

LEASE AGREEMENT

BY AND BETWEEN

**COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF BANNING**

AS OWNER

AND

**BANNING CULTURAL ARTS ALLIANCE
a California Non Profit Corporation**

AS TENANT

LEASE AGREEMENT

THIS LEASE AGREEMENT ("Lease") is made and entered on the 1st day of AUGUST, 2009, by and between the COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF BANNING, a public body, corporate and politic ("Owner"), and BANNING CULTURAL ARTS ALLIANCE, a California Non-Profit Corporation ("Tenant").

ARTICLE I BASIC LEASE PROVISIONS

SECTION 1.01. Commencement of Term. The term shall commence on August 1, 2009 ("Commencement Date").

SECTION 1.02. Expiration of Term. The term shall automatically expire 180 months from the commencement date unless extended by mutual agreement of the parties, which agreement the parties shall memorialize in an amendment to this Lease.

SECTION 1.03. Real Property Subject to Lease. 128-130 North San Gorgonio Avenue, Banning, California, 92220 in the County of Riverside, State of California ("Premises"). The Premises shall include and encompass the area as described in Exhibit A (Site Map).

SECTION 1.04. Tenant's Improvements to the Premises. Tenant shall be responsible for the completion of the certain improvements to the Premises, as more particularly defined and described in Exhibit B (Tenant's Work).

SECTION 1.05. Time to Complete Tenant's Work. Tenant shall complete all improvements within 365 days after the Commencement Date, unless extended by mutual agreement of the parties.

SECTION 1.06. Rent Commencement Date. As defined in Section 4.01.

SECTION 1.07. Minimum Rent. The minimum rent to be paid by Tenant during the term of this lease shall be as set forth in Exhibit C (Rental Schedule)

SECTION 1.08. Use of Premises. The first floor of the Premises shall be used and occupied for the operation of an art gallery and community arts center, including but not limited to, the display of art, hosting work of resident artists, hosting fundraising and charitable events, performing arts showcase and art shows ("Center for the Arts"). The second floor of the Premises shall be used for storage and residential housing as determined by Tenant. The Premises shall be used solely for the uses stated above and for no other use or purpose Tenant shall continuously and uninterruptedly occupy and use the

entire leased premises for said purpose and maintain adequate personnel for the efficient service of clients or customers. Tenant shall not use nor permit the use of the whole or any part of the premises for any other purpose without the Landlord's prior written consent.

SECTION 1.09. Security Deposit. Tenant shall deposit the sum of \$100 as a security deposit at least 10 days prior to the Rent Commencement Date. (See Section 9.01)

SECTION 1.10. Address for Notices to Tenant. Banning Cultural Arts Alliance:

ATTN: Carol Newkirk
TITLE: Executive Director
ADDRESS 175 W. Hays St, P.O.Box 385, Banning CA 92220
Telephone Number: 951-922-4911

ARTICLE II LEASED PREMISES

Section 2.01. Leased Premises.

Owner hereby leases to Tenant, and Tenant hereby rents from Owner, all of those certain premises and improvements located in the Premises, consisting of building space having a first floor area of approximately 5750 square feet. "Floor Area" means all areas designated by Owner for the exclusive use of or control by Tenant. In addition to the Floor Area of the Premises, Tenant shall have the right to utilize the exterior area of the Premises for parking and other purposes ("Outdoor Area"). The size and location of, and improvements to, the Outdoor Area shall be mutually agreed upon by Tenant and Landlord prior to the commencement of this lease. The approximate boundaries and location of the Floor Area and Outdoor Area shall be depicted on the Site Plan of the Premises, which is attached hereto as Exhibit "A", and incorporated by reference as though fully set forth.

Section 2.02. Conditions of Record.

Owner's Title is subject to: (a) the effect of any covenants, conditions, restrictions, easements, development agreements, mortgages or deeds of trust, ground leases, rights of way, and other matters or documents of record now or hereafter recorded against Owner's title, provided Owner provides Tenant with notice of the recording of and a copy of any such documents to be recorded after the Commencement Date within fifteen (15) days of such recording, (b) the effects of any zoning laws of the city, county and state where the premises are situated, and (c) general and special taxes and assessments not delinquent. Tenant agrees (i) that as to its leasehold estate it, and all persons in possession or holding under it, will conform to and will not violate said matters of record, and (ii) that this Lease is and shall be subordinate to said matters of record and any amendments or modifications thereto.

ARTICLE III TERM

Section 3.01. Commencement of Term.

This Lease shall be effective upon mutual execution. The term of this Lease (the "Term") shall commence as specified in Section 1.01 and shall continue until termination as specified in Section 1.02, unless sooner terminated in accordance with the provisions of this Lease. The tenant's obligation to pay rent as specified in Section 1.07 shall be computed from the first day of the month following the Rent Commencement Date. If the Term commences prior to Tenant's obligation to pay rent, Tenant shall be required to pay all sums set forth in Section 1.07 of this Lease on the day the Term commences. Upon request of Owner, Tenant shall execute a written confirmation of the commencement of the Term and the Rent Commencement Date upon a form to be supplied by Owner.

ARTICLE IV RENT

Section 4.01. Rent Commencement Date.

Tenant's obligation to pay Minimum Rent under this Lease shall commence one year and one month (395 days) following the Commencement Date, to allow Tenant to commence Tenant's Work (the "Rent Commencement Date"). If the Rent Commencement Date does not occur on the first day of the month, Tenant shall pay rent for the fractional month on a per diem basis (calculated on the basis of a thirty day month) until the first day of the month next succeeding the date Tenant's obligation to pay rent commences. The Minimum Rent shall be paid thereafter in designated monthly installments on or before the first day of each month in advance without demand or offset in accordance with the Rental Schedule, Exhibit C which is attached hereto and incorporated by reference as though fully set forth. The Minimum Rent to be paid by Tenant during the Term of this Lease is set forth in Section 1.07.

Section 4.02. Additional Rent.

All other sums required to be paid by Tenant to Owner pursuant to this Lease in addition to Minimum Rent whether or not designated as rent, shall be deemed to be "additional rent". The term "Rent" as used in this Lease means Minimum Rent and additional rent, unless otherwise specified. Rent for any period which is for less than one (1) month shall be prorated portion of the monthly rent installment based upon a thirty (30) day month.

Section 4.03. Late Payment.

If the Tenant fails to pay the Minimum Rent or any installment thereof, if any, or any other additional rent due under this Lease within ten (10) days after such Rent has become due, both Tenant and Owner agree that Owner will incur additional expenses consisting of extra collection efforts, handling costs and potential impairment of credit on loans which may be secured by this Lease. Both parties agree that should Tenant fail to pay its Rent, Owner is entitled to compensation for detriment caused by the failure, but that it is extremely difficult and impractical to ascertain the extent of the detriment. The

parties therefore agree that should Tenant fail to pay any Rent due hereunder within ten (10) days after the same becomes due, Owner shall be entitled to recover from Tenant five percent (5%) of the amount past due as liquidated damages. Such past due amounts shall also bear interest at the maximum rate allowed by law from the date due until paid. Tenant further agrees to pay Owner any reasonable costs actually incurred by Owner in the collection of such past due Rent including, but not limited to, costs, reasonable fees of an attorney and/or collection agency. Nothing herein contained shall limit any other remedy of Owner under this Lease. Owner shall also have the right to require Tenant to pay any past due sums by cashier's check or money order.

Further, should Tenant fail to pay Rent or any other charges due hereunder in the time periods set forth herein, three (3) or more times during any calendar year of the Term, Owner may require Tenant to thereafter pay Rent in quarterly installments in advance for the balance of the Term.

ARTICLE V CONSTRUCTION OF LEASED PREMISES

Section 5.01. Owner's and Tenant's Obligations.

Tenant, at its own cost and expense, shall develop Tenant's Work and other improvements on the Premises in accordance with plans and specifications prepared by Tenant or Tenant's architect and approved by owner. Tenant shall also obtain any necessary permits, fees or applications for such work, or any work in addition to any of the items listed in Exhibit B at its sole cost and expense. Owner reserves the right to waive any fees which may be assessed by the City of Banning associated with the completion of Tenant's Work. Owner shall not be responsible for any construction related activities.

