

PROPERTY NO. 13958

60000 NO. 60504

SUFFIX/LEASE NO. _____

NET SUBLEASE

SLR

LEASE AGREEMENT

1. **PARTIES.** This LEASE AGREEMENT is between THE SOUTHLAND CORPORATION, a Texas Corporation, herein referred to as "Landlord", and City of Redlands, herein referred to as "Tenant".
2. **PREMISES.** Landlord hereby leases to Tenant and Tenant leases from Landlord, for the terms and upon the terms and conditions hereinafter set forth, the premises described in Exhibit A and outlined in red on Exhibit B, located at 1381 East Citrus Avenue Redlands, CA, which are attached hereto and made a part hereof, together with the building and other improvements thereon (herein the "Leased Premises").
3. **CONSTRUCTION.** The Tenant accepts the Leased Premises in "AS IS" condition and shall do all things necessary to prepare the Leased Premises for its use. No representation or agreement to perform any work, except as specifically provided for herein, is made by Landlord. Furthermore, Landlord assumes no liability for Tenant's failure or inability to obtain any permits, authorization, licenses or any other governmental approvals necessary for Tenant to occupy the Leased Premises for the purpose herein stated.
4. **TERM.** The term of this lease shall commence on the first day of September, 19 97, and shall continue for a period of two years thereafter, ending on August 31, 19 99, unless sooner terminated or extended as hereinafter provided. Should Tenant actually take possession of the Leased Premises on other than the first day of a calendar month, Tenant agrees to pay a proportionate part of the monthly rental and any other amounts as herein provided for that month only.
5. **RENT.** Tenant agrees to pay to Landlord or its designee a rental of Five Hundred and no/100 dollars (\$ 500.00) plus rent tax, if any, per month for each and every month during the term of this lease, such monthly rental to be paid in advance on or before the first day of each calendar month.

Not later than _____ days after the end of each calendar year, Tenant shall furnish Landlord a statement showing the gross sales (computed as hereinafter provided) made in the store on the Leased Premises during such calendar year. At the time such statement is furnished Tenant agrees to pay to Landlord as additional rent due hereunder, an amount of money equal to _____ percent (_____ %) of such sales, less the total of the monthly rentals paid during the preceding calendar year. In computing sales for the purposes of this provision, Tenant shall take the total amount of all sales of every kind made in the store on the Leased Premises and deduct therefrom the following to the extent that same are included in such total amount: (1) refunds made to customers and (2) sales, excise and gross receipts taxes. Such rental payments may be paid by check and sent to Landlord by ordinary first class mail.

Landlord acknowledges receipt of the sum of Five Hundred and no/100 dollars (\$ 500.00) in payment of the rent due for the first month and the sum of _____ dollars (\$ _____) as a deposit (herein the "Deposit") to secure performance of this lease. Notwithstanding anything contained herein to the contrary or any legal requirement to the contrary, (i) Landlord may commingle the Deposit with any other funds of Landlord whether such funds are of similar or dissimilar origin or purpose, and (ii) no interest shall be earned, paid, payable or owing to Tenant with respect to the Deposit.
6. **USE.** The Leased Premises are to be used for Redlands Police Dept. Sub. Station and for no other purpose whatsoever. Tenant shall at its own cost and expense obtain any and all licenses and permits necessary for such use. In no event shall the Leased Premises be used for the storage or sale of motor fuels or petroleum products.
7. **UTILITIES.** Tenant agrees to pay, before delinquency, all charges for gas, electricity, telephone, water and sewer, refuse collection, and any other utilities used by it.
8. **TAXES.** Landlord agrees to pay or cause to be paid all taxes levied against the Leased Premises. Tenant agrees to pay all taxes levied upon personal property, including trade fixtures and inventory, kept on the Leased Premises by Tenant. Tenant agrees to reimburse Landlord for the real estate taxes levied against the Leased Premises. Tenant agrees that such reimbursement shall be received by Landlord within thirty (30) days after Landlord sends to Tenant a statement showing the amount of taxes due. If the Leased Premises is part of a shopping center, the amount of taxes for which Tenant is liable shall be a percentage of the total amount of said taxes determined by dividing the amount of square feet of floor space leased under this lease by the total amount of square feet of floor space in the said center.
9. **MAINTENANCE.** Landlord agrees to maintain or cause to be maintained the structural soundness of the building. Tenant agrees to repair and maintain in good tenantable condition the Leased Premises and its fixtures.

