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FILED
Superior Court of California
County of Los Angeles

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4 Attorney for Plaintiffs
5 SERGIO TELLEZ d/b/a SPECIALIZED DEVELOPMENT,
6 POLO CAPITAL AND CONSULTING, LLC, POLO CAPITAL
AND CONSULTING LP, and
7 CALIFORNIA INSTITUTE OF CANNABIS, INC.

Sherri R. Carter, Executive Officer/Clerk
By *[Signature]* Deputy
Nancy Alvarez

D34 Gregory W. Alvarez
SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF LOS ANGELES

BY FAX
BC 641 097

10 SERGIO TELLEZ dba SPECIALIZED
11 DEVELOPMENT; POLO CAPITAL AND
12 CONSULTING, LLC; POLO CAPITAL AND
13 CONSULTING, LP; and CALIFORNIA
14 INSTITUTE OF CANNABIS, INC.;

CASE NO.)
PLAINTIFFS' COMPLAINT)
FOR:)
(1) FRAUD;)
(2) BREACH OF ORAL)
CONTRACT;)
(3) DECLARATORY RELIEF;)
(4) RESCISSION;)
(5) BREACH OF CONTRACT;)
(6) BREACH OF THE)
COVENANT OF GOOD FAITH)
AND FAIR DEALING)

Plaintiffs,

vs.

15 JAMES SHAW; ARTS DISTRICT PATIENTS'
16 COLLECTIVE, INC. dba ARTS DISTRICT
17 HEALING CENTER; ARTS DISTRICT UNITY
18 CENTER, INC.; and DOES 1 through 50,
19 inclusive,

DEMAND FOR JURY TRIAL

Defendants.

21 Plaintiffs Sergio Tellez, doing business as Specialized Development, Polo Capital and
22 Consulting, LLC, Polo Capital and Consulting, LP, and the California Institute of Cannabis, Inc.
23 (collectively "Plaintiffs"), by and through their attorney of record, Michael O. Azat, hereby brings
24 their Complaint against defendants James Shaw, the Arts District Patients' Collective, Inc. doing
25 business as the Arts District Healing Center ("ADPC"), the Arts District Unity Center, Inc. and
26 DOES 1 through 50, inclusive, (collectively "Defendants").
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CIT/URSE: BC641097
LEA/DEF#:
REGISTRATION # : 0CH451233046
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RECEIVED: 310
CASH: \$435.00
HAME: \$0.00
CARD: \$0.00

1 organized and existing under the laws of the State of California with a principal place of business in
2 Beverly Hills, California.

3 6. The California Institute of Cannabis, Inc. ("CIC") is, and at all times mentioned in this
4 complaint has been, a California nonprofit public benefit corporation organized and existing under
5 the laws of the State of California with a principal place of business in Beverly Hills, California.

6 7. On information and belief, defendant Shaw is an individual who, and at all times
7 mentioned in this complaint has, worked in Los Angeles County and resided in Venice, California.

8 8. ADPC is, and at all times mentioned in this complaint has been, a nonprofit mutual
9 benefit corporation organized and existing under the laws of the State of California with a principal
10 place of business in Los Angeles, California.

11 9. On information and belief, the Arts District Unity Center, Inc. ("ADUC") is, and at all
12 times mentioned in this complaint has been, a nonprofit mutual benefit corporation organized and
13 existing under the laws of the State of California with a principal place of business in Los Angeles,
14 California.

15 10. Plaintiffs are ignorant of the true names of those defendants sued as DOES 1 through
16 50. On information and belief, DOES 1 through 50 do business in California and are in some manner
17 responsible for the conduct alleged in this Complaint. Upon discovering the true names and
18 capacities of these fictitiously named defendants, Plaintiffs will amend this Complaint to show their
19 true names and capacities.

20 **JURISDICTION AND VENUE**

21 11. Each defendant transacts a substantial amount of business and/or has agents within
22 Los Angeles County. The agreement that is the subject of this action was entered into in Los Angeles
23 County and the acts to be performed pursuant to that agreement were to be performed within Los
24 Angeles County. The unlawful acts alleged herein took place in the City of Los Angeles (the "City")
25 in Los Angeles County.

26 12. The Court has jurisdiction over this matter pursuant to Code of Civil Procedure 1060
27 because an actual controversy exists that relates to the legal rights and duties of the respective parties.
28

1 13. Venue is proper in this Court pursuant to Code of Civil Procedure section 395 because
2 the agreement that is the subject of this action was entered into and was to be performed in Los
3 Angeles County, and the defendants reside and had a principal place of business in Los Angeles
4 County at the time this action commenced.

5 14. Venue is also proper in this Court pursuant to California Code of Civil Procedure
6 section 392 because the real property that is the subject of this action is located in the City.

7 **CALIFORNIA'S MEDICAL MARIJUANA LAWS**

8 15. In 1996 the Compassionate Use Act ("CUA") was enacted by statewide initiative.
9 The CUA is codified at Health and Safety Code section 11362.5 and provides limited criminal
10 immunity to a patient, or to a patient's primary caregiver, who possesses or cultivates marijuana for
11 the personal medical purposes of the patient upon the written or oral recommendation or approval of
12 a physician.

13 16. In 2003, the California Legislature followed the CUA with the Medical Marijuana
14 Program Act ("MMPA"), codified at Health and Safety Code section 11362.7, et seq. The MMPA
15 expanded the criminal immunities of the CUA and discussed, for the first time, the collective
16 cultivation of marijuana. Under the MMPA, qualified patients and their primary caregivers who
17 associate within the State of California collectively or cooperatively to cultivate marijuana for
18 medical purposes, shall not solely on the basis of that fact be subject to state criminal sanctions.

19 17. In 2007, the City passed City Ordinance No. 179027, also known as the Interim
20 Control Ordinance ("ICO"), and banned the establishment or operation of medical marijuana
21 dispensaries within the City. However, the ordinance excepted from its ban those dispensaries that
22 were established before the ordinance's effective date of September 14, 2007 and that were
23 continuing to operate in accordance with state law, provided that the owner or operator of the
24 dispensary were to register with the City Clerk by filing certain identified documents within 60 days
25 from its effective date, November 13, 2007. The ICO was intended to allow the City the time it
26 needed to develop a comprehensive strategy for regulating medical marijuana dispensaries.

27 18. In 2010, the City passed its second attempt to regulate dispensaries, City Ordinance
28 No. 181069. Ordinance 181069 imposed regulations on medical marijuana collectives, and defined a

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1 “collective” as an “association, composed solely of four or more qualified patients . . . and designated
2 primary caregivers . . . who associate at a particular location to collectively or cooperatively cultivate
3 marijuana for medical purposes, in strict accordance with [the CUA and MMPA].” The ordinance
4 required all collectives to register, and facially capped the maximum number of collectives in the
5 City at 70. However, the ordinance provided that the number of collectives could in fact exceed 70,
6 as it included a grandfather clause that allowed previously existing collectives to remain if they were,
7 among other things, properly registered under the ICO.

8 19. The City enacted a third ordinance, Ordinance No. 181530 (“Grandfather/Lottery
9 Ordinance”), to change the grandfathering provision of Ordinance No. 181069 to allow all collectives
10 which had been in operation on or before September 14, 2007 to register for the right to participate in
11 a lottery, from which 100 collectives would be chosen for inspection and, if all other requirements
12 were satisfied, registration.

13 20. In July 2012, the City briefly banned nearly all collectives within the City through the
14 enactment of Ordinance No. 182190. The City repealed the ban on October 9, 2012.

15 21. On January 29, 2013, the City Council introduced, and on February 5, 2013, passed,
16 Ordinance No. 182443 calling for a special election for a public vote on Proposition D (“Prop. D”).
17 On May 21, 2013, Prop. D was approved by a majority vote and enacted Ordinance No. 182580,
18 which repealed the existing sections of the municipal code relating to medical marijuana and enacted
19 new provisions. Prop. D defined a “medical marijuana business” as any “location where marijuana is
20 cultivated, processed, distributed, and delivered, or given away to a qualified patient . . . or a primary
21 caregiver.” Prop. D made it “unlawful to own, establish, operate, use, or permit the establishment or
22 operation of a medical marijuana business . . .” in the City. However, Prop. D provides an exception
23 for medical marijuana businesses that meet certain requirements, including, inter alia, that (1) the
24 medical marijuana business must have timely registered under both the ICO and the
25 Grandfather/Lottery Ordinance; (2) have remained in continuous operation since having registered
26 under the ICO and Grandfather/Lottery Ordinance; and (3) must not be in arrears on its City tax
27 obligations. Like its predecessors the CUA and MMPA, Prop. D did not create a right to use and
28

1 collectively cultivate medical marijuana or a right for excepted medical marijuana businesses to
2 operate, but only limited immunity against certain criminal statutes.

3 22. On October 9, 2015, Governor Brown approved the Medical Marijuana Regulation
4 and Safety Act ("MMRSA"), effective January 1, 2016, which established a comprehensive State
5 licensing and regulatory framework for the cultivation, manufacturing, testing, distribution,
6 transportation, and dispensing of medical marijuana, and which recognizes the authority of local
7 jurisdictions to prohibit or impose additional restrictions on any such medical marijuana activity.

8 23. On November 8, 2016, California voters approved Proposition 64, making California
9 the most populous state in the nation to legalize the recreational use of marijuana.

10 FACTUAL ALLEGATIONS

11 A. ADPC

12 24. On information and belief, in or about April 2006, Shaw first opened his medical
13 marijuana dispensary, ADPC, in the City.

14 25. On information and belief, ADUC is a shell corporation that shares a unity of interest
15 and operations with ADPC, and its existence is intended to shield ADPC.

16 26. On information and belief, Shaw is the managing director of ADPC and ADUC.

17 27. At all times mentioned in the complaint, Shaw acted in his individual capacity, as well
18 as in his capacity as managing director of ADPC and ADUC.

19 28. On information and belief, ADPC and ADUC share a unity of interest, one exercises
20 substantially total control over the other, and the assets of each entity are comingled and intertwined
21 so as to render the corporate formalities non-existent between the two entities.

22 29. At all times mentioned in the complaint, Shaw served as ADPC's managing director.

23 30. At all times mentioned in the complaint, Shaw caused ADPC's earnings to be spent
24 recklessly on him and his friends.

25 31. At all times mentioned in the complaint, Shaw surrounded himself with his friends
26 that had little, if any, business experience or expertise and paid them salaries from ADPC's earnings,
27 including those whom he referred to as his "Wisdom Council" consisting of purported 'advisors,'
28 'consultants', and 'business communication coaches.'

1 32. At all times mentioned in the complaint, Shaw caused ADPC's earnings and
2 investment capital to be spent on salaries for himself and his friends, expensive meals, traveling, self-
3 realization retreats, attendance of music concerts and festivals, and other similar activities that Shaw
4 falsely represented to ADPC members and business investors as business related activities.

5 33. At all times mentioned in the complaint, Shaw would purpose ADPC's earnings
6 towards his salary as the managing director before causing ADPC's bills to be paid.

7 34. On information and belief, Shaw did not exercise due care or reasonable business
8 judgment when making decisions on behalf of ADPC.

9 35. On information and belief, ADPC inevitably began to struggle financially under
10 Shaw's leadership.

11 36. Under Shaw's leadership, ADPC incurred a tax obligation of nearly \$1.3 million.

12 37. On information and belief, Shaw's poor business judgment and lavish spending caused
13 ADPC to become insolvent and close its medical marijuana dispensary at some time prior to
14 December 2015.

15 38. In or prior to December 2015, Shaw devised a scheme whereby he would fraudulently
16 induce an investor to build a new dispensary for ADPC by concealing ADPC's tax liability and
17 misrepresenting that he would make the investor a director in ADPC and award the investor a
18 contract to operate the dispensary and ADPC.

19 **B. SHAW FRAUDULENTLY INDUCED TELLEZ TO ENTER THE AGREEMENT**

20 39. Shaw first approached Tellez in or about December 2015 to enter what Shaw
21 described as a partnership to build a medical marijuana dispensary in Los Angeles, the Dispensary.

22 40. Shaw falsely represented to Tellez that if Tellez would build the Dispensary, in return
23 Shaw would make Tellez a director in ADPC, which Shaw represented was eligible for limited
24 immunity under Prop. D, and would award CIC the Dispensary's operating contract.

25 41. Shaw falsely represented to Tellez that Shaw was a successful and experienced
26 businessman that knew how to lawfully operate a medical marijuana dispensary, and that he had
27 successfully operated ADPC's previous medical marijuana dispensary in the past.

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1 42. Shaw fraudulently concealed from Tellez that he had run ADPC into insolvency and
2 that ADPC owed approximately \$1.3 million in taxes as a result of Shaw's poor leadership.

3 43. In or about December 2015, Shaw, on behalf of himself and Defendants, and Tellez,
4 on behalf of himself and Plaintiffs, entered an oral partnership agreement for Shaw and Tellez to
5 carry on ADPC as equal co-directors. Pursuant to their agreement, Tellez would be entirely
6 responsible to build and operate the Dispensary and for the ongoing operations of ADPC. The
7 Dispensary would have both retail and cultivation.

8 44. At all times mentioned in the complaint, Tellez is the manager of Polo LLC, the
9 managing partner of Polo LP, and the President of CIC, and entered the oral agreement with Shaw on
10 behalf of all Plaintiffs.

11 45. Per the partnership agreement, Tellez would use his general construction company to
12 build the Dispensary, Polo would contribute all of the capital up to \$1.5 million to build the
13 Dispensary and continue to operate ADPC, and CIC would be awarded an operating contract to
14 design and operate the Dispensary's cultivation activities. Because the project was being entirely
15 funded by Plaintiffs, Shaw agreed that Plaintiffs would handle the day-to-day operations and
16 management of the Dispensary and ADPC. The parties also agreed that Tellez's medical marijuana
17 vaporizer pen company, Spliffin, would be allowed to operate at the Dispensary.