Section 5.02. Possession.

Upon execution of this Lease, Owner shall deliver possession of the Premises to Tenant. Owner warrants the Premises against latent defects for a period of one (1) year from the date of Tenant's possession, except that if a latent defect could not have been reasonably discovered during the one (1) year period, then Owner's warranty for such item(s) shall run from the date earlier of Tenant's actual discovery or the date the latent defect reasonably should have been discovered, and further except that after Tenant commences Tenant's Work, any portion of the Premises affected by Tenant's work shall not be subject to Owner's warranty.

Section 5.03. Commencement of Construction and Completion.

Prior to commencement of Tenant's Work, Tenant shall notify Owner in writing of the date Tenant will commence construction. Tenant's contractor shall commence the construction of Tenant's Work promptly upon possession of the Premises by Tenant and shall diligently pursue such construction to completion. Tenant shall comply with all conditions of Exhibit B. Tenant shall record within ten (10) days of completion of Tenant's Work, a valid Notice of Completion and thereafter deliver to Owner a certified copy of such Notice along with final lien releases for all contractors, subcontractors, materialmen and suppliers covering all improvements and work performed by Tenant and/or Tenant's contractor on the Premises.

ARTICLE VI RECORDS AND BOOKS OF ACCOUNT

Section 6.01. Tenant's Records.

Tenant shall maintain and keep on the Premises or at Tenant's principal office in California for a period of not less than three (3) years following the end of each year during the Term, financial records adequate to provide the Annual Balance Sheet and records Owner may request under Section 6.02 of this Lease.

Section 6.02. Annual Balance Sheet

Tenant shall provide Owner, whenever reasonably requested by Owner, a current annual balance sheet for Tenant's business at the Premises, either certified by Tenant or if Tenant is a corporation, by Tenant's chief financial officer, to be true and correct or accompanied by a report of an independent certified public accountant.

ARTICLE VII TAXES

Section 7.01. Real Property Taxes.

Tenant agrees to pay all general and special real property taxes and assessments and governmental levies and charges of any and every kind, nature and sort whatsoever, ordinary and extraordinary, foreseen and unforeseen, and substitutes therefor or supplements thereto, including the cost to Owner of any appeals or contests of any taxes or assessments (except any inheritance, estate, succession, transfer or gift tax) imposed on Owner or any income tax specifically payable by Owner as a separate tax-paying entity without regard to Owner's income source as arising from or out of the Premises (collectively "Real Property Taxes") which may be levied or assessed by any lawful authority against the Premises applicable to the period from the commencement of the Term until the expiration or sooner termination of this Lease. Owner reserves the right to waive any and all taxes and/or assessments which may be imposed by the City of Banning.

Real Property Taxes for the tax year in which the Term commences and for the tax year in which this Lease terminates shall be apportioned and adjusted so that Tenant shall not be responsible for taxes and assessments for a period of time occurring prior to the time the Term commences or subsequent to the Term.

The amount to be paid pursuant to the provisions of this Section 7.01 shall be paid monthly in advance without demand or offset as estimated by Owner based on the most recent tax bills and estimates or reappraised values (if reappraisal is to occur), commencing with the month (or partial month on a prorated basis if such be the case) that the Term commences.

If at any time during the Term, a tax, fee or excise is levied or assessed by any political body against Owner on account of rent payable to Owner hereunder, the square footage of the Premises, the act of entering into this Lease or the occupancy of Tenant or any other tax however described or any tax based on or measured by expenditures made by Tenant on behalf of Owner, including the so-called value added tax, such tax, fee or

excise shall be considered "Real Property Taxes" for purposes of this Section 7.01, and shall be payable in full by Tenant. At Owner's option, such taxes, fees or excises shall be payable monthly in advance on an estimated basis as provided in this Section 7.01 or shall be payable within ten (10) days after Tenant's receipt of the tax bill therefor from Owner.

Section 7.02. Increase in Taxes.

In addition to the Real Property Taxes described above in Section 7.01, Tenant shall pay one hundred percent (100%) of any increase in Real Property Taxes as a result of any Tenant's Work or any other leasehold improvements, alterations or changes made by Tenant to the Premises during the Term. Tenant shall reimburse Owner within fifteen (15) days from Tenant's receipt of a billing for such amounts by Owner.

Section 7.03. Personal Property Taxes.

Tenant shall pay prior to delinquency all federal, municipal, county or state taxes, charges, assessments and fees assessed during the Term against any leasehold interest or personal property of any kind, owned by or placed in, upon or about the Premises by Tenant.

ARTICLE VIII SECURITY DEPOSIT

Section 8.01. Amount of Deposit.

Upon signing this Lease, and at least 10 days prior to the Rent Commencement Date Tenant shall deposit with Owner the sum set forth in Section 1.09 herein ("Security Deposit"). This Security Deposit shall be held by Owner, without liability for interest, as partial security for the full and faithful performance by Tenant of all the terms, covenants, and conditions of this Lease to be performed by Tenant. Owner may commingle the Security Deposit and shall not be required to keep it separate from its general funds.

Section 8.02. Use and Return of Deposit.

In the event of the failure of Tenant to abide by any of the terms, covenants and conditions of this Lease, then Owner, at its option, may use any amount of the Security Deposit to compensate Owner for any loss or damage sustained or suffered due to such failure by Tenant. The entire Security Deposit, or any portion thereof, may also be applied by Owner to the payment of overdue rent or other sums due and payable to owner by Tenant hereunder. In this event, Tenant, upon the written demand of Owner, shall immediately remit to Owner a sufficient amount in the form of a cashier's check to restore the Security Deposit to the original sum deposited. Failure to do so within ten (10) days after receipt such demand shall constitute a material breach of this Lease. Provided Tenant is not then in Default of the terms, covenants, and conditions of this Lease, Owner shall return the Security Deposit, less allowable offsets, to Tenant promptly at the end of the Term within the time afforded under the applicable law or if no time is provided thereunder, then within thirty (30) days.

Section 8.03. Transfer of Security Deposit.

Owner shall deliver the Security Deposit to the purchaser of Owner's interest in the Premises, in the event that such interest is sold, and upon delivery, Owner shall be

discharged from any further liability with respect to repayment of the Security Deposit to Tenant.

ARTICLE IX CONDUCT OF BUSINESS BY TENANT

Section 9.01. Use of Premises.

Tenant shall use the Premises solely for the use specified in Sections 1.08 and 9.02, respectively, herein, and for no other purpose. Notwithstanding the foregoing, Tenant shall have the right to sublease Floor Area on the second floor of the Premises to residential tenants.

Tenant shall not (a) do or permit anything to be done in or about the Premises which will in any way obstruct or interfere with the rights of other occupants of the Property (should Tenant sublease any portion of the second floor) or injure or annoy them, (b) cause, maintain or permit any nuisance in, on or about the Premises, (c) use or allow the Premises to be used for any unlawful purpose, (d) commit or allow to be committed any waste in or upon the Premises, (e) display or allow pallets, materials or similar items owned by or within the control of Tenant to be stored or to remain outside the defined exterior walls and permanent doorways of the Premises, or (f) install any exterior lighting, amplifier or similar devices, or use in or about the Premises except with the express written permission of Owner. Tenant shall at all times keep the Premises in a neat and attractive appearance.

Tenant shall not use, or permit the Premises, or any part thereof, to be used for any purposes other than the purposes for which the Premises are hereby leased. No gaming machines (slots or otherwise) and/or arcade amusement machines (pinball, video, etc.) shall be permitted on the Premises. No use shall be made or permitted to be made of the Premises, nor acts done, which will increase the existing rate of insurance upon the Premises, or cause a cancellation of any insurance policy covering the Premises or any part thereof. Tenant shall not sell or permit to be kept, used, stored or sold in or about the Premises any article, which may be prohibited by standard form fire insurance policies. Tenant, at its sole cost, shall comply with any and all laws concerning the Premises or Tenant's use of the Premises, including, without limitation, the obligation at Tenant's cost to alter, maintain or improve the Premises in compliance with and conformity with all laws relating to the condition, use or occupancy of the Premises during the term (including the Americans With Disabilities Act). Tenant shall also comply with the requirements of any insurance organization or company necessary for the maintenance of the fire and public liability insurance described in this Lease covering the Building and its appurtenances. If Tenant's use of the Premises results in a rate increase for the Premises, Tenant shall pay within ten (10) days of billing from Owner, as additional rent, a sum equal to the additional premium caused by such rate increase.