10. **ALTERATIONS.** Tenant shall not make any alterations, additions or improvements, including any sign, marquee, or awning, without securing Landlord's prior written consent. Any such alterations, additions or improvements shall be made by Tenant in a good workmanlike manner without cost to Landlord and free and clear of mechanics' and materialmen's liens. All alterations, additions or improvements shall become the property of Landlord; however, on written notice to Tenant prior to the expiration of this lease, Tenant agrees to remove said alterations, additions, or improvements and to restore the Leased Premises to their original condition, at Tenant's expense.

11. **TRADE AND OTHER FIXTURES.** Tenant may install or cause to be installed such equipment and trade or other fixtures as are reasonably necessary for the operation of its business. Such equipment and trade or other fixtures shall remain personal property. Upon Tenant's removal of the trade or other fixtures, Tenant shall repair any damage to the Leased Premises caused by such removal.

12. **CASUALTY INSURANCE.** During the complete term of this lease, Tenant agrees at Tenant's expense to procure and maintain a standard "all risk" property insurance policy covering the Leased Premises in an amount not less than 100% of its replacement value and that, subject to the rights of any bona fide first mortgage of the Leased Premises, the proceeds of said insurance shall, at Landlord's option, be used to repair or restore the Leased Premises in the event of damage by fire or other insured peril, or paid directly to Landlord if Landlord exercises its option not to repair or restore the Leased Premises. The policy shall name Landlord and its mortgagee, if applicable, as loss payees under the policy. At the inception of this lease and at least annually thereafter Tenant shall furnish Landlord with a certificate of insurance evidencing the required insurance is in full force and effect and providing that thirty (30) days prior written notice will be given to Landlord before the policy may be cancelled or materially changed.

Upon the occurrence of any casualty or peril, Tenant shall give immediate notice to Landlord. If, in the opinion of Landlord, the Leased Premises are rendered substantially unfit for occupancy or use by any casualty or peril and the Landlord shall decide not to repair or restore the Leased Premises, this lease shall cease and rent shall abate from the occurrence of such casualty or vacation of the Leased Premises, whichever is later. If, in the opinion of Landlord, the Leased Premises are not thereby rendered substantially unfit for occupancy or use, or if rendered substantially unfit for occupancy or use and Landlord has so elected to repair or restore, Landlord shall promptly and diligently cause the premises to be repaired or restored and rent shall equitably abate from the occurrence of such casualty until completion of such repair or restoration.

13. **HOLD HARMLESS.** Landlord shall not be liable to Tenant or Tenant's employees, patrons or visitors for any damage to persons or property caused by any action, omission or negligence of Tenant, its employees, patrons and visitors, and Tenant agrees to hold Landlord harmless from all claims for any such damage; nor shall Landlord be liable for any damage to persons or property due to the Leased Premises or any part or appurtenance thereof being improperly constructed, or being or becoming out of repair, and Tenant accepts said Leased Premises as suitable for the purposes for which the same are leased, and accepts the said Leased Premises and each and every appurtenance thereof and waives defects therein.