18 46. The parties also agreed that Tellez would assume all of the obligations and benefits of
19 the Dispensary's lease ("Lease"). Polo would pay the full security deposit, rent, utilities, and all
20 other costs associated with the Lease. In return, Plaintiffs would receive the benefits of occupying
21 the entire estate of the Lease.

22 47. The substantive terms of the parties' agreement, which at all times Shaw falsely
23 represented to Tellez would be an equal partnership, were summarized in a letter of intent ("LOI")
24 that Tellez caused to be sent to Shaw on or about December 14, 2016. The LOI mirrored the above-
25 described terms of the parties' agreement, whereby Polo would fund the project, Tellez would build
26 the Dispensary, CIC would operate the Dispensary, and Spliffin would be allowed to operate at the
27 Dispensary.

28

1 48. The parties agreed and intended to be bound by the terms of the LOI and agreed to
2 work out the details at a later time.

3 49. Construction of the Dispensary required the buildout and remodeling of the existing
4 26,086 square-foot industrial building. Because the industrial building was previously utilized for
5 textile manufacturing, the construction of the Dispensary required the entire building to be re-
6 designed and remodeled as a large scale medical marijuana retail and cultivation facility. Upon
7 completion, the Dispensary would be one of the largest and most advanced medical marijuana
8 dispensaries in the United States.

9 50. At all times mentioned in the complaint, Plaintiffs performed pursuant to the
10 covenants, conditions, and terms of the parties' agreement and caused the Dispensary to be built in a
11 professional manner and according to plans.

12 51. At all times mentioned in the complaint, Plaintiffs assumed all of the obligations of the
13 Lease and occupied the entire estate of the Lease.

14 52. At all times mentioned in the complaint, Plaintiffs did not receive any pay or
15 disbursements for their investment or work, relying instead on Shaw's promise to compensate
16 Plaintiffs in the future pursuant to the terms of their agreement.

17 53. At all times mentioned in the complaint, Shaw falsely represented to Plaintiffs that he
18 would make Tellez a director in ADPC and that Plaintiffs would be compensated for their work,
19 when in fact, Shaw had devised a scheme to induce Plaintiffs to build the Dispensary which Shaw
20 planned to take for himself without having to give Plaintiffs anything in return.

21 **C. SHAW DEvised A SCHEME FOR TELLEZ TO ENTER A VOID 'MANAGEMENT**
22 **TRANSFER AGREEMENT' THAT WAS ENTIRELY CONTRARY TO THE**
23 **PARTIES' PARTNERSHIP AGREEMENT**

24 54. After the parties entered the oral partnership agreement, Tellez wanted his then
25 attorney to represent Tellez's interests and to put the parties' agreement into writing.

26 55. Shaw did not want Tellez's then attorney to become involved in the transaction.

27 56. Instead, on or about December 16, 2015, Shaw introduced Tellez to an attorney
28 ("attorney") that he suggested Tellez retain to represent Tellez's interests.

1 57. The attorney is, and at all times mentioned in the complaint has been, Shaw's attorney
2 acting only in Shaw's interests.

3 58. Immediately after Shaw introduced Tellez to the attorney, Tellez retained the attorney
4 and paid him \$5,000. Because Tellez was retaining the attorney to represent Tellez's and Plaintiffs
5 interests, Shaw did not pay the attorney anything.

6 59. The attorney's retainer agreement with Tellez did not describe the nature of the work
7 to be completed, but only that the attorney would "represent and/or defend the interest of ("Client")"
8 for \$5,000. The retainer defined "client" as Tellez.

9 60. The attorney did not inform Tellez that he was at all times mentioned in the complaint
10 serving as Shaw's attorney and was acting only in Shaw's best interests. The attorney did not obtain
11 Tellez's informed written consent to represent Shaw in the transaction.

12 61. Because Shaw had devised a scheme to defraud Plaintiffs, Tellez and Shaw's interests
13 were in conflict at the time Tellez retained the attorney. In fact, Shaw suggested the attorney only
14 because Shaw had a long personal relationship with the attorney, knew that the attorney would be
15 loyal only to Shaw despite having been retained by Tellez, and knew that he could manipulate the
16 attorney to draft an agreement that was contrary to the parties' agreement in order to further Shaw's
17 plan to defraud Plaintiffs into building the Dispensary for free.

18 62. Tellez was not afforded an opportunity to perform any due diligence prior to entering
19 the agreement with Shaw. Tellez was informed, and based on that information believed, that the
20 attorney that he had retained would protect Plaintiffs' interests in the transaction, including disclosing
21 to Plaintiffs any material facts related to the transaction.

22 63. Neither Shaw nor the attorney provided Tellez with any of ADPC's corporate
23 documents, financials, tax returns, patient lists or files, doctor's recommendations, or any other
24 documents related to ADPC's corporate structure or operations.

25 64. Shaw intentionally withheld material documents and frustrated Plaintiffs' ability to
26 review material documents, all of which were under the exclusive control of Shaw or those loyal to
27 him.

28

1 65. Shaw intentionally and knowingly concealed from Plaintiffs' ADPC's tax obligation
2 of approximately \$1.3 million. Shaw had a duty to disclose ADPC's tax obligation because it
3 directly affected ADPC's value and desirability.

4 66. Without any input from Plaintiffs, Shaw and the attorney drafted the Agreement solely
5 to further Shaw's plan to fraudulently induce Plaintiffs to build the Dispensary for free, take control
6 over all of the Dispensary's operations and management, and to allow Shaw to avoid relinquishing
7 any control of ADPC.

8 67. Shaw and the attorney falsely represented to Plaintiffs that the attorney was retained to
9 act in Plaintiffs' best interests.

10 68. On or about January 11, 2016, Shaw and Tellez met with Shaw and the attorney in Los
11 Angeles and Shaw presented to Tellez a document entitled "Management Transfer Agreement"
12 ("Management Agreement"), a true and correct copy of which is attached to this complaint as Exhibit
13 A and incorporated herein by reference.

14 69. At the time Shaw presented Tellez with the Management Agreement, Shaw falsely
15 represented to Tellez that Tellez needed to sign the Management Agreement that day and pay Shaw
16 \$161,637.40 for the deposit, rent, and brokers fees to secure the Lease.

17 70. Prior to meeting Shaw and the attorney on January 11, 2016, Shaw did not tell Tellez
18 that the attorney had drafted the Management Agreement solely in Shaw's interest and to further
19 Shaw's plan to defraud Plaintiffs.

20 71. Tellez signed the Management Agreement under the false belief that it had been
21 drafted by an attorney that he retained to represent his interests, and that it was drafted to fairly
22 protect both Plaintiffs' and Shaw's interests.

23 72. The terms of the Management Agreement were entirely different than the terms of the
24 parties' oral partnership agreement, which was intended to be an equal partnership.

25 73. Under the Management Agreement, in addition to investing \$1.5 million to build the
26 Dispensary as the parties had agreed, Shaw was also to receive as salary \$2 million from "various
27 sources related to [ADPC's] business"
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1 74. In addition to Shaw receiving \$2 million, Tellez was also required to pay Shaw a
2 minimum salary of \$10,000 per month “before and regardless whether [Tellez] receives any
3 compensation.”

4 75. Although the Management Agreement provided that Tellez was to assume the
5 operations and management of the Dispensary, it furthered Shaw’s scheme of allowing Shaw to avoid
6 having to relinquish any control over ADPC by allowing Shaw to remove Tellez from having any
7 power over the Dispensary or ADPC at any time and in his sole discretion.

8 76. If Shaw elected to remove Tellez, Tellez would not receive any income from ADPC,
9 and would be reimbursed only his “sunk costs” up to the time that Shaw elected to remove him “at
10 the rate of no less than (20) of net income [sic] of [ADPC] monthly until fully reimbursed.”
11 Moreover, Shaw would only be required to reimburse Tellez if ADPC and the Dispensary were “an
12 ongoing concern generating revenue [at the Premises].”

13 **C. SHAW ASSIGNED THE LEASE TO PLAINTIFFS**

14 77. After receiving the \$161,637.40 from Plaintiffs to pay the deposit and rent, Shaw
15 signed the Lease on or about January 11, 2016, a true and correct copy of which is attached to the
16 complaint as Exhibit B and is incorporated herein by reference.

17 78. Shaw advised Plaintiffs of the terms of the Lease and assigned all of the obligations
18 under the Lease to Plaintiffs. Plaintiffs accepted all of the obligations of the Lease pursuant to their
19 oral partnership agreement, occupied the entire estate of the premises, and had exclusive control of
20 the Premises. Plaintiffs paid in full the: (1) monthly rent of \$35,216, (2) insurance, (3) utilities, (4)
21 security costs, (5) alarm system, and (6) all other costs related to the use and occupation of the
22 Premises.

23 79. The owner of the property on which the Dispensary was located, Jack Hanasab, was
24 aware that Tellez was a general contractor, that Tellez occupied the entire Property, and that he has
25 assumed the obligations of the Lease to build the Dispensary.

26 80. Hanasab had actual knowledge that Tellez began construction on the Dispensary in or
27 about February 2016.

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1 81. Hanasab regularly visited the Property and approved and encouraged Tellez to
2 continue with the construction of the Dispensary.

3 82. At all times mentioned in the complaint, Hanasab did not instruct Tellez to stop
4 construction, record or serve a stop work notice, or otherwise inform or notify Tellez or Plaintiffs that
5 they should stop work.

6 **D. PLAINTIFFS BUILT THE DISPENSARY IN RELIANCE ON SHAW'S FALSE**
7 **PROMISES**

8 83. At all times relevant, Tellez fully performed pursuant to the parties' oral agreement
9 and pursuant to the void Management Agreement.

10 84. From February until in or about October 2016, Tellez caused the Dispensary to be
11 built and for CIC to design and operate the Dispensary's cultivation activities. Plaintiffs spent
12 approximately \$2 million on construction and operating costs, including the payment of Shaw's
13 monthly salary and all obligations required under the Lease.

14 85. At all times mentioned in the Complaint, Plaintiffs exclusively occupied the entire
15 estate of the Lease.

16 86. At all times mentioned in the complaint, Shaw did not pay anything towards the
17 construction of the Dispensary, the cultivation operation, or towards ADPC's operations.

18 87. At all times mentioned in the complaint, Shaw did not pay any of the obligations
19 required under the Lease or occupy any part of the estate of the Lease.

20 88. At all times mentioned in the complaint, Shaw did not contribute any substantive work
21 towards the planning, construction, or operation of the Dispensary or cultivation activities.

22 89. At all times mentioned in the complaint, Shaw falsely represented to Plaintiffs that he
23 was investing his time into the planning of the Dispensary but failed to ever deliver any substantive
24 work.

25 90. Plaintiffs, at Shaw's request, paid the salaries of Shaw's friends and so-called
26 "business advisors" whom Shaw falsely represented were assisting Shaw with planning the
27 Dispensary. Like Shaw, these so-called 'employees' failed to deliver any substantive work.
28

1 91. Rather than contribute to the planning, construction, or operation of the Dispensary or
2 cultivation activities, Shaw requested in March 2016 that Plaintiffs purchase another building for
3 ADPC that was located adjacent to the Dispensary. Shaw wanted Plaintiffs to invest another \$2
4 million to purchase the building. On information and belief, Shaw was involved in cultivation
5 activities that were taking place in the building and wanted to purchase the building for his own
6 personal benefit.

7 92. Plaintiffs told Shaw that they preferred to stay focused on the Dispensary and
8 ultimately declined to purchase the building at that time, which upset Shaw.

9 93. In or about April 2016, Shaw revealed to Tellez for the first time that ADPC had an
10 outstanding tax obligation of approximately \$1 million. Shaw was aware of the tax obligation at the
11 time the parties entered their agreement, had a duty to disclose it, and intentionally concealed its
12 existence from Plaintiffs in order to induce them to enter the agreement.

13 94. In or about May 2016, Plaintiffs requested Shaw to disclose ADPC's corporate
14 documents.

15 95. Shaw declined to provide Plaintiffs with ADPC's corporate documents, stating that he
16 would not give the documents to anyone, and repeatedly frustrated Plaintiffs' attempts to review
17 them.

18 96. At all times mentioned in the complaint, Shaw falsely represented to Plaintiffs that he
19 understood that the Management Agreement did not reflect the parties' partnership agreement and
20 needed to be revised.

21 97. At all times mentioned in the complaint, Shaw falsely promised to revise the
22 Management Agreement to accurately reflect the parties partnership agreement.

23 98. At all times mentioned in the complaint, Shaw never intended to amend the
24 Management Agreement and only promised to do so in order to keep Plaintiffs working and investing
25 capital into the Dispensary and ADPC.

26 99. In or about March 2016, Tellez gave Shaw receipts and financial documents for the
27 buildout to demonstrate the amount of money that Polo had invested into the construction. Shaw
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1 refused to review them, and demanded instead that Tellez hire Shaw a personal assistant to organize
2 and review the receipts for Shaw.

3 100. Polo paid one of Shaw's friends, who Shaw represented to be a bookkeeper, \$7,000 to
4 review the financial documents related to the construction, but Shaw's friend did not produce any
5 substantive work.

6 101. In or about July 2016, Shaw disclosed that ADPC had a second tax obligation of
7 approximately \$300,000, for a total tax obligation of approximately \$1.3 million.

8 102. At all times mentioned in the complaint, Shaw was aware of the tax obligation before
9 entering the agreement with Plaintiffs and intentionally concealed its existence in order to
10 fraudulently induce Plaintiffs to build the Dispensary.

11 103. In or about September 2016, the construction for the Dispensary was nearing
12 completion.