Section 9.02. Operation of Business.

Tenant shall open for business in the Premises no later than the Rent Commencement Date and shall thereafter operate continuously for business to the public in the Premises. Tenant shall conduct its business in the Premises during the usual and customary days and hours for such type of business. Tenant's obligation to continuously operate its business in the Premises shall not apply if the Premises should be closed and the business of Tenant temporarily discontinued therein for not more than three (3) days

out of respect to the memory of any deceased officer or employee of Tenant, or the relative of any such officer or employee.

Section 9.03. Compliance with Environmental Laws.

Tenant at all times and in all respects shall comply with all federal, state and local laws, ordinances and regulations ("Hazardous Materials Laws") relating to industrial hygiene, environmental protection or the use, generation, manufacture, storage, disposal or transportation of any hazardous, toxic, contaminated or polluting materials, substances or wastes, including, without limitation, oil or other petroleum products, flammable explosives, asbestos, or any "hazardous substances," "hazardous wastes," "hazardous materials" or "toxic substances" regulated under any Hazardous Material Law (collectively, "Hazardous Materials"). Tenant at its own expense shall procure, maintain in effect and comply with all conditions of any and all permits, licenses and other governmental and regulatory approvals required for Tenant's use of the Premises. In all respects, Tenant shall handle, treat, deal with, manage and dispose of any and all Hazardous Materials in total conformity with all applicable Hazardous Materials Laws and prudent industry practices. Upon expiration or earlier termination of the term of the Lease, Tenant shall cause all Hazardous Materials to be removed from the Premises and transported for use, storage, or disposal in accordance and compliance with all applicable Hazardous Materials Laws. If Tenant fails to do so, Owner may remove such Hazardous Materials at Tenant's expense.

If at any time it reasonably appears to Owner that Tenant is not maintaining sufficient insurance or other means of financial capacity to enable Tenant to fulfill its obligations to Owner in connection with this Section 9.03, whether or not then accrued, liquidated, conditional or contingent, Tenant shall procure and thereafter maintain in full force and effect such insurance or other form of financial assurance, with or from companies or persons and in forms reasonably acceptable to Owner, as Owner may from time to time reasonably request.

ARTICLE X MAINTENANCE AND REPAIRS

Section 10.01. Owner's Right of Entry.

Owner, its agents, contractors, employees and assigns may enter the Premises at such times as may be prearranged with Tenant upon not less than forty-eight (48) hours prior notice (a) to examine the Premises; (b) to perform any obligation of, or exercise any right or remedy of, Owner under this Lease; (c) to show prospective tenants the Premises during the last six (6) months of the Term; and (d) to post leasing signs during the last three (3) months of the Term. Owner's entry and any work conducted by Owner or its contractors shall be performed without interruption or unreasonable interference with Tenant's ability to operate its business and to remain open to the public for business.

Section 10.02. Tenant's Maintenance Obligations.

Tenant, at its sole cost and expense, shall keep the Premises (including any subleased space on the second floor of the Premises) in reasonable order, condition and repair and shall make all replacements necessary to keep the Premises in such condition. All replacements shall be of a quality equal to or exceeding that of the original. Should Tenant fail to make these repairs and replacements or otherwise so maintain the Premises for a period of fifteen (15) days after written demand by Owner, or should Tenant commence, but fail to complete, any repairs or replacements within sixty (60) days after written demand by Owner, Owner may enter the Premises and make such repairs or

replacements without liability to Tenant for any loss or damage that may occur to Tenant's stock or business, and Tenant shall pay to Owner the costs incurred by Owner in making such repairs or replacements together with interest thereon at the maximum rate permitted by law from the date of commencement of the work until repaid. Tenant, at its expense, shall repair promptly any damage to the Premises caused by Tenant or its agents, employees, or sublessors, or caused by the installation or removal of Tenant's personal property. Tenant shall contract with a service company licensed and experienced in servicing HVAC equipment and approved by Owner for the quarterly maintenance of the HVAC equipment serving the Premises and shall provide Owner with a copy of the service contract within ten (10) days following its execution. Owner, at its option, may contract with a service company of its own choosing, or provide such service itself, for the maintenance of the HVAC equipment, and bill Tenant for the cost of same.

Tenant, at its own expense, shall comply with all requirements for the installation and periodic maintenance of the fire extinguisher or automatic dry chemical extinguishing system.

Section 10.03. Plate Glass.

Tenant shall promptly replace, at its expense, any and all plate and other glass damaged or broken from any cause whatsoever (except Owner's direct act) in and about the Premises. Tenant shall have the option either to insure this risk or self-insure.

ARTICLE XI UTILITIES

Section 11.01. Utility Charges.

Tenant shall be solely responsible for and shall promptly pay all charges for heat, water, gas, electricity, fire sprinkler, fire alarm, trash, sewer or any other utility used, consumed or provided in, or furnished, or attributable to the Premises at the rates charged by the supplying utility companies. Should Owner elect to supply any or all of such utilities, Tenant agrees to purchase and pay for the same as additional rent as apportioned by the Owner. The rate to be charged by Owner to Tenant shall not exceed the rate charged Owner by any supplying utility plus any expenses incurred by Owner in connection with billing and supplying such utility service to Tenant. In no event shall Owner be liable for any interruption or failure in the supply of any such utilities to the Premises. Tenant agrees to reimburse Owner within ten (10) days of billing for fixture charges and/or water tariffs, if applicable, which are charged by local utility companies. Owner will notify Tenant of this charge as soon as it becomes known. This charge will increase or decrease with current charges being charged Owner by the local utility company, and will be due as additional rent. Tenant shall be responsible for sewer hook-up fees associated with Tenant's use of the Premises other than the fees for a standard retail shell.

ARTICLE XII ALTERATIONS AND SIGNS

Section 12.01. Installation.

Except for Tenant's Work and any additional alterations, additions or improvements for Premises which Owner approves in writing, Tenant shall not make or cause to be made any alterations, additions or improvements or install or cause to be

installed any trade fixtures, exterior signs, floor covering, interior lighting, plumbing fixtures, shades or awnings in or on the Premises. Concurrently with the request for approval, Tenant shall deliver to Owner two (2) sets of complete plans and specifications for such work prepared by a licensed architect and if applicable, engineer. If required by Owner, Tenant shall also provide security for the lien free completion of such work in the form of a payment and performance bond or other security satisfactory to Owner.

Section 12.02. Removal by Tenant.

All alterations, decorations, additions and improvements made by the Tenant, or made by the Owner on the Tenant's behalf by agreement under this Lease, shall remain the property of the Tenant for the Term, or any extension or renewal thereof. Any alterations, decorations, additions and improvements made by Tenant, if applicable, shall not be removed from the Premises without Owner's prior written consent. During the Term, Tenant shall not remove any of its trade fixtures or other personal property, without the prompt replacement thereof with reasonably comparable fixtures or property, provided such fixtures or property are necessary, in Tenant's business judgment, to the continued operation of Tenant's business. Upon expiration of this Lease, or any renewal term thereof, at Owner's option and with the exception of Tenant's Work, Tenant shall remove all such alterations, decorations, additions, and improvements, and restore the Premises as provided in Section 12.01 hereof. If the Tenant fails to remove such alterations, decorations, additions and improvements and restore the Premises, then upon the expiration of this Lease, and upon Tenant's vacation of the Premises, all such alterations, decorations, additions and improvements shall become the property of Owner and Tenant shall reimburse Owner for the cost of removal and/or storage of such alterations, decorations, additions and improvements.

Section 12.03. Liens.

Tenant shall keep the Premises free from any kinds of liens arising out of work performed or materials furnished Tenant and shall promptly pay all contractors and materialmen used by Tenant to improve the Premises, so as to minimize the possibility of a lien attaching thereto. If any such lien be made or filed, Tenant shall bond against or discharge the same within ten (10) days after written request by Owner.