14. **LIABILITY INSURANCE.** Tenant agrees at Tenant's expense to procure and maintain continuously throughout the term of this lease, commercial general liability insurance covering the Leased Premises with limits not less than \$1,000,000 combined single limit per occurrence for bodily injury and property damage and subject to a policy aggregate of not less than \$2,000,000 for all occurrences during the policy period. The policy shall be endorsed to include contractual liability for Tenant's indemnity obligations to Landlord as set out in this lease and shall also name Landlord, and its Lessor, if applicable, as additional insureds. If Tenant is engaged in the selling or distributing of alcoholic beverages, the policy shall include coverage for standard liquor liability subject to the same limits as mentioned above. At the inception of this lease and at least annually thereafter, Tenant shall furnish Landlord with a certificate of insurance evidencing the required insurance is in full force and effect and providing that thirty (30) days prior written notice will be given to Landlord before the policy may be cancelled or materially changed.

15. **WAIVER OF SUBROGATION.** Tenant hereby waives on behalf of itself and its insurers (none of which shall ever acquire any claim by subrogation or otherwise), all claims and causes of action against Landlord and its employees for any loss or damage that could be covered by insurance even if not actually so covered. All of Tenant's insurance policies shall contain (and Tenant shall furnish Landlord satisfactory evidence that the policies actually do contain) appropriate provisions or endorsements effectuating the foregoing waiver.

16. **COMPLIANCE WITH LAWS.** Tenant agrees to promptly comply with all applicable and valid laws,

18. **BANKRUPTCY.** Should Tenant make an assignment for benefit of creditors, or be adjudicated bankrupt, such action shall constitute a breach of this lease for which Landlord, at its option, may terminate all rights of Tenant under this lease.

19. **EMINENT DOMAIN.** If all or any part of the Leased Premises is taken under the power of eminent domain or conveyed under threat of condemnation proceedings and Landlord shall determine that the remainder is inadequate or unsatisfactory for the purposes of this lease, which determination shall not be arbitrarily or capriciously made, then this lease shall terminate effective as of the date Tenant is required to give up the right to occupy or use the Leased Premises. Tenant shall have no right to make any claim against Landlord because of such termination.

20. **ATTORNEYS' FEES.** Tenant hereby covenants and agrees to pay Landlord, within ten (10) days of receipt of a statement from Landlord, the amount Landlord has paid or will pay for legal fees, court costs, investigative and related expenses arising from under or relating to any default or alleged default by Tenant under this lease, whether or not Landlord elects to terminate the lease and whether or not a legal proceeding is filed or an action commenced. It is the intent of the parties that the provisions of this paragraph continue after the expiration or earlier termination of this lease.

21. **DEFAULT.** (a) In case of default by the Tenant in any payment of rent or other monetary obligation, Landlord may enforce performance of this lease in any manner provided by law, or at the option of the Landlord, this lease may be forfeited. In the event of any default other than payment of any rent or other monetary obligation and such default continues for a period of ten (10) days after Landlord notifies the Tenant of such default, Landlord may enforce performance of this lease in any manner provided by law, or, at the option of Landlord, declare in the notice that this lease will be forfeited, and upon the expiration of said ten (10) day period (unless Tenant shall have within such period commenced the removal of such default and thereafter shall proceed with due diligence until the default complained of has been removed or cured) this lease shall cease and come to an end as if that were the day originally fixed for the expiration of the term thereof, and Landlord's agent or attorney shall have the right without further notice or demand to re-enter and remove all persons from the Leased Premises without being deemed guilty of any manner of trespass and without prejudice to any remedies for arrears of rent and/or any other amounts due from Tenant, or breach of covenant, or Landlord's agent or attorney may resume possession of the Leased Premises and relet the same for the remainder of the term at the best rental such agent or attorney may obtain for the account of the Tenant, who shall pay to the Landlord any deficiency, and Landlord shall have a lien as security for the rent reserved upon all the goods, wares, chattels, implements, machinery, equipment, fixtures, tools and other personal property belonging to Tenant which are or may be put upon the Leased Premises.

Rent or any other amounts payable to Landlord not paid when due shall bear interest from the date due until paid at 10% per annum or the maximum rate then permitted by law.