13 104. In or about September 2016, Tellez requested that the parties revise the Management
14 Agreement to reflect the parties' agreement. Shaw falsely promised to revise the Management
15 Agreement with Plaintiffs and insisted that Plaintiffs complete the construction of the Dispensary.

16 105. At all times mentioned in the complaint, Shaw never intended to revise the
17 Management Agreement or to perform any of the obligations under the parties' agreement or even the
18 void Management Agreement. Instead, Shaw sought to continue to fraudulently induce Plaintiffs to
19 complete the construction of the Dispensary on the false promise that he would make Tellez a
20 director in ADPC and award the operating contract to CIC.

21 106. By in or about October 2016, Plaintiffs had substantially completed construction on
22 the Dispensary and had invested approximately \$2 million into the project.

23 107. By in or about October 2016, CIC had cultivated a crop of medical marijuana at the
24 Dispensary worth over \$100,000 that was ready for harvest (the "Crop").

25 **E. SHAW ATTEMPTED TO REMOVE PLAINTIFFS FROM THE DISPENSARY**
26 **BY FORCE**

27 108. In or about late October 2016, Plaintiffs were prepared to harvest the Crop, which
28 would serve as the Dispensary's first source of revenue.

1 109. Knowing that the construction on the Dispensary was substantially complete, and
2 immediately before the Dispensary produced the Crop, on or about October 27, 2016, Shaw informed
3 Tellez that he was removing Plaintiffs from the operation and management of the Dispensary and that
4 Shaw would assume total control over all aspects of the project.

5 110. Because the Management Agreement precluded Plaintiffs from having any ability to
6 earn any revenue if Shaw assumed control, on November 1, 2016, Tellez gave notice to Shaw
7 through counsel that he believed Shaw to be in breach and demanded reasonable assurance that Shaw
8 would still perform. Tellez also informed Shaw that unless and until Shaw would provide reasonable
9 assurance of his performance, Tellez would stop work at the Dispensary and Polo would stop funding
10 the project.

11 111. Three days after Tellez demanded assurance of Shaw's performance, on or about
12 November 4, 2016, Shaw arrived at the Dispensary with three men armed with guns and attempted to
13 remove Plaintiffs from the Dispensary at gunpoint. Shaw arrived at the guard station located at the
14 rear parking lot and when the guard opened the automatic gate, Shaw stopped his vehicle in the
15 automatic gate's path to allow three men dressed in tactical gear and carrying guns to enter on foot
16 behind him. The men detained the guard, who was alone, and entered the Dispensary at the direction
17 of Shaw. Once inside the Dispensary, the men removed Tellez's employees from the building at
18 gunpoint.

19 112. Shaw's actions were oppressive, outrageous, dangerous, and incredibly irresponsible.
20 Shaw also produced a letter dated November 4, 2016 from the same attorney that drafted the void
21 Management Agreement demanding that Plaintiffs immediately leave the Dispensary and leave all of
22 their personal property and belongings behind.

23 113. Realizing that Shaw's promises to make Tellez a director in ADPC were false and that
24 Shaw never intended to pay Plaintiffs for their work, Plaintiffs filed this lawsuit.

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1 **CAUSES OF ACTION**

2 **FIRST CAUSE OF ACTION**

3 **FRAUD AND DECEIT**

4 114. Plaintiffs re-allege and incorporates paragraphs 1-112 as though fully set forth herein.

5 115. At all times mentioned in the complaint, Shaw had a duty to disclose ADPC's tax
6 obligations to Plaintiffs prior to Plaintiffs entering the agreement with Shaw.

7 116. Shaw knowingly and intentionally concealed the existence of the tax obligations from
8 Plaintiffs to induce Plaintiffs to enter the agreement and build the Dispensary.

9 117. Shaw made the following representations of material fact both prior to and after
10 entering the partnership agreement with Plaintiffs, in the Management Agreement, and in numerous
11 in-person meetings from in or about December 2015 to October 2016: (1) that Shaw would make
12 Tellez a director in ADPC, (2) that Shaw would allow Plaintiffs to earn revenue related to the
13 operation of the Dispensary, and (3) that Shaw would award an operations contract to CIC to run the
14 Dispensary's cultivation activities.

15 118. Shaw made the representations and concealed the existence of the tax obligations with
16 the intent to defraud and induce Plaintiffs to build the Dispensary, pay for ADPC's expenses, assume
17 the obligations of the Lease, and pay the salaries of Shaw and his friends.

18 119. At the time Shaw made these statements and concealed the tax obligation from
19 Plaintiffs, he did so within his individual capacities, as well as his capacities as director of ADPC and
20 ADUC.

21 120. The representations were in fact false. The truth was that Shaw devised a scheme to
22 induce Plaintiffs to build the Dispensary, pay for ADPC's expenses, and pay Shaw and his friends
23 salaries without ever intending to make Tellez a director in ADPC or pay Plaintiffs anything for their
24 work.

25 121. When Shaw made the representations he knew that they were false and at the time he
26 concealed the tax obligation he intentionally did so to induce Plaintiffs to enter the agreement and the
27 void Management Agreement.

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1 122. Tellez, acting on behalf of Plaintiffs, acted in justifiable reliance on the truth of
2 Shaw's representations. At the time Tellez agreed to build the Dispensary and assume ADPC's
3 obligations, Tellez was not aware of the tax obligation and could not have otherwise reasonably have
4 discovered the tax obligation. Tellez did not know Shaw's representations were false and believed
5 they were true. Plaintiffs built the dispensary and assumed ADPC's obligations solely with the
6 expectation that Shaw would make Tellez a director, allow Plaintiffs to earn revenue from the
7 Dispensary and ADPC's operations, and award the operating contract to CIC.

8 123. The aforementioned acts of Shaw, in acting in his individual capacity, as well as in his
9 capacity as managing director of ADPC and ADUC, were undertaken with the intent to defraud
10 Plaintiffs, and justify the awarding of exemplary and punitive damages.

11 **SECOND CAUSE OF ACTION**

12 **BREACH OF ORAL CONTRACT**

13 124. Plaintiffs re-allege and incorporate paragraphs 1-122 as though fully set forth herein.

14 125. Shaw, on behalf of himself and Plaintiffs, and Tellez, on behalf of himself and
15 Defendants, entered an oral partnership agreement for Shaw and Tellez to carry on ADPC as equal
16 co-directors. Pursuant to their agreement, Plaintiffs would be entirely responsible to build and
17 operate the Dispensary and for the ongoing operations of ADPC.

18 126. Per the partnership agreement, Tellez would use his general construction company to
19 build the Dispensary, Polo would contribute all of the capital up to \$1.5 million to build the
20 Dispensary and continue to operate ADPC, CIC would be awarded an operating contract to design
21 and operate the Dispensary's cultivation activities, and Spliffin would be allowed to operate at the
22 Dispensary.

23 127. Shaw agreed to make Tellez an equal director in ADPC and Tellez would be
24 responsible for the operations and management of the Dispensary and ADPC.

25 128. The parties also agreed that Plaintiffs would assume all of the obligations and benefits
26 of the Lease. Under the agreement, Polo would pay the full security deposit, rent, utilities, and all
27 other costs associated with the Lease. In return, Plaintiffs would receive all of the benefits of the
28 Lease, including occupying the entire estate of the Lease.

1 129. Plaintiffs have performed all conditions, covenants, and promises required on its part
2 to be performed under the agreement.

3 130. By attempting to remove Plaintiffs from the operations and management of the
4 Dispensary and ADPC, and by attempting to physically remove Plaintiffs from the Dispensary at
5 gunpoint, Shaw has breached the agreement.

6 131. Tellez has demanded assurance of Shaw's future performance, namely that he will
7 appoint Tellez an equal director in ADPC and allow Plaintiffs to resume the management and control
8 of the Dispensary, and Shaw has refused.

9 132. As a result of Shaw's breach, Plaintiffs have been damaged in the amount of \$2
10 million, plus consequential damages and interest in an amount to be determined at trial.

11 **THIRD CAUSE OF ACTION**

12 **DECLARATORY JUDGMENT**

13 133. Tellez re-alleges and incorporates paragraphs 1-131 as though fully set forth herein.

14 134. An actual controversy exists as to whether the Management Agreement is void and as
15 to Plaintiffs' rights to the Lease.

16 135. The Management Agreement was void because it was predicated upon fraud and
17 drafted in violation of Rule 3-310 of the Professional Rules of Conduct because the attorney that
18 drafted the Management Agreement at all times was representing Shaw's interests, Shaw's interests
19 were adverse to Tellez, and the attorney failed to obtain Tellez's informed written consent.

20 136. Plaintiffs have rights to the Lease because: (1) Plaintiffs entered a partnership
21 agreement with Shaw for the purpose of building the Dispensary prior to Shaw entering the Lease
22 and by virtue of that partnership have rights to the Lease; and (2) Plaintiffs assumed all of the
23 obligations under the Lease and are entitled to receive the benefits derived from the Lease, namely to
24 occupy the estate of the Lease and to quiet enjoyment.

25 137. A judicial determination resolving these actual disputes is necessary and appropriate at
26 this time.

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1 **FOURTH CAUSE OF ACTION**

2 **RESCISSION**

3 **[PLEAD ALTERNATIVELY TO COUNTS TWO AND FIVE]**

4 138. Plaintiffs re-allege and incorporate paragraphs 1-136 as though fully set forth herein.

5 139. At all times mentioned in the complaint, Shaw had a duty to disclose ADPC's tax
6 obligations to Plaintiffs prior to Plaintiffs entering the agreement with Shaw.

7 140. Shaw knowingly and intentionally concealed the existence of the tax obligations from
8 Plaintiffs to induce Plaintiffs to enter the agreement and build the dispensary.

9 141. Shaw made the following representations of material fact both prior to and after
10 entering the partnership agreement with Plaintiffs, in the Management Agreement, and in numerous
11 in-person meetings from in or about December 2015 to October 2016: (1) that Shaw would make
12 Tellez a director in ADPC, (2) that Shaw would allow Plaintiffs to earn revenue related to the
13 operation of the Dispensary, and (3) that Shaw would award an operations contract to CIC to run the
14 Dispensary's cultivation activities.

15 142. Shaw made the representations and concealed the existence of the tax obligations with
16 the intent to defraud and induce Plaintiffs to build the Dispensary, pay for ADPC's expenses, assume
17 the obligations of the Lease, and pay the salaries of Shaw and his friends.

18 143. At the time Shaw made these statements and concealed the tax obligation from
19 Plaintiffs, he did so within his individual capacities, as well as his capacities as director of ADPC and
20 ADUC.

21 144. The representations were in fact false. The truth was that Shaw devised a scheme to
22 induce Plaintiffs to build the Dispensary, pay for ADPC's expenses, and pay Shaw and his friends
23 salaries without ever intending to make Tellez a director in ADPC or pay Plaintiffs anything for their
24 work.

25 145. When Shaw made the representations he knew they that were false and at the time he
26 concealed the tax obligation he intentionally did so to induce Plaintiffs to enter the agreement and the
27 void Management Agreement.

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1 146. Tellez, acting on behalf of Plaintiffs, acted in justifiable reliance on the truth of
2 Shaw's representations. At the time Tellez agreed to build the Dispensary and assume ADPC's
3 obligations, Tellez was not aware of the tax obligation and could not have otherwise reasonably have
4 discovered the tax obligation. Tellez did not know Shaw's representations were false and believed
5 they were true. Plaintiffs built the dispensary and assumed ADPC's obligations solely with the
6 expectation that Shaw would make Tellez a director, allow Plaintiffs to earn revenue from the
7 Dispensary and ADPC's operations, and award the operating contract to CIC.

8 147. The aforementioned acts of Shaw, in acting in his individual capacity, as well as in his
9 capacity as managing director of ADPC and ADUC, were undertaken with the intent to defraud
10 Plaintiffs, and justify the awarding of exemplary and punitive damages.

11 148. Plaintiffs seek rescission of the agreement based on Shaw's intentional material
12 concealments and misrepresentations.

13 149. If the agreement is rescinded, it is treated as if it never existed, and Plaintiffs are
14 entitled to any and all payments made to Defendants as well as any compensation which justice may
15 require to place the parties in the same position as if their agreement was never entered.

16 **FIFTH CAUSE OF ACTION**

17 **BREACH OF CONTRACT**

18 150. Plaintiffs re-alleges and incorporate paragraphs 1-148 as though fully set forth herein.

19 151. On or about January 11, 2016, the parties entered into the Management Agreement
20 that is the subject of this action.

21 152. At all times mentioned in the complaint, Plaintiffs have performed all conditions,
22 covenants, and promises required on its part to be performed under the Management Agreement.

23 153. Pursuant to the Management Agreement, Plaintiffs would be entirely responsible to
24 build and operate the Dispensary and for the ongoing operations of ADPC.

25 154. By attempting to remove Plaintiffs from the operations and management of the
26 Dispensary and ADPC, and by attempting to physically remove Plaintiffs from the Dispensary at
27 gunpoint, Shaw has breached the Management Agreement.

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1 155. Tellez has demanded assurance of Shaw's future performance, namely that he will
2 appoint Tellez an equal director in ADPC and allow Plaintiffs to resume the management and control
3 of the Dispensary, and Shaw has refused.

4 156. As a result of Shaw's breach, Plaintiffs have been damaged in the amount of \$2
5 million, plus consequential damages and interest in an amount to be determined at trial.

6 **SIXTH CAUSE OF ACTION**

7 **BREACH OF THE COVENANT OF GOOD FAITH AND FAIR DEALING**

8 157. Plaintiffs re-allege and incorporate paragraphs 1-155 as though fully set forth herein.

9 158. In every contract or agreement there is an implied promise of good faith and fair
10 dealing.

