for the safety or preservation of the Premises or the building and other improvements of the Shopping Center in which the Premises is located. If any excavation or other construction is undertaken or is about to be undertaken on any adjacent property or nearby street, Landlord's right under this provision extends to the owner of the adjacent property and the adjacent property owner's authorized representatives.

20. SALE OF PREMISES BY LANDLORD

Notwithstanding anything contained herein to the contrary, Landlord may assign, in whole or in part, Landlord's interest in this Lease, and may sell all or part of the Shopping Center. In the event of any sale or exchange of the Premises by Landlord and/or an assignment by Landlord of this Lease, Landlord shall be and is hereby entirely freed and relieved of all liability under any and all of its covenants and obligations contained in or derived from this Lease arising out of any act, occurrence or omission, relating to the Premises or to this Lease occurring after the consummation of such sale or exchange and/or assignment.

21. SURRENDER OF PREMISES

Immediately upon termination of the Lease term, Tenant shall surrender to Landlord the Premises and all Tenant's improvements and alterations in good condition (except for reasonable wear and tear) except for alterations that Tenant has the right to remove, or is obligated to remove under the provisions of this Lease. Tenant shall remove all its personal property, including trade fixtures. Tenant shall perform all restoration made necessary by the removal of any alterations or Tenant's personal property, including trade fixtures.

If Tenant fails to surrender the Premises to Landlord on expiration or ten (10) days after termination of the Lease term as required by this paragraph, Tenant shall hold Landlord harmless from all damages resulting from Tenant's failure to surrender the Premises, including, without limitation, claims made by a succeeding tenant resulting from Tenant's failure to surrender the Premises.

22. HOLDING OVER

If Tenant, with Landlord's consent, remains in possession of the Premises after expiration or termination of the Lease term, or after the date in any notice given by Landlord to Tenant terminating this Lease, such possession by Tenant shall be deemed to be a month-to-month tenancy, terminable on thirty (30) days notice given at any time by either party. All provisions of this Lease, except those pertaining to term, shall apply to the month-to-month tenancy period. During any such month-to-month tenancy, Tenant shall pay all rent required by this Lease, including Minimum Monthly Rent and additional rent as provided for by the terms of this Lease.

23. MERGER

The voluntary or other surrender of this Lease by Tenant, or mutual cancellation thereof, shall not work as a merger and shall, at the option of Landlord, terminate all or any existing subtenancies, or may, at the option of Landlord, operate as an assignment to Landlord of any or all of such subtenancies.

24. ATTORNEYS' FEES

If either party becomes a party to any litigation concerning this Lease the Premises, the building, or other improvements in which the Premises is located, by reason of any act or omission of the other party or its authorized representatives, and not by any act or omission of the party or its authorized representatives who become a party to that litigation, the party that causes the other party to become involved in the litigation shall be liable to that party for reasonable attorneys' fees and court costs incurred by it in the litigation.

25. NOTICES

Any notice, demand, request, consent, approval of communication that either party desires or is required to give to the other party or any other person shall be in writing and either served personally or sent by prepaid, certified, or registered mail, and shall be addressed to the other party of the address set forth after their signatures at the end of this Lease.

26. SUBORDINATION

This Lease is and shall be subordinate to any encumbrance now of record or recorded after the date of this Lease affecting the building, and other improvements of the Shopping Center of which the Premises is apart. Such subordination is effective without any further act of Tenant. Tenant shall from time to time, on request from Landlord, execute and deliver any documents or instruments that may be required by a lender to effectuate any subordination.

27. WAIVER

No delay or omission in the exercise of any right or remedy of Landlord on any default by Tenant shall impair such a right remedy or be construed as a waiver. The receipt and acceptance of Landlord of delinquent rent shall not constitute a waiver. of any other default; it shall constitute only a waiver of timely payment for the particular rent payment involved. No act or conduct of Landlord, including, without limitation, the acceptance of the Keys to the Premises, shall constitute an acceptance of the surrender of the Premises by Tenant before the expiration of the Lease term. Only a notice from Landlord to Tenant shall constitute acceptance of the surrender of the Premises and accomplish a termination of the Lease. Any waiver by Landlord of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision of the Lease.