Tenant shall indemnify, defend, protect and hold Owner, the Premises and every part thereof free and harmless from and against any and all liability, damage, claims, demands, suits, actions or expense (including attorneys' fees) arising out of any work done on or about the Premises by Tenant or, at Tenant's direction, including Tenant's employees, representatives, successors, contractors, subcontractors, materialmen and assigns.

ARTICLE XIII SURRENDER OF PREMISES

Section 13.01. Surrender of Premises.

At the expiration of the tenancy hereby created, Tenant shall surrender the Premises in a first class, clean condition in accordance with the requirements of Section 14.02 herein, except for reasonable wear and tear and damage by unavoidable casualty to the extent covered by Owner Carried Insurance. Tenant shall remove all of its trade fixtures, and any alterations or improvements as provided in Section 12.02 hereof, before surrendering the Premises to Owner and shall repair any damage to the Premises caused

thereby. Tenant shall also remove any signs and patch the fascia. Tenant's covenants shall survive the expiration or other termination of this Lease.

Following removal of all improvements as required by this Section 13.01, Owner shall conduct an inspection of the Premises to confirm Tenant's compliance with this Section. Tenant shall send written notice to Owner five days prior to Owner's inspection. Owner's inspection shall occur no later than the last day of the Term. During the inspection, Tenant shall surrender all keys for the Premises to owner and shall inform Owner of all combinations on locks, safes and vaults, if any, in the Premises.

Tenant shall also provide Owner with a written statement, at Tenant's sole expense, from a reputable company licensed and experienced in HVAC repair and maintenance approved by Owner that certifies that any HVAC equipment serving the Premises was inspected and serviced, if necessary, within the last thirty (30) days of the Term and is in good working order. If Tenant fails to provide the statement, Owner may order an inspection of the HVAC at Tenant's expense.

Should Tenant fail to maintain its status as a non-profit organization or cease to operate for more than 30 days, Tenant shall immediately be declared in default and shall surrender the premises to Owner in accordance with the provisions of Section 19.01.

ARTICLE XIV INSURANCE AND INDEMNITY

Section 14.01. Tenant's Liability and Personal Property Insurance.

During the Term, Tenant, at its expense, shall keep in full force and effect a policy of commercial general liability insurance insuring Owner and Tenant from and against all claims, demands, actions or liability for injury to or death of any persons, and for damage to property arising from or related to the use or occupancy of the Premises or the operation of Tenant's business and the business operated by Tenant and subtenants and concessionaires of Tenant in the Premises. No deductible will be carried under this coverage without the prior written consent of Owner. Such written consent by Owner shall not be unreasonably withheld. The policy shall include coverage for property damage, bodily injury, premises/operations, contractual liability (including Tenant's indemnity under this Lease), independent contractors, personal injury, product/completed operations, owned and non-owned automobiles, and, if applicable, liquor liability insurance. The insurance shall be written on an occurrence basis with coverage in a minimum amount of \$1,000,000.00 per occurrence for bodily injury/property damage and \$2,000,000.00 general aggregate limit. Tenant shall also maintain in full force and effect insurance covering all trade fixtures, merchandise and personal property, equipment, Tenant's Work and any tenant improvements existing in the Premises at the time Tenant took possession of the Premises in amounts no less than one hundred percent (100%) of the replacement value thereof, providing protection against any peril included within the classification of the "Fire and Extended Coverage", including sprinkler damage, if any, vandalism and malicious mischief. Tenant shall also maintain Worker's Compensation Insurance with a limit no less than the amount required by law.

During any construction on the Premises, Tenant shall cause its contractor to obtain a policy of general liability insurance in the same form as required of Tenant, a policy of builder's risk insurance providing coverage for the expected value of Tenant's Work when completed and Worker's Compensation as required by law.

All policies shall name Owner, and any person or agency designated by Owner as additional insures. No additional insured shall be liable for any payment for premiums. All additional insures shall be entitled to recovery for any loss occasioned to them, their servants, agents or employees by reason of negligence of Tenant, its officers, agents or employees. All policies shall contain a clause that the insurer will not cancel or change such coverage without first giving Owner thirty (30) day's prior written notice. All insurance shall be issued by an insurance company qualified to do business in the State of California and having an overall rating of Class B+ or better and a financial rating of Class V as rated in the most current available Best's Key Rating Guide. Copies of all policies or certificates of insurance required hereunder shall be delivered to Owner as a condition to Tenant's entry onto the Premises. All policies shall be written as primary policies, not contributing with and not in excess of coverage which Owner may carry.

Section 14.02. Owner Carried Insurance.

Owner shall, maintain self-insurance through the Term.

Section 14.03. Indemnification of Owner.

Tenant shall indemnify, defend, protect and save Owner harmless from and against any and all claims, demands, actions, damages, liability and expense (including reasonable attorneys' fees and costs of investigation) reasonably related to any damage to person and/or property proximately caused by acts or omissions of Tenant on the Premises, or the occupancy or use by Tenant of the Premises, or from any material breach or material uncured default on the part of Tenant in the performance of any covenant or agreement on the part of Tenant to be performed pursuant to this Lease, or from violations of or noncompliance with any governmental requirements, or from any acts or omissions of Tenant's employees, contractors, licensees or agents on the Premises. Notwithstanding the foregoing, Tenant shall not be liable for any such damage to the extent and in the proportion such damage is ultimately determined to be attributable to the acts or omissions of Owner, its agents or employees. Where Tenant has an obligation to defend Owner under this Section, Owner may, at its option, require Tenant to assume Owner's defense through counsel reasonably satisfactory to Owner.

Section 14.03.1. Owners Indemnification of Tenant

Owner shall indemnify, defend, protect and save Tenant harmless from and against any and all claims, demands, actions, damages, liability and expense (including reasonable attorneys' fees and costs of investigation) reasonably related to any damage to person and/or property proximately caused by the acts or omissions Owner regarding the Premises, or the occupancy or use by Owner of the any part of the Premises, or from any material breach or material default on the part of Owner in the performance of any covenant or agreement on the part of Owner to be performed pursuant to this Lease, or from violations of or noncompliance with any governmental requirements, or from any acts or omissions of Owner's employees, tenants contractors or agents on or at the Premises. Notwithstanding the foregoing, Owner shall not be liable for any such damage to the extent and in the proportion such damage is ultimately determined to be attributable to the acts or omissions of Tenant, its agents or employees. Where Owner has an obligation to defend Tenant under this Section, Tenant may, at its option, require Owner to assume Tenant's defense through counsel reasonably satisfactory to Tenant.

Section 14.04. Boiler, HVAC and Evaporative Cooler Insurance.

If required by Owner, Tenant, at its sole expense, shall procure and maintain in full force and effect for the Term, boiler and machinery insurance on all air-conditioning equipment, evaporative coolers, boilers, and other pressure vessels and systems, whether fired or unfired, located in the Premises. If said objects and the damage that may be caused by them or result from them are not covered by Tenant's extended coverage insurance required pursuant to Section 14.01, then such boiler insurance shall be in an amount satisfactory to Owner and equal to one hundred percent (100%) of the replacement value of such equipment.

Section 14.05. Waiver or Loss and Damage.

Except as may be expressly provided for to the contrary in this Lease, Owner shall not be liable for any damage to property of Tenant, or of others, located in, on or about the Premises, nor for the loss of or damage to any property of Tenant or of others by theft or otherwise. Owner shall not be liable to Tenant, Tenant's employees or representatives for any injury or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water, rain or leaks from any part of the Premises or from the pipes, appliances or plumbing works or from the roof, street or sub-surface or from any other places or by dampness or by any other cause of whatsoever nature, except as may be proximately caused by an act or omission of Owner or its employees, contractors or agents. Owner shall not be liable to Tenant, Tenant's employees or representatives for any such damage caused by other tenants or persons in the Premises, or the public, or caused by operations in construction of any private, public or quasi-public work, that are not proximately caused by Owner, or its employees, contractors or agents. Owner shall not be liable for any latent defects in the Premises or in the Building at any time after the commencement of Tenant's Work. All property of Tenant kept or stored on the Premises shall be so kept or stored at the sole risk of Tenant and Tenant shall hold Owner harmless from any claims arising out of damage to the same, including subrogation claims by Tenant's insurance carriers, unless such damage shall be proximately caused by the acts or omissions of Owner, or its employees, contractors or agents.