11 159. The Parties entered the agreements as alleged herein.

12 160. At all times mentioned in the complaint, Plaintiffs performed pursuant to the terms of
13 the agreements.

14 161. As alleged herein, Shaw unfairly interfered with Plaintiffs rights to receive the benefit
15 of the Agreement.

16 162. As a direct and proximate result of Defendant's breach of the covenant of good faith
17 and fair dealing, Plaintiffs have been damaged in the amount of \$2 million, plus consequential
18 damages and interest in an amount to be determined at trial.

19 **PRAYER FOR RELIEF**

20 WHEREFORE, Plaintiffs pray for judgment against Defendants, and each Doe defendant, as
21 follows:

- 22 1. For compensatory damages in an amount to be proven at trial, but in no event less than
23 \$2 million;
- 24 2. For interest in the lawful amount;
- 25 3. For punitive and exemplary damages in an amount to be proven at trial;
- 26 4. For a judgment declaring that the Management Agreement is void against Shaw;
- 27 5. For a judgment declaring the rights of Plaintiffs as assignees to the Lease;
- 28 6. For attorney's fees and costs;

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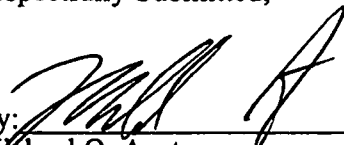
- 7. For special damages as awarded by the Court;
- 8. For an order that the parties' agreement has been rescinded;
- 9. For an order of restitution in the amount of no less than \$2 million to be proven at trial; and
- 10. For such other and further relief as the Court deems just and proper.

DEMAND FOR JURY TRIAL

Plaintiffs hereby demand a trial by jury on all issues triable by right of jury.

DATED: November 18, 2016

Respectfully Submitted,

By: 

Michael O. Azat
Attorney for Plaintiffs

11/21/2016

11/21/2016

EXHIBIT A

EXHIBIT A

11/21/2016

MANAGEMENT TRANSFER AGREEMENT

WHEREAS, James Shaw ("Shaw") currently is one of three duly appointed and authorized directors of a California Nonprofit Mutual Benefit corporation named Arts District Patients Collective, Inc. (the "Corporation"); and

WHEREAS, Shaw is the managing director in charge of operating the Corporation; and

WHEREAS, the Corporation, with Shaw as its authorized managing director, has managed and operated a medical marijuana dispensary under the name Arts District Healing Center (the "Dispensary") which Shaw and Corporation intend to reopen at a new location; and

WHEREAS, the two other directors wish to resign from the Corporation and Shaw is looking to find new director or directors to serve to the benefit of the Corporation; and

WHEREAS, Sérgio Tellez ("New Patient Member") wishes to assume equal control of the management of the Corporation together with Shaw; and

WHEREAS, Shaw and New Patient Member (collectively the "Parties") desire to expand the management group of the Corporation to include an additional director designated by the New Patient Member upon the terms and conditions set forth below;

NOW THEREFORE, in consideration of the premises and the mutual promises and representations contained herein, the sufficiency of which is mutually acknowledged, the Parties make and enter into this Management Transfer Agreement ("Agreement") as of this 4 day of January 2016.

The Parties hereby agree as follows:

1. Upon the satisfaction of the conditions set forth herein, Shaw will transfer fifty (50) percent of the managerial and operational control of the Corporation to New Patient Member, as follows.

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2. In addition to the payments listed below, New Patient Member agree to spend specific funds for the benefit of the Corporation and develop the cultivation operation and the Dispensary to reasonable standards. New Patient Member agrees to invest no less that \$1.5 Million Dollars over the course of two years from the execution of this agreement into the build-out of the location and have operational 200 growing lights by the end of the first year, and 400 growing lights by the end the second year.

of as many as permitted by city plus.

3. New Patient Member will pay Shaw total of Two Million (\$2,000,000) Dollars within the first two years from the date of this Agreement in the following manner: before the transfer is consummated, New Patient Member will pay Shaw One Million (\$1,000,000) by the end of the first year starting from the date of this Agreement and another One Million (\$1,000,000) during the second year from a combination of various sources related to Corporation's business such as salary from the Corporation for Shaw's knowledge, expertise and services in acting as the managing director of the Corporation as well as other potential sources related to the Corporation's business and contracts related to the Corporation. The sources of income for Shaw do not include any business operations separately owned and controlled by Shaw. Notwithstanding anything to the contrary in this Agreement, Shaw's minimum salary shall be Ten Thousand (\$10,000) per month starting March 1, 2016, before and regardless whether New Directors receive any compensation. Unless specified to the contrary elsewhere in the agreement, before and after the transfer, New Patient Member shall not derive more total monthly income from any and all sources related to the Corporation (including, without limitation, cultivator fees, salaries, management fees, consulting fees, and separate enterprise contracts related to the Corporation, regardless whether such fees, contracts, etc. are performed, contracted for or earned by New Patient Member directly or through other persons and entities, than Shaw.

4. New Patient Member agree to transfer at least \$150,000 per year out of the gross receipts of the Corporation to fund a health center to be designed and managed under Shaw's close supervision by a salaried manager to be designated and chosen solely by Shaw. These funds shall be earmarked specifically for member services directed by Shaw and the designated manager and shall be separate and in addition to any funds spent on counseling and other member services associated with distribution of marijuana.

5. As a condition of this Agreement, New Patient Member will ensure that all of the Corporations' financial and other obligations have been met, including without limitations, all obligations related to that certain Lease concerning premises at 1411 Wilson Street in Los Angeles, California. Shaw will supervise all expenditures to ensure amounts spent are reasonable and customary and shall in his own discretion as the managing director reduce or deny payments that are unreasonable, not consistent with financial projections and/or not otherwise specified in this Agreement.

6. New Patient Member will be given authority to make decisions for the company with oversight by Shaw. The intention is to support New Patient Member in taking full responsibility for the outcomes of the project. Shaw will give feedback on potential consequences for choices but yield to New Patient Member's decisions as long as there is a clear intention to forward the collective goals of the organization and the actions wont potentially harm the organization.

7. In the event of the breach of this Agreement by the New Patient Member' failure to meet the financial benchmarks and obligations outlined above, Shaw will be released from the obligation to transfer fifty (50) percent of the managerial and operational control of the Corporation to New Patient Member as described below; Shaw will have the discretion to replace any and all personnel hired or contracted by New Patient Member and to remove New Patient Member from any and all operational control of the Corporation and the Dispensary. If New Patient Member are removed from operational control by Shaw New Patient Member will cease to derive any income from the Corporation except that they will be reimbursed their sunk costs to date in the Corporation, for example amounts paid for build-out, at the rate of no less than twenty (20) of net income of the Corporation monthly until fully reimbursed, providing the Corporation is an ongoing concern generating revenue [at the premises where the cultivation build-out referenced herein had been installed by New Patient Member. Shaw shall have no personal responsibility for any reimbursement of costs in the event of a breach.]

8. At the consummation of the transfer, Shaw will appoint another person, to be designated by New Patient Member ("New Director"), as additional and equal director of the Corporation to exercise equal managerial and operational control of the Corporation and its assets. New Patient Member may designate himself as New Director.

9. As a condition of this Agreement, under guidance and supervision by Shaw, New Patient Member will assume the responsibility for the day-to-day operations and management of the Dispensary. [Both before and after] the consummation of the transfer of control of the corporation from Shaw to Shaw and New Director, Shaw and New Patient Member will conduct the business of the Corporation and will dispose of its assets only in the ordinary course of the Corporation's business and/or in accordance with mutually agreed upon goals and objectives and using reasonable business practices. At his discretion, Shaw may assume management and control of certain day-to-day operations of the Corporation but is not obligated to do so under the terms of this Agreement.

10. At the consummation of the transfer, except where otherwise provided all of the Corporation's assets, tangible and intangible properties, inventories, goodwill,

permits, licenses, DBAs, and all insurance and contract benefits will remain with the Corporation under the management and control of Shaw and the New Director.

11. New Patient Member acknowledges that they had adequate opportunity to conduct a full investigation of the Corporation, including its operations, assets, liabilities, financial materials, records, facilities, equipment, personnel, potential legal exposure, and status as a registrant with the city clerk's office, prior to the execution of this Agreement. New Patient Member acknowledges and agree that they had full opportunity to submit this Agreement for independent review by counsel of their choice.

12. Except as otherwise stated herein, after the execution of this Agreement as well as following the consummation of the transfer, the Corporation will be responsible for all of the Corporation's liabilities and obligations regardless when such liabilities and obligations arose. Corporation's liabilities and obligations shall be paid prior to any salary or other distributions to New Patient Member and Shaw.

13. The Parties acknowledge and agree that prior to the execution of this Agreement, Shaw had been involved in the management of various cultivation sites, including without limitation: (1) sites registered with Shaw's cultivation management company called AgSite Secure, Inc., and (2) [one cultivation site outside the City of Los Angeles that the Corporation is permitted to own and operate under the terms of the recently passed bill AB266]. New Patient Member understands and agrees that any such cultivation sites are not part of this Agreement regardless whether they have had any connection, nominal or otherwise, to the Corporation and the Dispensary.

14. In the event Shaw participates in and has any degree of managerial authority and control over any cultivation activities that might take place at premises located at 1401 Wilson Street, which are adjacent to 1411 Wilson Street, and the parties receive notice that such activities specifically pose a reasonable threat to the ability of the Corporation to operate the Dispensary at 1411 Wilson Street, Shaw shall take all reasonable steps within his authority to ensure that such activities are shut down or otherwise cease to present a legal risk to the Dispensary. Unless otherwise agreed, New Patient Member shall have no involvement, financial or otherwise, in any cultivation activities at 1401 Wilson Street.

15. If any provision of this Agreement is held to be illegal, invalid, or unenforceable, that provision will be fully severable, and this Agreement will be construed and enforced as if the illegal, invalid, or unenforceable provision were never a part of the Agreement; the remaining provisions will remain in full force and effect and will not be affected by the illegal, invalid, or unenforceable provision or by its severance (except to the extent the remaining provisions constitute obligations of the other party to

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this Agreement corresponding to the unenforceable provision); and in lieu of such illegal, invalid, or unenforceable provision, there will be added automatically as part of this Agreement, a provision as similar in its terms to the illegal, invalid, or unenforceable provision as may be possible and be legal, valid, or enforceable.

16. The Parties covenant, represent and warrant that each shall keep confidential all information related to this Agreement, including its very existence, New Patient Member's participation and financial terms, and shall not disclose any such information to any person or entity without obtaining the prior written consent of the other Parties. Notwithstanding the above, the Parties may disclose requested information to their attorneys, accountants and in accordance with any request of a government agency specifically requesting such information, or to such vendors or patients without disclosing any of the financial terms within. The Parties also covenant, represent and warrant that each shall keep confidential all information related to the unique and proprietary business practices of the Corporation, including but not limited to its corporate structure and tax strategies, because such information is part of the Corporation's core assets and therefore may not be shared with persons other than persons inside the Corporation with the need to know. The Parties covenant, represent and warrant that each shall take all reasonable steps, including requiring non-disclosure agreements with individuals related to the Corporation and its business, to ensure that such information will not be shared by others who might have knowledge of such information.

17. Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties hereto. Nothing in this Agreement, expressed or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

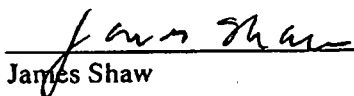
18. This Agreement shall be governed by and construed under the laws of the State of California as applied to agreements among State of California residents entered into and to be performed entirely within the State of California.


19. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

20. All amendments to this Agreement must be in writing and executed by all Parties. This Agreement contains the entire agreement and understanding between the

Parties concerning the subject matter and supersedes all prior agreements, understandings, and representations, whether written or oral. The preparation and/or delivery of unsigned drafts of this Agreement shall not create any legally binding rights. This Agreement shall be of no effect until and unless it is duly executed by all Parties.

IN WITNESS WHEREOF, the Parties to this Agreement have duly executed it, with the intention of being bound by it, effective as of January 11, 2016.

By: 
James Shaw

By: 
Sergio Peltz

11/21/2016

11/21/2016

EXHIBIT B

EXHIBIT B

11/21/2016



**AIR COMMERCIAL REAL ESTATE ASSOCIATION
STANDARD INDUSTRIAL/COMMERCIAL SINGLE-TENANT LEASE -- GROSS
(DO NOT USE THIS FORM FOR MULTI-TENANT BUILDINGS)**

1. Basic Provisions ("Basic Provisions").

1.1 Parties: This Lease ("Lease"), dated for reference purposes only December 9, 2016 is made by and between Nejat Investment, LLC ("Lessor") and Arts District Patients Collective Inc. ("Lessee") (collectively the "Parties," or individually a "Party").

1.2 Premises: That certain real property, including all improvements therein or to be provided by Lessor under the terms of this Lease, and commonly known as 1411 Wilson Street, located in the County of Los Angeles State of Ca and generally described as (describe briefly the nature of the property and, if applicable, the "Project", if the property is located within a Project) An Industrial building of approximately 26,086 Square Feet.