28. RECORDATION

This Lease shall not be recorded without Landlord's prior written consent and such recordation without Landlord's consent shall, at Landlord's option, constitute non-curable default. Tenant shall execute and deliver to Landlord on. the expiration or termination of this Lease, immediately upon Landlord's request, a quit claim deed to the Premises, in recordable form, designating Landlord as transferee.

29. ALTERATIONS

29.1 Permitted Alteration. Tenant shall not make any alterations or additions to the Premises nor make any contract therefor without first procuring Landlord's written consent, except for non-structural, interior alterations, improvements, or adjustments costing less than one thousand dollars (\$1,000). All alterations, additions, and improvements made by Tenant to or upon the Premises, including floor coverings, but excluding tight fixtures, signs, cases, counters, or other removable trade fixtures, shall at once when made or installed be deemed to have become the property of Landlord; provided, however, if prior to termination of this Lease, or within ten (10) days thereafter, Landlord so directs by written notice to Tenant, Tenant shall promptly remove the additions, improvements, fixtures, trade fixtures, and installations which were placed in or on the Premises by Tenant and which are designated in said notice and shall repair any damage occasioned by such removal. If Tenant shall fail to remove any such addition, improvement, fixture, or trade fixture as directed by Landlord, Landlord may effect such removal and repair at Tenant's expense.

29.2 Standards of Construction. All work with respect to alterations, additions, and changes shall not diminish the market value of the Premises and shall be done in a good and workmanlike manner and diligently prosecuted to completion to the end that the Improvements on the Premises shall at all times be a complete unit except during the period of work. Any such changes, alterations, and improvements shall be performed and done strictly in accordance with the laws and ordinances relating thereto, and with the requirements of all carriers of Insurance on the Premises and the Board of Underwriters, Fire Rating Bureau, or similar organization. In performing the work of any such alterations, additions, or changes, Tenant shall have the work performed in such a manner so as not to obstruct the access to the Shopping Center of any other tenant in the Shopping Center.

29.3 Notification of Landlord. At least ten (10) days prior to commencing any such work or construction in or about the Premises, Tenant shall notify Landlord in writing of the expected date of commencement thereof. Landlord shall have the right at any time and from time to time to post and maintain on the Premises such notices as Landlord deems necessary to protect the Premises and Landlord or vendors.

29.4 Performance and Completion Bond. Before the commencement of any alterations or additions to the Premises, Tenant, at its sole cost, shall furnish to Landlord a performance and completion bond issued by an insurance company qualified to do business in California, in a sum equal to one and one-half times the cost of the alterations (as determined by the construction contract between Tenant and its contractor) guaranteeing the completion of the alterations or additions free and clear of all liens and other charges, in accordance with the plans and specifications approved by Landlord. The alterations shall be performed in a manner that will not interfere with the quiet enjoyment of the other tenants of the Shopping Center.

30. OPTION TO EXTEND TERM OF LEASE

30.1 Landlord grants to Tenant the option to extend the term of the Lease, beyond the Initial Lease Term, for one (1) additional period of five (5) years.

30.2 Such option shall be personal to the tenant and shall be terminated upon any subletting of the Premises by Tenant.

30.3 Such Option shall be null and void if at anytime during the Initial Lease Term Tenant shall have been in default under this Lease.

30.4 Tenant shall exercise option by notifying Landlord in writing of Tenant's decision to exercise the option no less than one hundred and twenty (120) days or more the one hundred and eighty (180) days from the termination date of the initial Lease term.

30.5 Such option shall be upon the same terms and conditions as herein set forth in this Lease. Notwithstanding the above, at the commencement of each option period, the Minimum Monthly Rent shall be adjusted to be equal to then current market rent ("Market Rent") pursuant to paragraph 30.6 herein; however, the adjusted Minimum Monthly Rent shall never be less than the Minimum Monthly Rent in effect for the month prior to the expiration of the Initial Lease Term plus five percent (5%).

30.6 Market Rent shall be determined by Landlord considering the most recent new leases and renewal leases for comparable space and for a comparable usage in the Shopping Center or in comparable shopping centers within the vicinity of the Shopping Center. At least thirty (30) days prior to the date the Minimum Monthly Rent is to be determined, Landlord shall give Tenant notice (the "Market Rent Notice") of the determination of such Minimum Monthly Rent and the basis upon which Landlord made its determination of such amount. Upon receipt of the Market Rent Notice, Tenant shall pay the Minimum Monthly Rent stated in the Market Rent Notice, effective on the date of the commencement of the applicable extended term.