(b) **Chronic Delinquency.** In the event the Tenant defaults in its obligations under this lease more than three (3) times in any twelve-month period at any time during the term or any extended term of this lease, and based upon at least three (3) of any such defaults in any twelve-month period Landlord serves Tenant with a notice or notices pursuant to civil procedures prescribed by law, then (i) upon the service of the third such notice, any option to extend the term of this lease granted to Tenant shall become automatically null and void and of no further force or effect, and (ii) upon the occurrence of any additional default within such twelve-month period that results in the service of an additional notice by Landlord, the minimum monthly rent and percentage rent payable by Tenant shall immediately become due and payable quarterly in advance, throughout the remainder of the term and any extended term hereof.

~~22. **SUBLEASE.** This lease is in fact a sublease. Tenant accepts this lease subject to all of the terms and conditions of the underlying lease attached hereto as Exhibit C under which Landlord holds the Leased Premises as lessee. Tenant covenants that it will do no act or thing which shall constitute a violation by Landlord of its obligations under such underlying lease.~~

~~(a) It is expressly understood and agreed that, as this is a sublease, the obligations of Landlord are merely those of the tenant under the underlying lease and are assumed only to the extent that the lessor under the underlying lease (the "Lessor") shall duly perform its covenants and obligations thereunder. So long as Landlord shall not be in default under any of the covenants or obligations of the underlying lease, Landlord shall not be liable to Tenant for any default or failure on behalf of the Lessor in the performance by the Lessor of its covenants and obligations under the underlying lease and Tenant agrees to look solely to the Lessor for the performance of any Lessor covenants, agreements or obligations contained in the underlying lease and Landlord shall have no duty or obligation to perform same.~~

~~(b) The obligations of Landlord under this lease shall be the same as the obligations of Landlord under the underlying lease.~~

23. **HOLDING OVER.** Should Tenant hold over the Leased Premises, or any part thereof, after the expiration of the term of this lease, unless otherwise agreed in writing, such holding over (except when any underlying lease shall have expired, in which event such holding over shall not be permitted) shall constitute and be construed as a tenancy from month to month only, at a monthly rental equal to the rent paid for the last month of the term of this lease plus two hundred percent (200%) of such amount.

24. **NOTICES.** Any notices required or permitted hereunder shall be in writing and delivered either in person to the other party or the other party's authorized agent, or by United States Certified Mail, Return Receipt Requested, postage fully prepaid, to the addressee set forth hereinafter, or to such other address as the parties may mutually agree by amendment of this lease.

LANDLORD: THE SOUTHLAND CORPORATION
Attn: Real Estate Services
2711 North Haskell Avenue
Dallas, Texas 75204

TENANT: City of Redlands
35 Cajon Street, P. O. Box 3005
Redlands, CA 92373

SS#/Tax I.D. _____

25. **COMPLETE AGREEMENT.** This lease contains a complete expression of the agreement between the parties and there are no promises, representations or inducements except such as are herein provided. This lease merges all prior negotiations and understandings between the parties and constitutes their entire contract which is binding upon Tenant and the heirs, executors, administrators, successors and assigns of Tenant when executed by Tenant, and is binding upon Landlord, its successors and assigns, only if executed by a Vice President or Attorney-in-Fact of Landlord, regardless of any written or verbal representation of any agent, manager or other employee of Landlord to the contrary.

26. **NON-WAIVER.** The waiver by Landlord of any breach of any term, covenant, or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant, or condition of this lease, other than the failure of Tenant to pay the particular rental so accepted, regardless of the Landlord's knowledge of such preceding breach at the time of acceptance of such rent.

27. Tenant and Landlord covenant, warrant and represent that to their knowledge, there is no broker other than Independent Development Company (herein the "Broker") involved in the negotiations or consummation of this lease. Landlord shall pay the commission in accordance with a separate agreement between Landlord and Broker. Tenant and Landlord agree to hold the other harmless against any claim by another broker for a commission resulting from any act of it.

EXECUTED by LANDLORD this _____ day of _____, 19 _____.