Section 14.06. Notice by Tenant.

Tenant shall give prompt notice to Owner in case of fire or accidents in the Premises or of any damage or defects in the Premises or any fixtures or equipment therein.

ARTICLE XV ESTOPPEL CERTIFICATE, ATTORNMENT, SUBORDINATION, MORTGAGEE PROTECTION CLAUSE

Section 15.01. Estoppel Certificate.

Within five (5) days after Owner's written request, Tenant agrees to deliver in recordable form a certificate to any proposed mortgagee or purchaser, or to Owner, certifying that this Lease is in full force and effect, that there does not exist nor has there existed any toxic materials or hazardous waste in, on or about the Premises, that no more than one (1) month's rent has been paid in advance, the essential terms of the Lease, that there are no defenses or offsets thereto, or stating those claimed by Tenant, and any other

information that may be requested. If Tenant fails to timely execute the estoppel certificate, Tenant shall pay Owner on demand a late fee of \$250.00 and such failure may, at Owner's sole discretion, be considered a material default by Tenant under this Lease.

Section 15.02. Attornment.

Tenant shall, in the event any proceedings are brought for the foreclosure of, or in the event of exercise of the power of sale under any mortgage made by the Owner covering the Premises, attorn to the purchaser or ground lessor upon any such foreclosure or sale or termination of ground lease and recognize such purchaser or ground lessor as the Owner under this Lease, provided that any purchaser or mortgagee or ground lessor shall recognize this Lease as remaining in full force and effect so long as Tenant is not in default hereunder.

Section 15.03. Subordination.

Upon the written request of Owner, and provided such mortgagee confirms in writing the nondisturbance provisions of Section 15.02 above, Tenant will immediately subordinate its rights hereunder to the lien of any mortgage or mortgages or the lien resulting from any other method of financing or refinancing, and to all advances made or hereunder to be made upon the security thereof. This Section 15.03 shall be self-operative and no further instrument or subordination shall be required unless requested by owner's mortgagee or ground lessor. Tenant covenants and agrees that it will execute subordination agreements at any time upon Owner's written request without compensation being made therefor. However, if Owner so elects, this Lease shall be deemed prior in lien to any mortgage, deed of trust or other encumbrances upon or including the Premises, regardless of recording and Tenant will execute a statement in writing to such effect at Owner's request.

Section 15.04. Mortgagee Protection Clause.

Tenant agrees to give any mortgagees, trust deed holders and/or ground lessor, by registered mail, a copy of any notice of default served upon the owner, provided that prior to such notice Tenant has been notified in writing (by way of notice of assignment of lease, or otherwise) of the addresses of such mortgagees, trust deed holders and/or ground lessor. Tenant further agrees that if Owner shall have failed to cure such default within the time provided for in this Lease, then the mortgagees and/or trust deed holders shall have an additional thirty (30) days within which to cure such default, or if such default cannot be cured within that time, then such additional time as may be necessary, provided such mortgagees, trust deed holders and/or ground lessor commence such cure within thirty (30) days and diligently pursue the remedies necessary to cure such default (including but not limited to commencement of foreclosure proceedings to effect such cure), in which event this Lease shall not be terminated while such remedies are being so diligently pursued.

ARTICLE XVI ASSIGNMENT AND SUBLETTING

Section 16.01. Consent Required.

Except as provided in Sections 9.01 and 16.02 herein, Tenant shall not assign this Lease in whole or in part, nor sublet all or any part of the Premises, without the prior

written consent of Owner, which consent shall not be unreasonably withheld. The consent by Owner to any assignment or subletting shall not constitute a waiver of the necessity for such consent to any subsequent assignment or subletting. If this Lease is assigned by Tenant, or if the Premises or any part thereof are sublet or occupied by any person or entity other than Tenant, Owner may collect Rent from the assignee, subtenant or occupant, and apply the net amount collected to the Rent herein reserved, but no such assignment, subletting, occupancy or collection shall be deemed a waiver on the part of Owner, or the acceptance of the assignee, subtenant or occupant as tenant, or a release of Tenant from the further performance by Tenant of covenants on the part of Tenant herein contained. Irrespective of any assignment or sublease, Tenant shall remain fully liable under this Lease and shall not be released from performing any of the terms, covenants and conditions of this Lease. If Tenant assigns this Lease or sublets the Premises, twenty-five percent (25%) of the rent paid to Tenant that is in addition to the Rent payable to Owner as set forth in this Lease shall be paid by Tenant to Owner as additional rent.

Section 16.02. Involuntary Assignment.

No interest of Tenant in this Lease shall be assignable by operation of law (including, without limitation, the transfer of this Lease by testacy or intestacy). Each of the following acts shall be considered an involuntary assignment: (a) if Tenant is or becomes bankrupt or insolvent, makes an assignment for the benefit of creditors, or institutes a proceeding under the Bankruptcy Act in which Tenant is bankrupt; or, if Tenant is a partnership or consists of more than one person or entity, if any partner of the partnership or other person or entity is or becomes bankrupt or insolvent, or makes an assignment for the benefit of creditors; (b) if a writ of attachment or execution is levied on this Lease; or (c) if, in any proceeding or action to which Tenant is a party, a receiver is appointed with authority to take possession of the Premises. An involuntary assignment shall constitute a default by Tenant, and Owner shall have the right to elect to terminate this Lease, in which case this Lease shall not be treated as an asset of Tenant.

Section 16.03. No Extension of Term.

No assignee, even one consented to by Owner, shall be entitled to exercise any right to renew or extend the term of the Lease.

ARTICLE XVII DESTRUCTION OF PREMISES

Section 17.01. Total or Partial Destruction.

If the Premises shall be damaged by fire, the elements or other casualty, Tenant, at its own expense, shall cause such damage to be repaired as soon as reasonably practical, and any Rent or other charges payable hereunder shall not be abated. Tenant shall also be responsible for the concurrent prompt repair and restoration of its furniture, fixtures and equipment in the Premises damaged by such event. If the Premises shall be rendered wholly untenable by reason of such occurrence, the damage shall be repaired as described above, and the Minimum Rent may be abated upon express written consent of the Owner.

Section 17.02. Partial Destruction of Premises.

In the event that fifty percent (50%) or more of the leasable area of the Premises shall be damaged or destroyed by fire or other cause, Owner shall have the right, to be exercised by written notice delivered to Tenant within sixty (60) days from and after said occurrence, to elect to cancel and terminate this Lease. Upon the giving of such notice to Tenant, the Terms shall expire by lapse of time upon the third (3rd) day after such notice is given, and Tenant shall vacate the Premises and surrender the same to Owner in the condition required pursuant to Section 13.01 herein, except as to those portions otherwise destroyed or damaged by fire or other cause through no fault of Tenant.

Section 17.03. Proceeds.

All proceeds from the insurance required to be kept under Section 16.02 shall be delivered to and constitute the property of Owner. Tenant shall be entitled to retain the proceeds of its insurance carried pursuant to Section 14.01 subject to appropriate offsets by Owner.

Section 17.04. Waiver of Termination.

Tenant hereby waives any statutory rights which it may have to terminate the Lease in the event of the partial or total destruction of the Premises, it being agreed that the provisions of this Article XVII shall control.

ARTICLE XVIII EMINENT DOMAIN

Section 18.01. Total Condemnation.

If the whole of the Premises shall be acquired for any public or quasi-public use or purpose or taken by eminent domain, then the Term shall cease and terminate as of the date possession or title is given to such condemning authority in such proceeding and all rentals shall be paid up to that date.

Section 18.02. Total Parking Area.