31. EMINENT DOMAIN

31.1 Definitions of Taking. The term "total taking" means the taking of so much of the Premises by right of eminent domain or other authority of law, including a voluntary transfer under the threat. of the exercise thereof, that the remainder of the Premises is not suitable to conduct the business which Tenant intends to conduct therein. The term "partial taking" means the taking of a portion of the Premises which does not constitute a total taking as above defined.

31.2 Total Taking. If during the term hereof there shall be a total taking by public authority under the power of eminent domain, then this Lease, and the leasehold estate of Tenant in and to the Premises, shall cease and terminate as of the date the condemning authority takes actual physical possession of the Premises.

31.3 Partial Taking. If during the term hereof there shall be a partial taking of the Premises, this Lease, as to the portion of the Premises so taken, shall terminate on the date on which the condemning authority takes actual physical possession of such portion, but this Lease shall continue in full force and effect as to the remainder of the Premises. The Minimum Monthly Rent payable by Tenant for the balance of the term shall be abated in the ratio that the floor area of the Premises taken bears to the total floor area of the Premises immediately prior to such taking, and Landlord shall make all necessary exterior and structural repairs or alterations in order to make the remaining portion of the Premises a complete architectural unit.

31.4 Award. All compensation and damages awarded for the taking of the Premises or any portion thereof shall belong to and be the sole property of Landlord, and Tenant shall not have any claim or be entitled to any award for diminution in value of its leasehold interest hereunder or for the value of any unexpired term of this Lease; provided, however, that Tenant shall be entitled to make its own claim for and receive any award that may be made for Tenant's improvements, or on account of any cost or loss Tenant may sustain in the removal of Tenant's trade fixtures, equipment, and furnishings.

31.5 Proration of Rent. If this Lease is terminated pursuant to the provisions of this Article, then all rentals and other charges payable by Tenant to Landlord hereunder shall be paid up to the date on which possession shall be taken by the condemning authority and any rentals and other charges theretofore paid by Tenant which are applicable to any period subsequent to the date possession is taken, shall be repaid to Tenant by Landlord, and the parties shall thereupon be released from all further liability hereunder.

31.6 Waiver of Rights of Termination. 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.

32. DEFAULT BY TENANT

32.1 The following events shall be deemed to be events of default by Tenant under this Lease:

a. Tenant shall fail to pay any installment of the rent, additional rent, or other charges payable by Tenant, on the date that same is due and such failure shall continue for a period of three (3) days after written notice from Landlord.

b. Tenant shall fail to comply with any term, condition, or covenant of this Lease, other than the payment of rent and shall not cure such failure within ten (10) days after written notice thereof the Tenant, or if such failure cannot reasonably be cured within the said ten (10) days and Tenant shall not have commenced to cure such failure within ten (10) days after written notice thereof to Tenant.

c. Tenant shall become insolvent, or shall make a transfer in fraud of creditors, or shall make an assignment for the benefit of creditors.

d. Tenant shall file a petition under any section or chapter of the National Bankruptcy Act, as amended, or under any similar law or statute of the United States or any State thereof, or Tenant shall be adjudged bankrupt or insolvent in proceedings filed against Tenant thereunder.

e. A receiver or trustee shall be appointed for all or substantially all of the assets of Tenant.

32.2. Upon the occurrence of any of such events or default by Tenant, Landlord shall have the option to pursue any one or more of the following remedies without any notice of demand whatsoever:

a. Terminate this Lease, in which event Tenant shall immediately surrender the Premises to Landlord, and if Tenant fails to do so, Landlord may, without prejudice to any other remedy which it may have for possession or arrearage in rent, enter upon and take possession of the Premises and expel or remove Tenant and any other person who may be occupying said Premises or any part thereof, by force if necessary, without being liable for prosecution of any claim or damages therefore; and Tenant agrees to pay to Landlord on demand the amount of ail loss and damage which Landlord may suffer by reason of such termination, whether through inability to relet the Premises on satisfactory terms or otherwise, including the worth at the time of award of the amount by which the unpaid rent for the balance of the term of the Lease after the time of award exceeds the amount of such rental loss that the Tenant proves could be reasonably avoided, such amount to be computed by discounting the amount at the discount rate of the Federal Reserve Sank of San Francisco at the time of the award, plus one percent (1%).