THE SOUTHLAND CORPORATION

Assistant Secretary

By _____ (Seal)

Vice President or
Attorney-in-Fact

~~Schedule "A"~~
EXHIBIT A
LEGAL DESCRIPTION

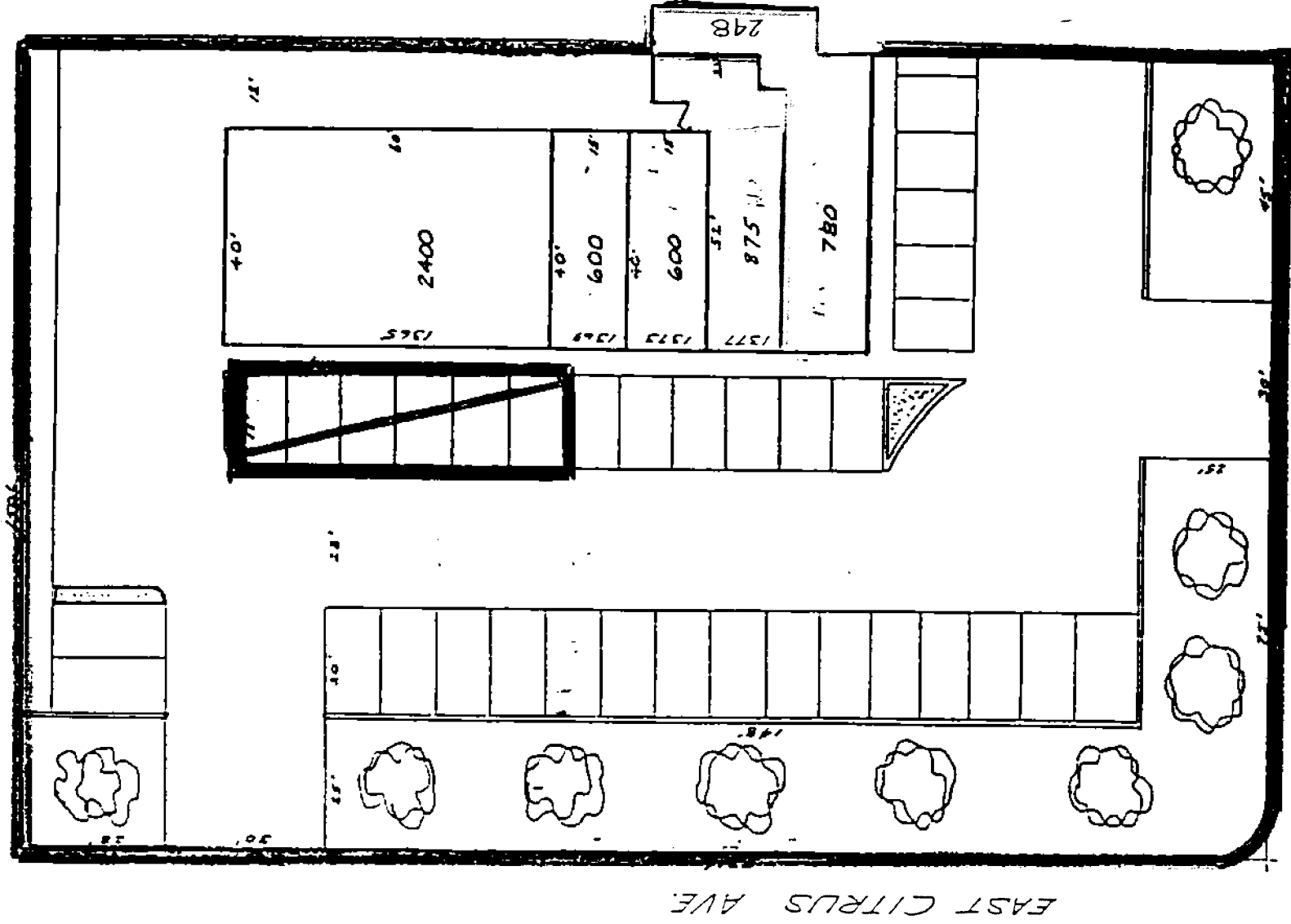
Parcel "A"