1.3 Term: 5 years and 1 months ("Original Term") commencing January 1, 2016 ("Premises"). (See also Paragraph 2) ("Commencement Date") and ending December 31, 2020 ("Expiration Date"). (See also Paragraph 3)

1.4 Early Possession: If the Premises are available Lessee may have non-exclusive possession of the Premises commencing upon execution of leases ("Early Possession Date"). (See also Paragraphs 3.2 and 3.3)

1.5 Base Rent: \$15,216.00 per month ("Base Rent"), payable on the 1st of the month day of each month commencing January 1, 2016. (See also Paragraph 4)

If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted. See Paragraph _____

1.6 Base Rent and Other Monies Paid Upon Execution:

(a) Base Rent: \$35,216.00 for the period January 1, 2016 through January 31, 2016

(b) Security Deposit: \$105,648.00 ("Security Deposit"). (See also Paragraph 5)

(c) Association Fees: \$ _____ for the period _____

(d) Other: \$ _____ for _____

(e) Total Due Upon Execution of this Lease: \$140,864.00

1.7 Agreed Use: Cultivation of Medical Marijuana and other legally relates permitted use. (See also Paragraph 6)

1.8 Insuring Party: Lessor is the "Insuring Party". The annual "Base Premium" is \$ _____ (See also Paragraph 6)

1.9 Real Estate Brokers: (See also Paragraph 15 and 25)
(a) Representation: The following real estate brokers (the "Brokers") and brokerage relationships exist in this transaction (check applicable boxes):

Per side agreement _____ represents Lessor exclusively ("Lessor's Broker");

Per side agreement _____ represents Lessee exclusively ("Lessee's Broker"); or

_____ represents both Lessor and Lessee ("Dual Agency").

(b) Payment to Brokers: Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Brokers the brokerage fee agreed to in a separate written agreement (or if there is no such agreement, the sum of Per side or agreement % of the total Base Rent) for the brokerage services rendered by the Brokers.

1.10 Guarantor: The obligations of the Lessee under this Lease are to be guaranteed by James Shaw ("Guarantor"). (See also Paragraph 37)

1.11 Attachments: Attached hereto are the following, all of which constitute a part of this Lease:

- an Addendum consisting of Paragraphs 51 through 67;
- a plot plan depicting the Premises;
- a current set of the Rules and Regulations;
- a Work Letter;
- a energy disclosure addendum is attached;
- other (specify): _____

11/21/2016

SS
INITIALS

JA
INITIALS

2. Premises.

2.1 **Lotting.** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. While the approximate square footage of the Premises may have been used in the marketing of the Premises for purposes of comparison, the Base Rent stated herein is NOT tied to square footage and is not subject to adjustment should the actual size be determined to be different. Note: Lessee is advised to verify the actual size prior to executing this Lease.

2.2 **Condition.** Lessor shall deliver the Premises to Lessee broom clean and free of debris on the Commencement Date or the Early Possession Date, whichever first occurs ("Start Date"), and, so long as the required service contracts described in Paragraph 7.1(b) below are obtained by Lessee and in effect within thirty days following the Start Date, warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems ("HVAC"), loading doors, sump pumps, if any, and all other such elements in the Premises, other than those constructed by Lessee, shall be in good operating condition on said date and that the surface and structural elements of the roof, bearing walls and foundation of any buildings on the Premises (the "Building") shall be free of material defects, and that the Unit does not contain hazardous levels of any mold or fungi defined as toxic under applicable state or federal law. If a non-compliance with said warranty exists as of the Start Date, or if one of such systems or elements should malfunction or fail within the appropriate warranty period, Lessor shall, as Lessor's sole obligation with respect to such matter, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, malfunction or failure, rectify same at Lessor's expense. The warranty periods shall be as follows: (i) 6 months as to the HVAC systems, and (ii) 30 days as to the remaining systems and other elements of the Building. If Lessee does not give Lessor the required notice within the appropriate warranty period, correction of any such non-compliance, malfunction or failure shall be the obligation of Lessee at Lessee's sole cost and expense, except for the roof, foundations, and bearing walls which are handled as provided in paragraph 7. Lessor also warrants, that unless otherwise specified in writing, Lessor is unaware of (i) any recorded Notices of Default affecting the Premise; (ii) any delinquent amounts due under any loan secured by the Premises; and (iii) any bankruptcy proceeding affecting the Premises.

2.3 **Compliance.** Lessor warrants that to the best of its knowledge the improvements on the Premises comply with the building codes, applicable laws, covenants or restrictions of record, regulations, and ordinances ("Applicable Requirements") that were in effect at the time that each improvement, or portion thereof, was constructed. Said warranty does not apply to the use to which Lessee will put the Premises, modifications which may be required by the Americans with Disabilities Act or any similar laws as a result of Lessee's use (see Paragraph 50), or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a)) made or to be made by Lessee. NOTE: Lessee is responsible for determining whether or not the Applicable Requirements, and especially the zoning, are appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed. If the Premises do not comply with said warranty, Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within 6 months following the Start Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense. If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Premises and/or Building, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Unit, Premises and/or Building ("Capital Expenditure"), Lessor and Lessee shall allocate the cost of such work as follows:

(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof, provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease and the cost thereof exceeds 6 months' Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within 10 days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and an amount equal to 6 months' Base Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least 90 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor shall pay for such Capital Expenditure and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease or any extension thereof, on the date that on which the Base Rent is due, an amount equal to 1/144th of the portion of such costs reasonably attributable to the Premises. Lessee shall pay interest on the balance but may prepay its obligation at any time. If, however, such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor.

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to non-voluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall either: (i) immediately cease such changed use or intensity of use and/or take such other steps as may be necessary to eliminate the requirement for such Capital Expenditure, or (ii) complete such Capital Expenditure at its own expense. Lessee shall not, however, have any right to terminate this Lease.

2.4 **Acknowledgements.** Lessee acknowledges that: (a) it has been given an opportunity to inspect and measure the Premises, (b) it has been advised by Lessor and/or Brokers to satisfy itself with respect to the size and condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler systems, security, environmental aspects, and compliance with Applicable Requirements and the Americans with Disabilities Act), and their suitability for Lessee's intended use, (c) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefor as the same relate to its occupancy of the Premises, (d) it is not relying on any representation as to the size of the Premises made by Brokers or Lessor, (e) the square footage of the Premises was not material to Lessee's decision to lease the Premises and pay the Rent stated herein, and (f) neither Lessor, Lessor's agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (ii) it is Lessor's sole responsibility to investigate the financial capability and/or suitability of all proposed tenants.

2.5 **Lessee as Prior Owner/Occupant.** The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the Start Date Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.

3. Term.

3.1 **Term.** The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3.

3.2 **Early Possession.** Any provision herein granting Lessee Early Possession of the Premises is subject to and conditioned upon the Premises being available for such possession prior to the Commencement Date. Any grant of Early Possession only conveys a non-exclusive right to occupy the Premises. If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such Early Possession. All other terms of this Lease (including but not limited to the obligations to pay Real Property Taxes and insurance premiums and to maintain the Premises) shall be in effect during such period. Any such Early Possession shall not affect the Expiration Date.

3.3 **Delay in Possession.** Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession by such date, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease or change the Expiration Date. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until Lessor delivers possession of the Premises and any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession is not delivered within 60 days after the Commencement Date, as the same may be extended under the terms of any Work Letter executed by Parties, Lessee may, at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10 day period, Lessee's right to cancel shall terminate. If possession of the Premises is not delivered within 120 days after the Commencement Date, this Lease shall terminate unless other agreements are reached between Lessor and Lessee, in writing.

3.4 **Lessee Compliance.** Lessor shall not be required to deliver possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of insurance (Paragraph 8.5). Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.

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4. **Rent.**
4.1. **Rent Defined.** All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit) are deemed to be rent ("Rent").

4.2. **Payment.** Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States, without offset or deduction (except as specifically permitted in this Lease), on or before the day on which it is due. All monetary amounts shall be rounded to the nearest whole dollar. In the event that any invoice prepared by Lessor is inaccurate such inaccuracy shall not constitute a waiver and Lessee shall be obligated to pay the amount set forth in this Lease. Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating. In the event that any check, draft, or other instrument of payment given by Lessee to Lessor is dishonored for any reason, Lessee agrees to pay to Lessor the sum of \$25 in addition to any Late Charge and Lessor, at its option, may require all future payments to be made by Lessee to be by cashier's check. Payments will be applied first to accrued late charges and attorney's fees, second to accrued interest, then to Base Rent, Insurance and Real Property Taxes, and any remaining amount to any other outstanding charges or costs.

4.3. **Association Fees.** In addition to the Base Rent, Lessee shall pay to Lessor each month an amount equal to any owner's association or condominium fees levied or assessed against the Premises. Said monies shall be paid at the same time and in the same manner as the Base Rent.

5. **Security Deposit.** Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease, Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount already due Lessor, for Rents which will be due in the future, and/or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of the Security Deposit, Lessee shall within 10 days after written request therefor deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sublessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, in Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within 30 days after the expiration or termination of this Lease, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease.

6. **Use.**

6.1. **Use.** Lessee shall use and occupy the Premises only for the Agreed Use, or any other legal use which is reasonably comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties. Other than guide, signal and seeing eye dogs, Lessee shall not keep or allow in the Premises any pets, animals, birds, fish, or reptiles. Lessor shall not unreasonably withhold or delay its consent to any written request for a modification of the Agreed Use, so long as the same will not impair the structural integrity of the improvements on the Premises or the mechanical or electrical systems therein, and/or is not significantly more burdensome to the Premises. If Lessor elects to withhold consent, Lessor shall within 7 days after such request give written notification of same, which notice shall include an explanation of Lessor's objections to the change in the Agreed Use.

6.2. **Hazardous Substances.**

(a) **Reportable Uses Require Consent.** The term "Hazardous Substance" as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment or the Premises; (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, by-products or fractions thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee's expense) with all Applicable Requirements. "Reportable Use" shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use, ordinary office supplies (copier toner, liquid paper, glue, etc.) and common household cleaning materials, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability, including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit.

(b) **Duty to Inform Lessor.** If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(c) **Lessee Remediation.** Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, comply with all Applicable Requirements and take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) **Lessee Indemnification.** Lessee shall indemnify, defend and hold Lessor, its agents, employees, tenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, or any third party (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from adjacent properties not caused or contributed to by Lessee). Lessee's obligations shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

(e) **Lessor Indemnification.** Except as otherwise provided in paragraph 6.7, Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and tenders, harmless from and against any and all environmental damages, including the cost of remediation, which result from Hazardous Substances which existed on the Premises prior to Lessee's occupancy or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

(f) **Investigations and Remediations.** Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to Lessee's occupancy, unless such remediation measure is required as a result of Lessee's use (including "Alterations", as defined in paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessor's investigative and remedial responsibilities.

(g) **Lessor Termination Option.** If a Hazardous Substance Condition (see Paragraph 9.1(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable

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Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to remediate such condition exceeds 12 times the then monthly Base Rent or \$100,000, whichever is greater, give written notice to Lessee, within 30 days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within 10 days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to 12 times the then monthly Base Rent or \$100,000, whichever is greater. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

6.3 **Lessor's Compliance with Applicable Requirements.** Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the Premises, without regard to whether said Applicable Requirements are now in effect or become effective after the Start Date. Lessee shall, within 10 days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements. Likewise, Lessee shall immediately give written notice to Lessor of (i) any water damage to the Premises and any suspected seepage, pooling, dampness or other condition conducive to the production of mold; or (ii) any mustiness or other odors that might indicate the presence of mold in the Premises. In addition, Lessee shall provide Lessor with copies of its business license, certificate of occupancy and/or any similar document within 10 days of the receipt of a written request therefor.

6.4 **Inspection; Compliance.** Lessor and Lessor's "Lender" (as defined in Paragraph 30) and consultants shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times after reasonable notice, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a Hazardous Substance Condition (see paragraph 9.1) is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination. In addition, Lessee shall provide copies of all relevant material safety data sheets (MSDS) to Lessor within 10 days of the receipt of a written request therefor.

7. **Maintenance; Repairs; Utility Installations; Trade Fixtures and Alterations.**

7.1 **Lessee's Obligations.**

(a) **In General.** Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance), 6.3 (Lessee's Compliance with Applicable Requirements), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole expense, keep the Premises, Utility Installations (intended for Lessee's exclusive use, no matter where located), and Alterations in good order, condition and repair (whether or not the portion of the Premises requiring repairs, or the means of repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, but not limited to, all equipment or facilities, such as plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fire protection system, fixtures, walls (interior and exterior), ceilings, floors, windows, doors, plate glass, skylights, landscaping, driveways, parking lots, fences, retaining walls, signs, sidewalks and parkways located in, on, or adjacent to the Premises. Lessee is also responsible for keeping the roof and roof drainage clean and free of debris. Lessor shall keep the surface and structural elements of the roof, foundations, and bearing walls in good repair (see paragraph 7.2). Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Paragraph 7.1(b) below. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair. Lessee shall, during the term of this Lease, keep the exterior appearance of the Building in a first-class condition (including, e.g. graffiti removal) consistent with the exterior appearance of other similar facilities of comparable age and size in the vicinity, including, when necessary, the exterior repainting of the Building.

(b) **Service Contracts.** Lessee shall, at Lessee's sole expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in the maintenance of the following equipment and improvements, if any, if and when installed on the Premises: (i) HVAC equipment, (ii) boiler, and pressure vessels, (iii) fire extinguishing systems, including fire alarm and/or smoke detection, (iv) landscaping and irrigation systems, and (v) clarifiers. However, Lessor reserves the right, upon notice to Lessee, to procure and maintain any or all of such service contracts, and Lessee shall reimburse Lessor, upon demand, for the cost thereof.

(c) **Failure to Perform.** If Lessee fails to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after 10 days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, and Lessee shall promptly pay to Lessor a sum equal to 115% of the cost thereof.

(d) **Replacement.** Subject to Lessee's indemnification of Lessor as set forth in Paragraph 8.7 below, and without relieving Lessee of liability resulting from Lessee's failure to exercise and perform good maintenance practices, if an item described in Paragraph 7.1(b) cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such item, then such item shall be replaced by Lessor, and the cost thereof shall be prorated between the Parties and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease, on the date on which Base Rent is due, an amount equal to the product of multiplying the cost of such replacement by a fraction, the numerator of which is one, and the denominator of which is 144 (ie. 1/144th of the cost per month). Lessee shall pay interest on the unamortized balance but may prepay its obligation at any time.