If the portion of the Premises used for parking ("Parking Area") shall be acquired for any public or quasi-public use or purpose or taken by eminent domain, then the Term shall cease and terminate as of the date possession or title is given to such condemning authority in such proceeding unless Owner shall provide other parking facilities substantially equal to the previously existing ratio between the Parking Area and the Floor Area of the Premises within ninety (90) days from the date of such taking. In the event that Owner shall provide such other parking facilities, then this Lease shall continue in full force and effect without abatement of Rent or other charges. Owner shall use its best efforts to provide an alternate parking area.

Section 18.03. Partial Condemnation.

If any part of the Premises shall be acquired or taken by eminent domain for any public or quasi-public use or purpose, and in the event that such partial taking or condemnation shall render the Premises, in Owner's discretion, unsuitable for the operation of Tenant's business, then the Lease shall cease and terminate as of the date condemnation which is not extensive enough to render the Premises unsuitable for the

operation of Tenant's business, then Owner shall promptly restore the Premises to the extent of the condemnation proceeds to a condition comparable to its condition at the time of such condemnation less the portion lost in the taking, and this Lease shall continue in full force and effect and the Minimum Rent shall be equitably reduced based on the percentage of floor area of the Premises lost in the taking.

Section 18.04. Partial Condemnation of Parking Area.

If any part of the Parking Area shall be acquired or condemned by eminent domain for any public or quasi-public use or purpose and if, as the result of such partial taking the ratio of square feet of Parking Area to square feet of the Floor Area is reduced to a ratio below that permitted by law, then the Lease shall cease and terminate from the date possession or title is given to such condemning authority in such proceeding, unless Owner shall provide reasonable evidence of its ability to increase the parking ratio to a permitted ratio or Owner can provide substitute parking, in which event this Lease shall be unaffected and remain in full force and effect as between the parties.

Section 18.05. Allocation of Award.

Except as provided below, in the event of any condemnation or taking as herein provided, whether whole or partial, Tenant shall not be entitled to any part of the award, as damages or otherwise, for such condemnation and Owner is to receive the full amount of such award. Tenant shall, however, have the right, provided such award shall not diminish Owner's award, to claim and recover from the condemning authority, but not from Owner, such compensation as may be separately awarded or recoverable by Tenant in Tenant's own right on account of any and all damages to Tenant's business by reason of the condemnation and for or on account of any cost or loss to which Tenant might incur in removing Tenant's merchandise, future, fixtures and equipment from the Premises and including right or claim Tenant may have for the value of the unexpired portion of the Term or diminution in value of Tenant's leasehold interest, including bonus value in the lease, or for the value of any option to extend the Term or renew this Lease.

ARTICLE XIX DEFAULT

Section 19.01. Tenant's Default.

The occurrence of any of the following shall constitute a default by Tenant: (a) failure to pay rent when due, if the failure continues for ten (10) days after notice has been given to Tenant; (b) abandonment and/or vacation of the Premises; (c) failure to operate in the Premises for thirty (30) consecutive days; failure to maintain its non-profit status for thirty (30) consecutive days (d) failure to perform any nonmonetary provision of this Lease if the failure to perform is not cured within thirty (30) days after notice has been given to Tenant; provided that if the nonmonetary default cannot reasonably be cured within thirty (30) days, Tenant shall not be default of this Lease if Tenant commences to cure the default within the thirty (30) day period and diligently and in good faith continues to cure the default; and (e) failure to timely deliver an estoppel certificate as required by Section 15.01.

Notices given under this Section 19.01 shall not be deemed a forfeiture or a termination of this Lease unless Owner so elects in the notice. Notices given under this

Section 19.01 shall be in lieu of and not in addition to any statutory notice required by law.

Section 19.02. Owner's Remedies.

Owner shall have the following remedies if Tenant commits a default. These remedies are not exclusive; they are cumulative in addition to any remedies now or later allowed by law.

Owner can continue this Lease in full force and effect after Tenant's default and abandonment, and the Lease will continue in effect as long as Owner does not terminate Tenant's right to possession, and Owner may enforce all Owner's rights and remedies under the Lease, including the right to collect Rent when due. During the period Tenant is in default, Owner can enter the Premises and relet them, or any part of them, to third parties for Tenant's account. Tenant shall be liable immediately to Owner for all costs Owner incurs in reletting the Premises, including, without limitation, brokers' commissions, expenses of remodeling the Premises required by the reletting, and like costs. Reletting can be for a period shorter or longer than the remaining Term of this Lease. Tenant shall pay to Owner the Rent due under this Lease on the dates the Rent is due, less the rent Owner receives from any reletting. No act allowed by this Section 19.02 shall terminate this Lease unless Owner notifies Tenant that Owner elects to terminate this Lease.

If Owner elects to relet the Premises as provided in this Section 19.02, Rent that Owner receives from reletting shall be applied to the payment of: first, any indebtedness from Tenant to Owner other than Rent due from Tenant; second, all costs, including maintenance, incurred by Owner in reletting; and third, Rent due and unpaid under this Lease. After deducting the payments referred to in this Section, any sum remaining from the Rent Owner receives from reletting shall be held by Owner and applied in payment of future Rent as Rent becomes due under this Lease. In no event shall Tenant be entitled to any excess Rent received by Owner. If, on the date Rent is due under this Lease, the Rent received from the reletting is less than the Rent due on that date, Tenant shall pay to Owner, in addition to the remaining Rent due, all costs, including maintenance, Owner incurred in reletting that remain after applying the Rent received from the reletting as provided in this Section 19.02.

Owner can terminate Tenant's right to possession of the Premises at any time. No act by Owner other than giving notice to Tenant shall terminate this Lease. Acts of maintenance, efforts to relet the Premises or the appointment of a receiver on Owner's initiative to protect Owner's interest under this Lease shall not constitute a termination of Tenant's right to possession. On termination, Owner has the right to recover from Tenant: (a) the worth, at the time of the award, of the unpaid rent that had been earned at the time of termination of this Lease; (b) the worth, at the time of the award, of the amount by which the unpaid Rent that would have been earned after the date of termination of this Lease until the time of award exceeds the amount of the loss of Rent that Tenant proves could have been reasonably avoided; and (d) any other amount, and court costs, necessary to compensate Owner for all detriment proximately caused by Tenant's default. "The worth, at the time of the award", as used in (a) and (b) of this Section 19.02, is to be computed by allowing interest at the maximum rate an individual is permitted by law to charge. "The worth, at the time of the award," as referred to in (c) of this Section 19.02, is 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%).

Section 19.03. Appointment of Receiver.

If Tenant is in default of this Lease, Owner shall have the right to have a receiver appointed to collect Rent and conduct Tenant's business. Neither the filing of a petition for the appointment of a receiver nor the appointment itself shall constitute an election by Owner to terminate this lease.

Section 19.04. Owner's Right to Cure Tenant's Default.

Owner, at any time after Tenant commits a default, can cure the default at Tenant's cost. If Owner at any time, by reason of Tenant's default, pays any sum or does any act that requires the payment of any sum, the sum paid by Owner shall be due immediately from Tenant to Owner at the time the sum is paid, and if paid at a later date shall bear interest at the maximum rate an individual is permitted by law to charge from the date the sum is paid by Owner until Owner is reimbursed by Tenant. The sum, together with interest on it, shall be additional rent.

Section 19.05. Waiver of Rights of Redemption.

Tenant 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 Owner obtaining possession of the Premises, by reason of the violation by Tenant of any of the covenants or conditions of this Lease, or otherwise.

Section 19.06. Default by Owner.

If Owner fails to perform any of the covenants or conditions required on its part to be performed pursuant to this Lease, where such failure continues for a period of thirty (30) days after receipt of written notice specifying the nature and extent of such default in detail (provided, however, that if such default is of a nature that it cannot reasonably be cured within thirty (30) day period, Owner shall have such additional time as may be required to effect such cure provided Owner commences the cure within such 30 day period), Owner shall be liable to Tenant for all damages sustained as a direct result of such breach, subject to the additional rights of any mortgagees of Owner as provided in Section 15.04 herein. Owner's liability shall be limited to Owner's interest in the Premises. Neither Owner nor any of its officers, employees, or agents shall be personally liable.

ARTICLE XX SUCCESSORS; SALE OF PREMISES

Section 20.01. Successors and Assigns.