All that portion of Block "O" of Lugonia Park, in the City of Redlands, County of San Bernardino, State of California, as per plat recorded in Book 4 of Maps, Page 50, records of said County, more particularly described as follows:

COMMENCING at the Northeast corner of said Block "O" of Lugonia Park being also the Northeast corner of Woehr Tract, being a replat of Lots 4 to 19, inclusive, of said Block "O" of Lugonia Park as per plat recorded in Book 14 of Maps, page 15, records of said County; thence North $89^{\circ}00'00''$ West, along the North line of said Block "O", a distance of 241.12 feet to a point in a line parallel with and distant 538.00 feet Easterly, measured at right angles from the most Westerly line of Lots 4 and 19 of said Block "O"; thence South $0^{\circ}13'15''$ West, along said parallel line, a distance of 335.20 feet to the True Point of Beginning; thence continuing South $0^{\circ}13'15''$ West, along said parallel line, a distance of 150.00 feet to a point on a line parallel with and distant of 44.00 feet Northerly, measured at right angles from the center line of Citrus Avenue; thence North $89^{\circ}34'15''$ East, along said parallel line, a distance of 93.20 feet to a point on a line parallel with and distant of 181.75 feet Westerly, measured at right angles from the center line of Judson Street; thence North $0^{\circ}14'15''$ West, along said parallel line a distance of 149.69 feet; thence South $89^{\circ}45'45''$ West, a distance of 92.00 feet to the True Point of Beginning.

THE LEASED PREMISES DESCRIBED IN THE LEASE ATTACHED HERETO IS THAT PORTION OF THE ABOVE DESCRIBED PROPERTY AS OUTLINED IN "RED" ON ATTACHED ~~SCHEDULE "B"~~ EXHIBIT "B".

INITIAL
<i>[Signature]</i>
INITIAL



15 NOSON ST.

EXHIBIT B



INITIAL	<i>[Signature]</i>	INITIAL	
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ADDENDUM

ATTACHED HERETO and made a part thereof, of that certain lease agreement dated 8/5/97 by and between THE SOUTHLAND CORPORATION, a Texas corporation, referred to as LANDLORD and City of Redlands, referred to hereinafter as TENANT.

29. CALIFORNIA CIVIL CODE 0 179 BAD CHECKS - PUNITIVE DAMAGES. Notwithstanding any penal sanctions which may apply, any person who makes, utters, draws, or delivers any check, or draft, or order upon any bank or depository, or person, or firm, or corporation, for the payment of money, which refuses to honor the same for lack of funds or credit to pay, or because the maker has no account with the drawee, and who fails to pay same amount in cash to payee within 30 days following a written demand therefor delivered to the maker by certified mail, shall be liable to the payee, in addition to the amount owing, but in no case less than one hundred dollar (\$100.00) and in no case more than five hundred dollars (\$500.00).

A cause of action under this section may be brought in small claims court, if it does not exceed the jurisdiction of that court, or in any other appropriate court.

30. EXCLUSIVE. TENANT agrees that during the term of this lease and extensions hereof no occupant of the herein leased building shall operate pinball machines and electronic games or shall be allowed to sell any item offered for sale in a 7-Eleven store.

TENANT agrees to protect LANDLORD'S exclusive right to sell such items in any future sales of his business or assignment of his interest in this lease agreement to another party. If a court shall find theses covenants unenforceable in any way, they shall remain in effect as enforceable.

31. EXCLUSIVE PARKING. The parking spaces located directly in front of the 7-Eleven Store, as outlined in green on Exhibit B attached hereto shall be for the exclusive use of LANDLORD and LANDLORD'S franchisees, employees, customers and invitees. All remaining parking stalls shall be for the non-exclusive use of LANDLORD and TENANT.