7.2 **Lessor's Obligations.** Subject to the provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 6 (Damage or Destruction) and 14 (Condemnation), it is intended by the Parties hereto that Lessor have no obligation, in any manner whatsoever, to repair and maintain the Premises, or the equipment therein, all of which obligations are intended to be that of the Lessee, except for the surface and structural elements of the roof, foundations and bearing walls, the repair of which shall be the responsibility of Lessor upon receipt of written notice that such a repair is necessary. It is the intention of the Parties that the terms of this Lease govern the respective obligations of the Parties as to maintenance and repair of the Premises, and they expressly waive the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease.

7.3 **Utility Installations; Trade Fixtures; Alterations.**

(a) **Definitions.** The term "Utility Installations" refers to all floor and window coverings, air and/or vacuum lines, power panels, electrical distribution, security and fire protection systems, communication cabling, lighting fixtures, HVAC equipment, plumbing, and fencing in or on the Premises. The term "Trade Fixtures" shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term "Alterations" shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. "Lessee Owned Alterations and/or Utility Installations" are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a).

(b) **Consent.** Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Alterations or Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, will not affect the electrical, plumbing, HVAC, and/or life safety systems, and the cumulative cost thereof during this Lease as extended does not exceed a sum equal to 3 month's Base Rent in the aggregate or a sum equal to one month's Base Rent in any one year. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor.

(c) **Liens; Bonds.** Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than 10 days notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that

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may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to 150% of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys' fees and costs.

7.4 Ownership; Removal; Surrender; and Restoration.

(a) **Ownership.** Subject to Lessor's right to require removal or effect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

(b) **Removal.** By delivery to Lessee of written notice from Lessor not earlier than 90 and not later than 30 days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent.

(c) **Surrender; Restoration.** Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing, if this Lease is for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures, Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Premises) to the level specified in Applicable Requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. Any personal property of Lessee not removed on or before the Expiration Date or any earlier termination date shall be deemed to have been abandoned by Lessee and may be disposed of or retained by Lessor as Lessor may desire. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below.

8. Insurance; Indemnity.

8.1 Payment of Premium Increases.

(a) Lessee shall pay to Lessor any insurance cost increase ("Insurance Cost Increase") occurring during the term of this Lease. Insurance Cost Increase is defined as any increase in the actual cost of the insurance required under Paragraph 8.2(b), 8.3(a) and 8.3(b), over and above the Base Premium as hereinafter defined calculated on an annual basis. Insurance Cost Increase shall include but not be limited to increases resulting from the nature of Lessee's occupancy, any act or omission of Lessee, requirements of the holder of mortgage or deed of trust covering the Premises, increased valuation of the Premises and/or a premium rate increase. The parties are encouraged to fill in the Base Premium in paragraph 1.8 with a reasonable premium for the Required Insurance based on the Agreed Use of the Premises. If the parties fail to insert a dollar amount in Paragraph 1.8, then the Base Premium shall be the lowest annual premium reasonably obtainable for the Required Insurance as of the commencement of the Original Term for the Agreed Use of the Premises. In no event, however, shall Lessee be responsible for any portion of the increase in the premium cost attributable to liability insurance carried by Lessor under Paragraph 8.2(b) in excess of \$2,000,000 per occurrence.

(b) Lessee shall pay any such Insurance Cost Increase to Lessor within 30 days after receipt by Lessee of a copy of the premium statement or other reasonable evidence of the amount due. If the insurance policies maintained hereunder cover other property besides the Premises, Lessor shall also deliver to Lessee a statement of the amount of such Insurance Cost Increase attributable only to the Premises showing in reasonable detail the manner in which such amount was computed. Premiums for policy periods commencing prior to, or extending beyond the term of this Lease, shall be prorated to correspond to the term of this Lease.

8.2 Liability Insurance.

(a) **Carried by Lessee.** Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than \$1,000,000 per occurrence with an annual aggregate of not less than \$2,000,000. Lessee shall add Lessor as an additional insured by means of an endorsement at least as broad as the Insurance Service Organization's "Additional Insured-Managers or Lessors of Premises" Endorsement. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "Insured contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. Lessee shall provide an endorsement on its liability policy(ies) which provides that its insurance shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only.

(b) **Carried by Lessor.** Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 Property Insurance - Building, Improvements and Rental Value.

(a) **Building and Improvements.** The Insuring Party shall obtain and keep in force a policy or policies in the name of Lessor, with loss payable to Lessor, any ground-lessor, and to any Lender insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full insurable replacement cost of the Premises, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available insurable value thereof. Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee not by Lessor. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender or included in the Base Premium), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed \$5,000 per occurrence, and Lessee shall be liable for such deductible amount in the event of an Insured Loss.

(b) **Rental Value.** The Insuring Party shall obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one year with an extended period of indemnity for an additional 180 days ("Rental Value Insurance"). Said insurance shall contain an agreed valuation provision in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next 12 month period. Lessee shall be liable for any deductible amount in the event of such loss.

(c) **Adjacent Premises.** If the Premises are part of a larger building, or of a group of buildings owned by Lessor which are adjacent to the Premises, the Lessee shall pay for any increase in the premiums for the property insurance of such building or buildings if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

8.4 Lessee's Property; Business Interruption Insurance; Worker's Compensation Insurance.

(a) **Property Damage.** Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures, and Lessee Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed \$1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of personal property, Trade Fixtures and Lessee Owned Alterations and Utility Installations.

(b) **Business Interruption.** Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all perils commonly insured against by prudent lessees in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

(c) **Worker's Compensation Insurance.** Lessee shall obtain and maintain Worker's Compensation Insurance in such amount as may be required by Applicable Requirements. Such policy shall include a "Waiver of Subrogation" endorsement. Lessee shall provide Lessor with a copy of such endorsement along with the certificate of insurance or copy of the policy required by paragraph 8.5.

(d) **No Representation of Adequate Coverage.** Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.

8.5 Insurance Policies. Insurance required herein shall be by companies maintaining during the policy term a "General Policyholders Rating" of at least A-, VII, as set forth in the most current issue of "Best's Insurance Guide", or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates with copies of the required endorsements evidencing the existence and amounts of the required insurance. No such policy shall be cancelable or subject to modification except after 30 days prior written notice to Lessor. Lessee shall, at least 10 days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or

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Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same.

8.6 Waiver of Subrogation. Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 Indemnity. Except for Lessor's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified.

8.8 Exemption of Lessor and its Agents from Liability. Notwithstanding the negligence or breach of this Lease by Lessor or its agents, neither Lessor nor its agents shall be liable under any circumstances for: (i) injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, outdoor air quality, the presence of mold or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the building of which the Premises are a part, or from other sources or places, (ii) any damages arising from any act or neglect of any other tenant of Lessor or from the failure of Lessor or its agents to enforce the provisions of any other lease in the Project, or (iii) injury to Lessee's business or for any loss of income or profit therefrom. Instead, it is intended that Lessee's sole recourse in the event of such damages or injury be to file a claim on the insurance policy(ies) that Lessee is required to maintain pursuant to the provisions of paragraph 8.

8.9 Failure to Provide Insurance. Lessee acknowledges that any failure on its part to obtain or maintain the insurance required herein will expose Lessor to risks and potentially cause Lessor to incur costs not contemplated by this Lease, the extent of which will be extremely difficult to ascertain. Accordingly, for any month or portion thereof that Lessee does not maintain the required insurance and/or does not provide Lessor with the required binders or certificates evidencing the existence of the required insurance, the Base Rent shall be automatically increased, without any requirement for notice to Lessee, by an amount equal to 10% of the then existing Base Rent or \$100, whichever is greater. The parties agree that such increase in Base Rent represents fair and reasonable compensation for the additional risk costs that Lessor will incur by reason of Lessee's failure to maintain the required insurance. Such increase in Base Rent shall in no event constitute a waiver of Lessee's Default or Breach with respect to the failure to maintain such insurance, prevent the exercise of any of the other rights and remedies granted hereunder, nor relieve Lessee of its obligation to maintain the insurance specified in this Lease.

9. Damage or Destruction.

9.1 Definitions.

(a) "Premises Partial Damage" shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which can reasonably be repaired in 6 months or less from the date of the damage or destruction. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(b) "Premises Total Destruction" shall mean damage or destruction to the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which cannot reasonably be repaired in 6 months or less from the date of the damage or destruction. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) "Insured Loss" shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

(d) "Replacement Cost" shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) "Hazardous Substance Condition" shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance, in, on, or under the Premises which requires restoration.

9.2 Partial Damage - Insured Loss. If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is \$10,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds (except as to the deductible which is Lessee's responsibility) as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said 10 day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs it made by either Party.

9.3 Partial Damage - Uninsured Loss. If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective 60 days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 Total Destruction. Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate 60 days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6.

9.5 Damage Near End of Term. If at any time during the last 6 months of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective 60 days following the date of occurrence of such damage by giving a written termination notice to Lessee within 30 days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by: (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is 10 days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished.

9.6 Abatement of Rent; Lessee's Remedies.

(a) **Abatement.** In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from

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the Rental Value insurance. All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) Remedies. If Lessor is obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within 90 days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than 60 days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within 30 days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such 30 days, this Lease shall continue in full force and effect. "Commence" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 Termination; Advance Payments. Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

10. Real Property Taxes.

10.1 Definition. As used herein, the term "Real Property Taxes" shall include any form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Premises or the Project, Lessor's right to other income therefrom, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Building address and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Premises are located. Real Property Taxes shall also include any tax, fee, levy, assessment or charge, or any increase therein: (i) imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Premises, and (ii) levied or assessed on machinery or equipment provided by Lessor to Lessee pursuant to this Lease.

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(a) Payment of Taxes. Lessor shall pay the Real Property Taxes applicable to the Premises provided, however, that Lessee shall pay to Lessor the amount, if any, by which Real Property Taxes applicable to the Premises increase over the fiscal tax year during which the Commencement Date Occurs (Tax Increase). Payment of any such Tax Increase shall be made by Lessee to Lessor within 30 days after receipt of Lessor's written statement setting forth the amount due and computation thereof. If any such taxes shall cover any period of time prior to or after the expiration or termination of this Lease, Lessee's share of such taxes shall be prorated to cover only that portion of the tax bill applicable to the period that this Lease is in effect. In the event Lessee incurs a late charge on any Rent payment, Lessor may estimate the current Real Property Taxes, and require that the Tax Increase be paid in advance to Lessor by Lessee monthly in advance with the payment of the Base Rent. Such monthly payment shall be an amount equal to the amount of the estimated installment of the Tax Increase divided by the number of months remaining before the month in which said installment becomes delinquent. When the actual amount of the applicable Tax Increase is known, the amount of such equal monthly advance payments shall be adjusted as required to provide the funds needed to pay the applicable Tax Increase. If the amount collected by Lessor is insufficient to pay the Tax Increase when due, Lessee shall pay Lessor, upon demand, such additional sums as are necessary to pay such obligations. Advance payments may be intermingled with other moneys of Lessor and shall not bear interest. In the event of a Breach by Lessee in the performance of its obligations under this Lease, then any such advance payments may be treated by Lessor as an additional Security Deposit.

(b) Additional Improvements. Notwithstanding anything to the contrary in this Paragraph 10.2, Lessee shall pay to Lessor upon demand thereof the entirety of any increase in Real Property Taxes assessed by reason of Alterations or Utility Installations placed upon the Premises by Lessee or at Lessee's request or by reason of any alterations or improvements to the Premises made by Lessor subsequent to the execution of this Lease by the Parties.

10.3 Joint Assessment. If the Premises are not separately assessed, Lessee's liability shall be an equitable proportion of the Tax Increase for all of the land and improvements included within the tax parcel assessed, such proportion to be conclusively determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available.

10.4 Personal Property Taxes. Lessee shall pay, prior to delinquency, all taxes assessed against and levied upon Lessee Owned Alterations, Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within 10 days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

11. Utilities and Services. Lessee shall pay for all water, gas, heat, light, power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. If any such services are not separately metered or billed to Lessee, Lessee shall pay a reasonable proportion, to be determined by Lessor, of all charges jointly metered or billed. There shall be no abatement of rent and Lessor shall not be liable in any respect whatsoever for the inadequacy, stoppage, interruption or discontinuance of any utility or service due to riot, strike, labor dispute, breakdown, accident, repair or other cause beyond Lessor's reasonable control or in cooperation with governmental request or directions.

12. Assignment and Subletting.

12.1 Lessor's Consent Required.

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, "assign or assignment") or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent.

(b) Unless Lessee is a corporation and its stock is publicly traded on a national stock exchange, a change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of 25% or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than 25% of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. "Net Worth of Lessee" shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.

(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(d), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a noncurable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, (i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to 110% of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

(f) Lessor may reasonably withhold consent to a proposed assignment or subletting if Lessee is in Default at the time consent is requested.

(g) Notwithstanding the foregoing, allowing a de minimis portion of the Premises, in 20 square feet or less, to be used by a third party vendor in connection with the installation of a vending machine or payphone shall not constitute a subletting.

12.2 Terms and Conditions Applicable to Assignment and Subletting.

(a) Regardless of Lessor's consent, no assignment or subletting shall (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) alter the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefor to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of \$500 as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested. (See also Paragraph 36)

(f) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment, entering into such sublease, or

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entering into possession of the Premises or any portion thereof, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

(g) Lessor's consent to any assignment or subletting shall not transfer to the assignee or sublessee any Option granted to the original Lessee by this Lease unless such transfer is specifically consented to by Lessor in writing. (See Paragraph 39.2)

12.3 Additional Terms and Conditions Applicable to Subletting. The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. In the event that the amount collected by Lessor exceeds Lessee's then outstanding obligations any such excess shall be refunded to Lessee. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary.