Except as provided in Section 16.02, all rights and liabilities herein given to, or imposed upon, the respective parties hereto shall extend to and bind the several respective heirs, executors, administrators, successors, and assigns of said parties. No rights, however, shall inure to the benefit of any assignee of Tenant unless the assignment to such assignee has been approved by Owner in writing as provided in Section 16.01 hereof.

Section 20.03. Sale of Premises.

In the event Owner shall sell, convey, transfer or exchange the Premises, Tenant agrees to recognize and attorn to the purchaser or transferee, as the Owner hereunder and Owner shall be and is hereby relieved and released from any liability under any and all of its covenants and obligations under the Lease arising out of any act, occurrence or event arising after such sale, conveyance, transfer or exchange.

ARTICLE XXI QUIET ENJOYMENT

Section 21.01. Owner's Covenant.

Upon timely payment by Tenant of the Rent, and upon the observance and performance of all of the covenants, terms and conditions on Tenant's part to be observed and performed hereunder, Tenant shall peaceably and quietly hold and enjoy the Premises for the Term without unreasonable hindrance or interruption by Owner or any other person or persons lawfully or equitably claiming by, through or under the Owner, subject, nevertheless, to the terms and conditions of this Lease.

ARTICLE XXII MISCELLANEOUS

Section 22.01. Assignment of Agent

The Owner shall designate a staff person responsible for communicating with Tenant.

Section 22.02. Waiver.

No payment by Tenant or receipt by Owner of a lesser amount than the Rent herein stipulated shall be deemed to be a waiver of any other default, term, covenant or condition concerning the same. No delay or omission in the exercise of any right or remedy of Owner shall impair such a right or remedy or be construed as a waiver. The subsequent acceptance of Rent hereunder by Owner 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 owner's knowledge of such preceding breach at the time of acceptance of such Rent.

Section 22.03. Accord and Satisfaction.

No payment by Tenant or receipt by owner of a lesser amount than the Rent herein stipulated shall be deemed to be other than on account of the earliest stipulated Rent, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as Rent be deemed an accord and satisfaction, and Owner may accept such check or payment without prejudice to Owner's right to recover the balance of such Rent or pursue any other remedy in this Lease.

Section 22.04. Entire Agreement.

This Lease and the Exhibits attached hereto and forming a part hereof, set forth all the representations, covenants, promises, agreements, conditions and understandings between Owner and Tenant concerning the Premises and there are no representations, covenants, promises, agreements, conditions or understandings, either oral or written,

between them other than are herein set forth. Any subsequent alteration, amendment, change or addition to this Lease must be in writing, signed by Owner and Tenant.

Section 22.05. No Partnership.

Owner does not, in any way or for any purpose, become a partner of Tenant in the conduct of its business, or otherwise, or joint venture or a member of a joint enterprise with Tenant by reason of this Lease. The provisions of this Lease relating to the Percentage Rent payable hereunder are included solely for the purposes of providing a method whereby Rent is to be measured and ascertained.

Section 22.06. Force Majeure.

In the event that either party hereto shall be delayed or hindered in or prevented from the performance of any act required hereunder by reason of strikes, lock-outs, labor troubles, inability to procure materials, failure of power, governmental moratorium, riots, insurrection, war or other reason of a like nature not the fault of the party delaying in performing work or doing acts required under the terms of this Lease (but excluding delays due to financial inability), then performance of such act shall be excused for the period of such delay. The provisions of this Section 22.06 shall not operate or excuse Tenant from the prompt payment of Minimum Rent, Percentage Rent, additional rent or any other payments required by the terms of this Lease.

Section 22.07. Holding Over.

Any holding over after the expiration of the Term, with or without the consent of the Owner, shall be construed to be a tenancy from month to month at a rent specified by Owner in its sole discretion, which rent shall never be less than the then prevailing market rate for the Premises (as determined solely by Owner) and shall otherwise be on the terms and conditions herein specified, as far as applicable.

Section 22.08. Notices.

All notices hereunder must be served personally or by certified or registered mail, postage prepaid, addressed to Tenant at the address specified in Section 1.10 and to Owner at the address given below or at such other address as Owner or Tenant may designate by written notice pursuant to this Section 22.08. Any notice given by mail shall be deemed given forty-eight (48) hours after deposit in the mail.

Owner: Redevelopment Agency of the City of Banning
99 Ramsey Street
Banning, CA 92220
Attn: Executive Director
Fax: (951) 922-3174

A copy to:

ALESHIRE & WYNDER, LLP
18881 Von Karman Avenue, Suite 400
Irvine, California 92612
Attention: David Aleshire, City Attorney
Tel: (949) 223-1170
Fax: (949) 223-1180

Section 22.09. Captions and Section Numbers.

The captions, section numbers, article numbers, and index appearing in this Lease are inserted only as a matter of convenience and in no way define, limit, construe, or describe the scope or intent of such sections or articles of this Lease nor in any way affect this Lease.

Section 22.10. Tenant Defined, Use of Pronoun.

The word "Tenant" means each and every person or party mentioned as a Tenant herein, be the same one or more; and if there shall be more than one Tenant, any notice required or permitted by the terms of this Lease may be given by or to anyone thereof, and shall have the same force and effect as if given by or to all thereof. The persons signing as Tenant shall be jointly and severally liable. The use of the neuter singular pronoun to refer to Owner or Tenant shall be deemed a proper reference even though Owner or Tenant may be an individual, a partnership, a corporation, or a group of two or more individuals or corporations. The necessary grammatical changes required to make the provisions of this Lease apply in the plural sense where there is more than one Owner or Tenant and to either corporations, associations, partnerships, or individuals, males or females, shall in all instances be assumed as though in each case fully expressed.

Section 22.11. Partial Invalidity.

If any term, covenant or condition of this Lease or the application thereof to any person or circumstance shall to any extent, be invalid or unenforceable, the remainder of this Lease, or the application for such term, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant or condition of this Lease shall be valid and enforced to the fullest extent permitted by law.

Section 22.12. No Option.

The submission of this Lease for examination does not constitute a reservation of or option for the Premises and this Lease becomes effective as a Lease only upon execution and delivery thereof by Owner to Tenant.

Section 22.13. Recording.

Tenant shall not record this Lease or a memorandum thereof.

Section 22. 14 Legal Action.

(a) Institution of Legal Actions.

In addition to any other rights or remedies, either party may institute legal action to cure, correct or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purpose of this Lease. Legal actions must be instituted and maintained in the Superior Court of the County of Riverside, State of California.

(b) Applicable Law and Forum.

The laws of the State of California shall govern the interpretation and enforcement of this Lease.

Section 22.15. Attorney's Fees.

If either party to this Lease is required to initiate or defend any action or proceeding in any way connected with this Lease, the prevailing party in such action or proceeding, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to receive reasonable attorney's fees from the other party. Attorney's fees shall include attorney's fees on any appeal, and in addition a party entitled to attorney's fees shall be entitled to all other reasonable costs for investigating such action, taking depositions and discovery and all other necessary costs the court allows which are incurred in such litigation. All such fees shall be deemed to have accrued on commencement of such action and shall be enforceable whether or not such action is prosecuted to judgment.

Section 22.16. Rights Cumulative

The rights and remedies of Owner specified in this Lease shall be cumulative and in addition to any other rights and remedies provided by law.

Section 22.17. Authority

If Tenant is a corporation or partnership, each individual executing this Lease on behalf of such entity represents or warrants that he or she is duly authorized to execute and deliver this Lease on behalf of such entity and that such entity shall be bound by all the terms and provisions hereof.

Section 22.18. Mortgage Changes.

Tenant shall not unreasonably withhold its consent to changes or amendments to this Lease requested by the holder of any mortgage or deed of trust covering Owner's interest in the Premises so long as such changes do not materially alter the economic terms of this Lease or otherwise materially diminish the rights or materially increase the obligations of Tenant hereunder.

Section 22.19. Time of the Essence.

Time is of the essence in each and every provision of this Lease except for delivery of possession of the Premises as set forth herein.

Section 22.20. Nonliability of City Officials and Employees; Conflicts of Interest; Commissions.