b. Continue this Lease in full force and effect, and the Lease will continue in effect as long as Landlord does not terminate Tenant's right to possession, and Landlord shall have the right to collect rent when due. During the time Tenant is in default, Landlord can enter. the Premises and relet it or any part of it for a period shorter or longer than the remaining term of this Lease, and Tenant shall pay all costs incurred in reflecting the Premises and the rent due under this Lease, less the rent Landlord receives from subletting. No acts by Landlord allowed by this paragraph shall terminate this Lease unless Landlord notifies Tenant that Landlord elects to terminate this Lease.

c. Enter upon the Premises by force if necessary without being liable for prosecution or any claim for damages therefore, and do whatever Tenant is obligated to do under the terms of this Lease, and Tenant agrees to reimburse Landlord on demand for expenses which Landlord may incur in effecting compliance with Tenant's obligation under this Lease, and Tenant further agrees that Landlord shall not be liable for any damages resulting to the Tenant from such action, whether caused by negligence of Landlord or otherwise.

32.3 Pursuit of any of the foregoing remedies shall not preclude pursuit of any of the other remedies herein provided or any other remedies provided by law, nor shall pursuit of any remedy herein provided or any other remedies provided by law, nor shall pursuit of any remedy herein provided constitute a forfeiture or waiver of any rent due to Landlord hereunder or of any damages accruing to Landlord by reason of the violation of any of the terms, conditions, and covenants herein contained.

32.4 The Tenant's sole remedy in the event of a default by Landlord under this Lease, shall be an action of damages, injunction, or specific performance, and not the withholding of rent or the termination of his Lease.

33. DEFAULTS BY LANDLORD

In the event Landlord shall neglect or fail to perform or observe any of the covenants, provisions, or conditions contained in this Lease on its part to be performed or observed within thirty (30) days after written notice of default (or if more than thirty (30) days shall be required because of the nature of the default, if Landlord shall fail to proceed diligently to cure such default after written notice thereof), then in that event Landlord shall be liable to Tenant for any and all damages sustained by Tenant as a result of Landlord's breach; provided, however, it is expressly understood and agreed that any money judgment resulting from any default or other claim arising under this Lease shall be satisfied only out of the net rents, issues, profits, and other income (called "net income" for purposes of this paragraph only) actually received from the operation of the Shopping Center, and no other real, personal, or mixed property of Landlord (the term "Landlord" for purposes of this paragraph only shall mean any and all partners; both general and/or limited, of any, which comprise Landlord), wherever situated, shall be subject to levy on any such judgment obtained against Landlord, and if such net income is insufficient for the payment of such judgment, Tenant will not institute any further action, suit, claim, or demand, in law or in equity, against Landlord for or on the account of such deficiency. Notwithstanding any provision of this Lease to the contrary, Tenant shall have no right to terminate this Lease in an event of default by Landlord hereunder.

34. EXHIBITS

Any exhibits attached hereto, and addenda and schedules initialed by the parties, are deemed by attachment. to constitute a part of this Lease are incorporated herein.

35. USE OF LANGUAGE

Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular shall be held to include the plural, unless the context otherwise requires.

36. CAPTIONS

The captions or headings of paragraphs in this Lease are inserted for convenience only, and shall not be considered in construing the provisions hereof if any question of intent should arise.

37. ENTIRE AGREEMENT

It is understood that there are no oral agreements or representations between the parties hereto affecting this Lease, and this Lease supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements, or representations and understandings, if any, between the parties hereto, and there are no other representations or warranties between the parties and all reliance with respect to representations is solely upon the representations and agreements contained in this document. This Lease may be modified in writing only, signed by the parties hereto.

38. EXECUTION OF LEASE

The submission of this document for examination and negotiation does not constitute an offer to lease, or a reservation of, or option for, the Premises; and this document shall become effective and binding only upon execution and delivery hereof by Tenant and by Landlord (or, when duly authorized, by Landlord's agent or employee). No act or omission of any agent of Landlord or of Landlord's broker shall alter, change, or modify any of the provisions hereof.

39. WAIVER OF REDEMPTION

Tenant hereby expressly waives any and all rights of redemption granted by or under any present or future laws in the event of Tenant being evicted or dispossessed for any cause, or in the event of Landlord obtaining possession of the Premises by reason of the violation by Tenant of any of the 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.