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to atton to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. Default; Breach; Remedies.

13.1 Default; Breach. A "Default" is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A "Breach" is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of 3 business days following written notice to Lessee. THE ACCEPTANCE BY LESSOR OF A PARTIAL PAYMENT OF RENT OR SECURITY DEPOSIT SHALL NOT CONSTITUTE A WAIVER OF ANY OF LESSOR'S RIGHTS, INCLUDING LESSOR'S RIGHT TO RECOVER POSSESSION OF THE PREMISES.

(c) The failure of Lessee to allow Lessor and/or its agents access to the Premises or the commission of waste, act or acts constituting public or private nuisance, and/or an illegal activity on the Premises by Lessee, where such actions continue for a period of 3 business days following written notice to Lessee. In the event that Lessee commits waste, a nuisance or an illegal activity a second time then, the Lessor may elect to treat such conduct as a non-curable Breach rather than a Default.

(d) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate or financial statements, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 42, (viii) material safety data sheets (MSDS), or (ix) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Lessee.

(e) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 40 hereof, other than those described in subparagraphs 13.1(a), (b), (c) or (d), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

(f) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a "debtor" as defined in 11 U.S.C. §101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(g) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.

(h) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 Remedies. If Lessee fails to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. Lessee shall pay to Lessor an amount equal to 115% of the costs and expenses incurred by Lessor in such performance upon receipt of an invoice therefor. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover any damages to which Lessor is otherwise entitled. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

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13.3 **Inducement Recapture.** Any agreement for free or abated rent or other charges, the cost of tenant improvements for Lessee paid for or performed by Lessor, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as "Inducement Provisions," shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and conditions of this Lease. Upon Breach of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an inducement Provision shall be immediately due and payable by Lessee to Lessor, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance.

13.4 **Late Charges.** Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within 5 days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall immediately pay to Lessor a one-time late charge equal to 10% of each such overdue amount or \$100, whichever is greater. The Parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessor's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for 3 consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 **Interest.** Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due shall bear interest from the 31st day after it was due. The interest ("Interest") charged shall be computed at the rate of 10% per annum but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 **Breach by Lessor.**

(a) **Notice of Breach.** Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than 30 days after receipt by Lessor, and any Lender whose name and address shall have been furnished Lessee in writing for such purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than 30 days are reasonably required for its performance, then Lessor shall not be in breach if performance is commenced within such 30 day period and thereafter diligently pursued to completion.

(b) **Performance by Lessee on Behalf of Lessor.** In the event that neither Lessor nor Lender cures said breach within 30 days after receipt of said notice, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from Rent the actual and reasonable cost to perform such cure, provided however, that such offset shall not exceed an amount equal to the greater of one month's Base Rent or the Security Deposit, reserving Lessee's right to seek reimbursement from Lessor for any such expense in excess of such offset. Lessee shall document the cost of said cure and supply said documentation to Lessor.

14. **Condemnation.** If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively "Condemnation"), this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than 10% of the Building, or more than 25% of that portion of the Premises not occupied by any building, is taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within 10 days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within 10 days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided, however, that Lessee shall be entitled to any compensation paid by the condemnor for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefor. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation.

15. **Brokerage Fees.**

15.1 **Additional Commission.** In addition to the payments owed pursuant to Paragraph 1.9 above, Lessor agrees that: (a) if Lessee exercises any Option; (b) if Lessee or anyone affiliated with Lessee acquires any rights to the Premises or other premises owned by Lessor and located within the same Project, if any, within which the Premises is located; (c) if Lessee remains in possession of the Premises, with the consent of Lessor, after the expiration of this Lease, or (d) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then, Lessor shall pay Brokers a fee in accordance with the fee schedule of the Brokers in effect at the time the Lease was executed.

15.2 **Assumption of Obligations.** Any buyer or transferee of Lessor's interest in this Lease shall be deemed to have assumed Lessor's obligation hereunder. Brokers shall be third party beneficiaries of the provisions of Paragraphs 1.8, 15, 22 and 31. If Lessor fails to pay to Brokers any amounts due as and for brokerage fees pertaining to this Lease when due, then such amounts shall accrue interest. In addition, if Lessor fails to pay any amounts to Lessee's Broker when due, Lessee's Broker may send written notice to Lessor and Lessee of such failure and if Lessor fails to pay such amounts within 10 days after said notice, Lessee shall pay said monies to its Broker and offset such amounts against Rent. In addition, Lessee's Broker shall be deemed to be a third party beneficiary of any commission agreement entered into by and/or between Lessor and Lessor's Broker for the limited purpose of collecting any brokerage fee owed.

15.3 **Representations and Indemnities of Broker Relationships.** Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any) in connection with this Lease, and that no one other than said named Brokers is entitled to any commission or finder's fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party, including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

16. **Estoppel Certificates.**

(a) Each Party (as "Responding Party") shall within 10 days after written notice from the other Party (the "Requesting Party") execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current "Estoppel Certificate" form published by the AFR Commercial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

(b) If the Responding Party shall fail to execute or deliver the Estoppel Certificate within such 10 day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance. Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate. In addition, Lessee acknowledges that any failure on its part to provide such an Estoppel Certificate will expose Lessor to risks and potentially cause Lessor to incur costs not contemplated by this Lease, the extent of which will be extremely difficult to ascertain. Accordingly, should the Lessee fail to execute and/or deliver a requested Estoppel Certificate in a timely fashion the monthly Base Rent shall be automatically increased, without any requirement for notice to Lessee, by an amount equal to 10% of the then existing Base Rent or \$100, whichever is greater for remainder of the Lease. The Parties agree that such increase in Base Rent represents fair and reasonable compensation for the additional risk/costs that Lessor will incur by reason of Lessee's failure to provide the Estoppel Certificate. Such increase in Base Rent shall in no event constitute a waiver of Lessee's Default or Breach with respect to the failure to provide the Estoppel Certificate nor prevent the exercise of any of the other rights and remedies granted hereunder.

(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall within 10 days after written notice from Lessor deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past 3 years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. **Definition of Lessor.** The term "Lessor" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined.

18. **Severability.** The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the

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validity of any other provision hereof.

19. **Days.** Unless otherwise specifically indicated to the contrary, the word "days" as used in this Lease shall mean and refer to calendar days.

20. **Limitation on Liability.** The obligations of Lessor under this Lease shall not constitute personal obligations of Lessor or its partners, members, directors, officers or shareholders, and Lessee shall look to the Premises, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with respect to this Lease, and shall not seek recourse against Lessor's partners, members, directors, officers or shareholders, or any of their personal assets for such satisfaction.

21. **Time of Essence.** Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

22. **No Prior or Other Agreements; Broker Disclaimer.** This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the use, nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party.

23. **Notices.**

23.1 **Notice Requirements.** All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, or by email, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may by written notice to the other specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing.

23.2 **Date of Notice.** Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 72 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantees next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices delivered by hand, or transmitted by facsimile transmission or by email shall be deemed delivered upon actual receipt. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

24. **Waivers.**

(a) No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce this provision or provisions of this Lease requiring such consent.

(b) The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of moneys or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

(c) THE PARTIES AGREE THAT THE TERMS OF THIS LEASE SHALL GOVERN WITH REGARD TO ALL MATTERS RELATED THERETO AND HEREBY WAIVE THE PROVISIONS OF ANY PRESENT OR FUTURE STATUTE TO THE EXTENT THAT SUCH STATUTE IS INCONSISTENT WITH THIS LEASE.

25. **Disclosures Regarding The Nature of a Real Estate Agency Relationship.**

(a) When entering into a discussion with a real estate agent regarding a real estate transaction, a Lessor or Lessee should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Lessor and Lessee acknowledge being advised by the Brokers in this transaction, as follows:

(i) **Lessor's Agent.** A Lessor's agent under a listing agreement with the Lessor acts as the agent for the Lessor only. A Lessor's agent or subagent has the following affirmative obligations: **To the Lessor:** A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessor. **To the Lessee and the Lessor:** a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(ii) **Lessee's Agent.** An agent can agree to act as agent for the Lessee only. In these situations, the agent is not the Lessor's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Lessor. An agent acting only for a Lessee has the following affirmative obligations. **To the Lessee:** A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessee. **To the Lessee and the Lessor:** a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(iii) **Agent Representing Both Lessor and Lessee.** A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Lessor and the Lessee in a transaction, but only with the knowledge and consent of both the Lessor and the Lessee. In a dual agency situation, the agent has the following affirmative obligations to both the Lessor and the Lessee: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Lessor or the Lessee. b. Other duties to the Lessor and the Lessee as stated above in subparagraphs (i) or (ii). In representing both Lessor and Lessee, the agent may not without the express permission of the respective Party, disclose to the other Party that the Lessor will accept rent in an amount less than that indicated in the listing or that the Lessee is willing to pay a higher rent than that offered. The above duties of the agent in a real estate transaction do not relieve a Lessor or Lessee from the responsibility to protect their own interests. Lessor and Lessee should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

(b) Brokers have no responsibility with respect to any default or breach hereof by either Party. The Parties agree that no lawsuit or other legal proceeding involving any breach of duty, error or omission relating to this Lease may be brought against Broker more than one year after the Start Date and that the liability (including court costs and attorneys' fees), of any Broker with respect to any such lawsuit and/or legal proceeding shall not exceed the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

(c) Lessor and Lessee agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

26. **No Right To Holdover.** Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 150% of the Base Rent applicable immediately preceding the expiration or termination. Holdover Base Rent shall be calculated on monthly basis. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

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

28. **Covenants and Conditions; Construction of Agreement.** All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

28. **Binding Effect; Choice of Law.** This Lease shall be binding upon the Parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. **Subordination; Attachment; Non-Disturbance.**

30.1 **Subordination.** This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, "Security Device"), now or hereafter placed upon the Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as "Lender") shall have no liability or obligation to perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to

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Lessee, whereupon this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 Attornment. In the event that Lessor transfers title to the Premises, or the Premises are acquired by another upon the foreclosure or termination of a Security Device to which this Lease is subordinated (i) Lessee shall, subject to the non-disturbance provisions of Paragraph 30.3, attorn to such new owner, and upon request, enter into a new lease, containing all of the terms and provisions of this Lease, with such new owner for the remainder of the term hereof, or, at the election of the new owner, this Lease will automatically become a new lease between Lessee and such new owner, and (ii) Lessor shall thereafter be relieved of any further obligations hereunder and such new owner shall assume all of Lessor's obligations, except that such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (b) be subject to any offsets or defenses which Lessee might have against any prior lessor; (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor which was not paid or credited to such new owner.

30.3 Non-Disturbance. With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a "Non-Disturbance Agreement") from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within 60 days after the execution of this Lease, Lessor shall, if requested by Lessee, use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to provide the Non-Disturbance Agreement within said 60 days, then Lessee may, at Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 Self-Executing. The agreements contained in this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

31. Attorneys' Fees. If any Party or Broker brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, "Prevailing Party" shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach (\$200 is a reasonable minimum per occurrence for such services and consultation).

32. Lessor's Access; Showing Premises; Repairs. Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times after reasonable prior notice for the purpose of showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary or desirable and the erecting, using and maintaining of utilities, services, pipes and conduits through the Premises and/or other premises as long as there is no material adverse effect to Lessee's use of the Premises. All such activities shall be without abatement of rent or liability to Lessee.

33. Auctions. Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessor's prior written consent. Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

34. Signs. Lessor may place on the Premises ordinary "For Sale" signs at any time and ordinary "For Lease" signs during the last 6 months of the term hereof. Except for ordinary "for sublease" signs, Lessee shall not place any sign upon the Premises without Lessor's prior written consent. All signs must comply with all Applicable Requirements.

35. Termination; Merger. Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subleases. Lessor's failure within 10 days following any such event to elect to the contrary by written notice to the holder of any such lesser interest, shall constitute Lessor's election to have such event constitute the termination of such interest.

36. Consents. Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an invoice and supporting documentation therefor. Lessor's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within 10 business days following such request.

37. Guarantor.

37.1 Execution. The Guarantors, if any, shall each execute a guaranty in the form most recently published by the AIR Commercial Real Estate Association.

37.2 Default. It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantor's behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect.

38. Quiet Possession. Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. Options. If Lessee is granted any Option, as defined below, then the following provisions shall apply:

39.1 Definition. "Option" shall mean: (a) the right to extend or reduce the term of or renew this Lease or to extend or reduce the term of or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Premises or other property of Lessor; (c) the right to purchase, the right of first offer to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 Options Personal To Original Lessee. Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting.

39.3 Multiple Options. In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised.

39.4 Effect of Default on Options.

(a) Lessee shall have no right to exercise an Option: (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term or completion of the purchase, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), or (ii) if Lessee commits a Breach of this Lease.

40. Multiple Buildings. If the Premises are a part of a group of buildings controlled by Lessor, Lessee agrees that it will abide by and conform to all reasonable rules and regulations which Lessor may make from time to time for the management, safety, and care of said properties, including the care and cleanliness of the grounds and including the parking, loading and unloading of vehicles, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessee also agrees to pay its fair share of common expenses incurred in connection with such rules and regulations.

41. Security Measures. Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

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42. **Reservations.** Lessor reserves to itself the right, from time to time, to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, and to cause the recordation of parcel maps and restrictions, so long as such easements, rights, dedications, maps and restrictions do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate any such easement rights, dedication, map or restrictions.

43. **Performance Under Protest.** If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay. A Party who does not initiate suit for the recovery of sums paid "under protest" within 6 months shall be deemed to have waived its right to protest such payment.

44. **Authority; Multiple Parties; Execution.**

(a) If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. Each Party shall, within 30 days after request, deliver to the other Party satisfactory evidence of such authority.