(a) Personal Liability.

No member, official, employee, agent or contractor of Owner shall be personally liable to Tenant in the event of any default or breach by Owner or for any amount which may become due to Tenant or on any obligations under the terms of the Lease; provided, it is understood that nothing in this Section 22.19 is intended to limit Owner's liability.

(b) Financial Interest.

No member, official, employee or agent of Owner shall have any financial interest, direct or indirect, in this Lease, nor participate in any decision relating to this Lease which is prohibited by law.

(c) Commissions.

Neither the Lessor nor the Lessee has retained any broker or finder or has paid or given, and will not pay or give, any third person any money or other consideration for obtaining this Lease. Neither party shall be liable for any real estate commissions, brokerage fees or finders' fees which may arise from this Lease, and each party agrees to hold the other harmless from any claim by any broker, agent, or finder retained by such party.

Section 22.21. Integration Clause.

It is understood that there are no oral agreements between the parties hereto affecting this Lease and this Lease supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements, and understandings, if any, between the parties hereto or displayed by Owner to Tenant with respect to the subject matter thereof, and none shall be used to interpret or construe this Lease. This Lease includes all exhibits attached hereto, which by this reference are incorporated herein, and also includes any other documents incorporated herein by reference as though fully set forth herein. Said documents shall be interpreted insofar as possible to prevent any inconsistency and to effectuate the terms thereof, without one prevailing over the other.

Section 22.22. Lease Appendix and Rider.

A Lease Appendix consisting of 1 page, and a Rider consisting of 1 page are attached hereto and made part a part hereof.

Section 22.23 Execution.

This Lease may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

Lessor represents and warrants that: (i) it is duly organized and existing under the laws of the State of California; (ii) by proper action of Lessor, Lessor has been duly authorized to execute and deliver this Lease, acting by and through its duly authorized

officers; and (iii) the entering into this Lease by Lessor does not violate any provision of any other agreement to which Lessor is a party.

Lessee represents and warrants that: (i) it is duly organized and existing under the laws of the State of California; (ii) by proper action of Lessee, Lessee has been duly authorized to execute and deliver this Lease, acting by and through its duly authorized officers; and (iii) the entering into this Lease by Lessee does not violate any provision of any other agreement to which Lessee is a party.

IN WITNESS WHEREOF, Owner and Tenant, intending to be legally bound, have signed this Lease as of the day and year on page 2 of this Agreement.

Owner:

By: COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF
BANNING

By:



Agency Executive Director

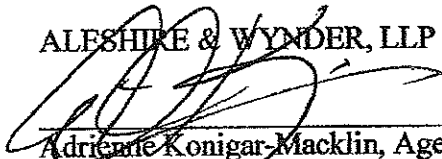
Attest:



Agency Secretary

Approved as to Form and Legal Content:

ALESHIRE & WYNDER, LLP



Adrienne Konigar-Macklin, Agency Counsel

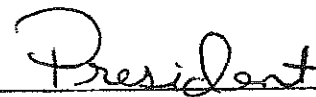
Tenant:

BANNING CULTURAL ARTS ALLIANCE

By:



(Name)



(Title)

Exhibit "A"

LEASE AGREEMENT

SITE MAP

[ATTACHED]

541-14

T.C.A. 102

FOR S1/2 NW 1/4 SEC. 10, T.3S., R.1E.

THIS MAP IS FOR
ASSESSMENT PURPOSES ONLY

EXHIBIT "A"

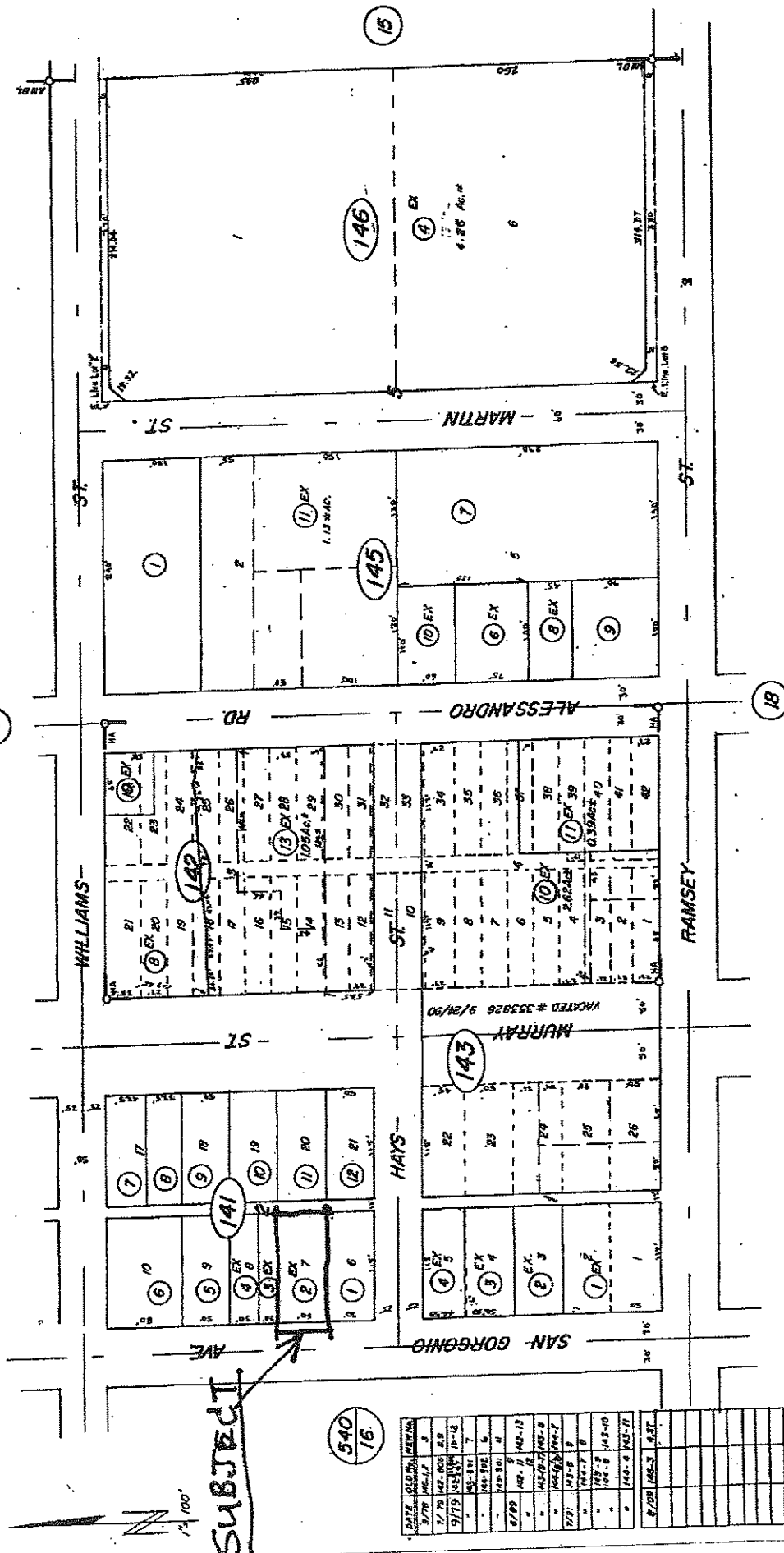


EXHIBIT "B" Lease Agreement

Tenant's Work

TO BE DETERMINED

EXHIBT "C"

Lease Agreement

Rent Schedule

Year	Monthly Rent	Annual Total
Year 1	\$0	\$0
Year 2	\$1500	\$16500
Year 3	\$1850	\$22,200
Year 4	\$1925	\$23,100
Year 5	\$2000	\$24,000
Year 6	\$2075	\$24,900
Year 7	\$2150	\$25,800
Year 8	\$2190	\$26,280
Year 9	\$2,230	\$26,700
Year 10	\$2,275	\$27,300
Year 11	\$2,320	\$27,840
Year 12	\$2,365	\$28,380
Year 13	\$2,410	\$28,920
Year 14	\$2,455	\$29,460
Year 15	\$2,500	\$30,000