40. 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; and it is the intention of the parties hereto that if any provision of this Lease is capable of two constructions, only one (1) of which would render the provision valid, then the provision shall have the meaning which renders it valid.

41. NET LEASE

Landlord and Tenant acknowledge that this Lease is a "Net Lease" with respect to taxes, insurance, and other repairs on the Premises as specifically set forth herein and Landlord shall receive all rents and all payments hereunder that Tenant is required to make to Landlord free from any charges, assessments, impositions, expenses, deductions, or offsets.

42. CUMULATIVE REMEDIES

No remedy or election hereunder shall be deemed exclusive, but shall, wherever possible, be cumulative with all other remedies at law or in equity.

43. COVENANTS AND CONDITIONS

Each provision of this Lease performed by Tenant shall be deemed both a covenant and a condition.

44. BINDING EFFECT: CHOICE OF LAW

This Lease shall bind the parties, their personal representatives, successors, and assigns. This Lease shall be governed by the laws of the State of California, and venue shall be San Bernardino County.

45. FORCE MAJEURE

Any prevention, delay, or stoppage due to strikes, lockouts, labor disputes, acts of God, inability to obtain labor or materials or reasonable substitutes therefor, governmental restrictions, governmental regulations, governmental controls, enemy or hostile governmental action, civil commotion, fire, or other casualty, and other causes beyond the reasonable control of the party obligated to perform any term, covenant, or condition of this Lease, shall excuse the performance by such party for a period equal to any such prevention, delay, or stoppage, except the obligations imposed with regard to rental and other charges to be paid by Tenant pursuant to this Lease.

46. BROKERS

Tenant warrants that it has had no dealings with any real estate broker or agents in connection with the negotiation of this Lease it knows of no other real estate broker nor agent who is entitled to a commission in connection with this Lease with the exception of acting on behalf of the Landlord.

47. INTEREST ON UNPAID RENT

Except as expressly provided herein, any amount due to Landlord not paid when due shall bear interest at the maximum legal rate of interest per annum from the date due to the date of payment. Payment of such interest shall not excuse or cure any default by Tenant under this Lease.

48. JOINT AND SEVERAL OBLIGATION

If more than one person or entity is Tenant, the obligations imposed on each such person or entity shall be joint and several.

49. RELOCATION

Landlord reserves and is hereby granted the right upon not less than thirty (30) days written notice to Tenant, to relocate and to substitute as the Premises hereunder other premises within the Center for the premises originally leased hereunder for all uses and purposes as though originally leased to Tenant at the time of the execution hereof; provided, however, that the substituted premises shall contain an area not less than eighty percent (80%) nor greater than one hundred twenty percent (120%) times the square footage contained in the originally leased Premises, with a pro-rata adjustment to Minimum Rent and Additional Rent as described herein as a result of the increase or decrease in the size of the substituted premises.

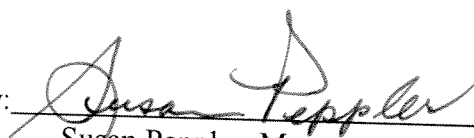
50. SUBMISSION

This document is null and void and shall have no effect whatsoever unless and until countersigned by Landlord.

TENANT: CITY OF REDLANDS

LANDLORD: RYKEN INVESTMENTS

By:


Susan Pepler, Mayor

By:

Donny C. Lee, Owner

ATTEST:


City Clerk

Date: _____

If more than one person or entity is Tenant, the obligations imposed on each such person or entity shall be joint and several.

49. RELOCATION

Landlord reserves and is hereby granted the right upon not less than thirty (30) days written notice to Tenant, to relocate and to substitute as the Premises hereunder other premises within the Center for the premises originally leased hereunder for all uses and purposes as though originally leased to Tenant at the time of the execution hereof; provided, however, that the substituted premises shall contain an area not less than eighty percent (80%) nor greater than one hundred twenty percent (120%) times the square footage contained in the originally leased Premises, with a pro-rata adjustment to Minimum Rent and Additional Rent as described herein as a result of the increase or decrease in the size of the substituted premises.

50. SUBMISSION

This document is null and void and shall have no effect whatsoever unless and until countersigned by Landlord.

TENANT: CITY OF REDLANDS

By: _____
Susan Pepler, Mayor

ATTEST:

City Clerk

LANDLORD: RYKEN INVESTMENTS

By: _____
Donny C. Lee, Owner

Date: 6-28-04