(b) If this Lease is executed by more than one person or entity as "Lessee", each such person or entity shall be jointly and severally liable hereunder. It is agreed that any one of the named Lessees shall be empowered to execute any amendment to this Lease, or other document ancillary thereto and bind all of the named Lessees, and Lessor may rely on the same as if all of the named Lessees had executed such document.

(c) This Lease may be executed by the Parties in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

45. **Conflict.** Any conflict between the printed provisions of this Lease and typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

46. **Offer.** Preparation of this Lease by either Party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

47. **Amendments.** This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

48. **Waiver of Jury Trial.** THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING INVOLVING THE PROPERTY OR ARISING OUT OF THIS AGREEMENT.

49. **Arbitration of Disputes.** An Addendum requiring the Arbitration of disputes between the Parties and/or Brokers arising out of this Lease is is not attached to this Lease.

50. **Accessibility; Americans with Disabilities Act.**

(a) The Premises: have not undergone an inspection by a Certified Access Specialist (CASp). have undergone an inspection by a Certified Access Specialist (CASp) and it was determined that the Premises met all applicable construction-related accessibility standards pursuant to California Civil Code §55.51 et seq. have undergone an inspection by a Certified Access Specialist (CASp) and it was determined that the Premises did not meet all applicable construction-related accessibility standards pursuant to California Civil Code §55.51 et seq.

(b) Since compliance with the Americans with Disabilities Act (ADA) is dependent upon Lessee's specific use of the Premises, Lessor makes no warranty or representation as to whether or not the Premises comply with ADA or any similar legislation. In the event that Lessee's use of the Premises requires modifications or additions to the Premises in order to be in ADA compliance, Lessee agrees to make any such necessary modifications and/or additions at Lessee's expense.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AIR COMMERCIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

- 1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE.
- 2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

WARNING: IF THE PREMISES IS LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES IS LOCATED.

The parties hereto have executed this Lease at the place and on the dates specified above their respective signatures.

Executed at: Los Angeles Executed at: Los Angeles

On: December 9, 2015 On: December 9, 2015

By LESSOR: By LESSEE:

Nejat Investment, LLC Arts District Patients Collective Inc.

By: [Signature] By: [Signature]

Name Printed: Jack Hanasab Name Printed: James Shaw

Title: Owner Title: Owner

By: By:

Name Printed: Name Printed:

Title: Title:

Address: Address:

Telephone: () Telephone ()

Facsimile: () Facsimile: ()

Email: Email:

Email: Email:

Federal ID No. Federal ID No.

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BROKER:

BROKER:

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_____	_____
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Alt: _____	A _____
Title: _____	_____
Address: _____	Title: _____
_____	Address: _____
Telephone: (____) _____	_____
Facsimile: (____) _____	Telephone: (____) _____
Email: _____	Facsimile: (____) _____
Federal ID No. _____	Email: _____
Broker/Agent BRE License #: _____	Federal ID No. _____
_____	_____
_____	Broker/Agent BRE License #: _____
_____	_____
_____	_____

NOTICE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AIR Commercial Real Estate Association, 500 N Brand Blvd, Suite 900, Glendale, CA 91203. Telephone No. (213) 687-8777. Fax No.: (213) 687-8616.

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ATTORNEY OR PARTY WITHOUT ATTORNEY (Name, State Bar number, and address):
Michael O. Azat (SBN 278409)
Law Office of Michael O. Azat
241 E. Colorado Blvd., Suite 200
Pasadena, CA 91101
TELEPHONE NO.: (626) 394-9532 FAX NO.:
ATTORNEY FOR (Name): Plaintiffs

FOR COURT USE ONLY
FILED
Superior Court of California
County of Los Angeles
NOV 18 2016
Sherri R. Carter, Executive Officer/Clerk
By Nancy Alvarez Deputy

SUPERIOR COURT OF CALIFORNIA, COUNTY OF Los Angeles
STREET ADDRESS: 111 N. Hill Street
MAILING ADDRESS:
CITY AND ZIP CODE: Los Angeles, CA 90012
BRANCH NAME: Stanley Mosk Courthouse

CASE NAME:
Specialized Development, et al. v. James Shaw, et al.

CIVIL CASE COVER SHEET
 Unlimited (Amount demanded exceeds \$25,000) Limited (Amount demanded is \$25,000 or less)

Complex Case Designation
 Counter Joinder
Filed with first appearance by defendant (Cal. Rules of Court, rule 3.402)

CASE NUMBER:
JUDGE:
DEPT: **BC 641 097**

Items 1-6 below must be completed (see instructions on page 2).

1. Check one box below for the case type that best describes this case:

Auto Tort

- Auto (22)
- Uninsured motorist (46)

Other P/DP/W/D (Personal Injury/Property Damage/Wrongful Death) Tort

- Asbestos (04)
- Product liability (24)
- Medical malpractice (45)
- Other P/DP/W/D (23)

Non-P/DP/W/D (Other) Tort

- Business tort/unfair business practice (07)
- Civil rights (08)
- Defamation (13)
- Fraud (16)
- Intellectual property (19)
- Professional negligence (25)
- Other non-P/DP/W/D tort (36)

Employment

- Wrongful termination (36)
- Other employment (15)

Contract

- Breach of contract/warranty (06)
- Rule 3.740 collections (09)
- Other collections (09)
- Insurance coverage (18)
- Other contract (37)

Real Property

- Eminent domain/Inverse condemnation (14)
- Wrongful eviction (33)
- Other real property (28)

Unlawful Detainer

- Commercial (31)
- Residential (32)
- Drugs (38)

Judicial Review

- Asset forfeiture (05)
- Petition re: arbitration award (11)
- Writ of mandate (02)
- Other judicial review (39)

Provisionally Complex Civil Litigation (Cal. Rules of Court, rules 3.400-3.403)

- Antitrust/Trade regulation (03)
- Construction defect (10)
- Mass tort (40)
- Securities litigation (28)
- Environmental/Toxic tort (30)
- Insurance coverage claims arising from the above listed provisionally complex case types (41)

Enforcement of Judgment

- Enforcement of judgment (20)

Miscellaneous Civil Complaint

- RICO (27)
- Other complaint (not specified above) (42)

Miscellaneous Civil Petition

- Partnership and corporate governance (21)
- Other petition (not specified above) (43)

2. This case is is not complex under rule 3.400 of the California Rules of Court. If the case is complex, mark the factors requiring exceptional judicial management:

- a. Large number of separately represented parties
- b. Extensive motion practice raising difficult or novel issues that will be time-consuming to resolve
- c. Substantial amount of documentary evidence
- d. Large number of witnesses
- e. Coordination with related actions pending in one or more courts in other counties, states, or countries, or in a federal court
- f. Substantial postjudgment judicial supervision

3. Remedies sought (check all that apply): a. monetary b. nonmonetary; declaratory or injunctive relief c. punitive

4. Number of causes of action (specify): Six: Fraud; Breach of Contract; Declaratory Relief; Rescission, et al.

5. This case is is not a class action suit.

6. If there are any known related cases, file and serve a notice of related case. (You may use form CM-015.)

Date: November 18, 2016

Michael O. Azat

(TYPE OR PRINT NAME)

(SIGNATURE OF PARTY OR ATTORNEY FOR PARTY)

NOTICE

- Plaintiff must file this cover sheet with the first paper filed in the action or proceeding (except small claims cases or cases filed under the Probate Code, Family Code, or Welfare and Institutions Code). (Cal. Rules of Court, rule 3.220.) Failure to file may result in sanctions.
- File this cover sheet in addition to any cover sheet required by local court rule.
- If this case is complex under rule 3.400 et seq. of the California Rules of Court, you must serve a copy of this cover sheet on all other parties to the action or proceeding.
- Unless this is a collections case under rule 3.740 or a complex case, this cover sheet will be used for statistical purposes only.

BY FAX

INSTRUCTIONS ON HOW TO COMPLETE THE COVER SHEET

To Plaintiffs and Others Filing First Papers. If you are filing a first paper (for example, a complaint) in a civil case, you must complete and file, along with your first paper, the *Civil Case Cover Sheet* contained on page 1. This information will be used to compile statistics about the types and numbers of cases filed. You must complete items 1 through 6 on the sheet. In item 1, you must check **one** box for the case type that best describes the case. If the case fits both a general and a more specific type of case listed in item 1, check the more specific one. If the case has multiple causes of action, check the box that best indicates the **primary** cause of action. To assist you in completing the sheet, examples of the cases that belong under each case type in item 1 are provided below. A cover sheet must be filed only with your initial paper. Failure to file a cover sheet with the first paper filed in a civil case may subject a party, its counsel, or both to sanctions under rules 2.30 and 3.220 of the California Rules of Court.

To Parties in Rule 3.740 Collections Cases. A "collections case" under rule 3.740 is defined as an action for recovery of money owed in a sum stated to be certain that is not more than \$25,000, exclusive of interest and attorney's fees, arising from a transaction in which property, services, or money was acquired on credit. A collections case does not include an action seeking the following: (1) tort damages, (2) punitive damages, (3) recovery of real property, (4) recovery of personal property, or (5) a prejudgment writ of attachment. The identification of a case as a rule 3.740 collections case on this form means that it will be exempt from the general time-for-service requirements and case management rules, unless a defendant files a responsive pleading. A rule 3.740 collections case will be subject to the requirements for service and obtaining a judgment in rule 3.740.

To Parties in Complex Cases. In complex cases only, parties must also use the *Civil Case Cover Sheet* to designate whether the case is complex. If a plaintiff believes the case is complex under rule 3.400 of the California Rules of Court, this must be indicated by completing the appropriate boxes in items 1 and 2. If a plaintiff designates a case as complex, the cover sheet must be served with the complaint on all parties to the action. A defendant may file and serve no later than the time of its first appearance a joinder in the plaintiff's designation, a counter-designation that the case is not complex, or, if the plaintiff has made no designation, a designation that the case is complex.

CASE TYPES AND EXAMPLES

<p>Auto Tort</p> <ul style="list-style-type: none"> Auto (22)—Personal Injury/Property Damage/Wrongful Death Uninsured Motorist (46) (<i>if the case involves an uninsured motorist claim subject to arbitration, check this item instead of Auto</i>) <p>Other PI/PD/WD (Personal Injury/Property Damage/Wrongful Death) Tort</p> <ul style="list-style-type: none"> Asbestos (04) <ul style="list-style-type: none"> Asbestos Property Damage Asbestos Personal Injury/Wrongful Death Product Liability (<i>not asbestos or toxic/environmental</i>) (24) Medical Malpractice (45) <ul style="list-style-type: none"> Medical Malpractice—Physicians & Surgeons Other Professional Health Care Malpractice Other PI/PD/WD (23) <ul style="list-style-type: none"> Premises Liability (e.g., slip and fall) Intentional Bodily Injury/PD/WD (e.g., assault, vandalism) Intentional Infliction of Emotional Distress Negligent Infliction of Emotional Distress Other PI/PD/WD <p>Non-PI/PD/WD (Other) Tort</p> <ul style="list-style-type: none"> Business Tort/Unfair Business Practice (07) Civil Rights (e.g., discrimination, false arrest) (<i>not civil harassment</i>) (08) Defamation (e.g., slander, libel) (13) Fraud (16) Intellectual Property (19) Professional Negligence (25) <ul style="list-style-type: none"> Legal Malpractice Other Professional Malpractice (<i>not medical or legal</i>) Other Non-PI/PD/WD Tort (35) <p>Employment</p> <ul style="list-style-type: none"> Wrongful Termination (36) Other Employment (15) 	<p>Contract</p> <ul style="list-style-type: none"> Breach of Contract/Warranty (06) <ul style="list-style-type: none"> Breach of Rental/Lease Contract (<i>not unlawful detainer or wrongful eviction</i>) Contract/Warranty Breach—Seller Plaintiff (<i>not fraud or negligence</i>) Negligent Breach of Contract/Warranty Other Breach of Contract/Warranty Collections (e.g., money owed, open book accounts) (09) <ul style="list-style-type: none"> Collection Case—Seller Plaintiff Other Promissory Note/Collections Case Insurance Coverage (<i>not provisionally complex</i>) (18) <ul style="list-style-type: none"> Auto Subrogation Other Coverage Other Contract (37) <ul style="list-style-type: none"> Contractual Fraud Other Contract Dispute <p>Real Property</p> <ul style="list-style-type: none"> Eminent Domain/Inverse Condemnation (14) Wrongful Eviction (33) Other Real Property (e.g., quiet title) (26) <ul style="list-style-type: none"> Writ of Possession of Real Property Mortgage Foreclosure Quiet Title Other Real Property (<i>not eminent domain, landlord/tenant, or foreclosure</i>) <p>Unlawful Detainer</p> <ul style="list-style-type: none"> Commercial (31) Residential (32) Drugs (38) (<i>if the case involves illegal drugs, check this item; otherwise, report as Commercial or Residential</i>) <p>Judicial Review</p> <ul style="list-style-type: none"> Asset Forfeiture (05) Petition Re: Arbitration Award (11) Writ of Mandate (02) <ul style="list-style-type: none"> Writ—Administrative Mandamus Writ—Mandamus on Limited Court Case Matter Writ—Other Limited Court Case Review Other Judicial Review (39) <ul style="list-style-type: none"> Review of Health Officer Order Notice of Appeal—Labor Commissioner Appeals 	<p>Provisionally Complex Civil Litigation (Cal. Rules of Court Rules 3.400–3.403)</p> <ul style="list-style-type: none"> Antitrust/Trade Regulation (03) Construction Defect (10) Claims Involving Mass Tort (40) Securities Litigation (28) Environmental/Toxic Tort (30) Insurance Coverage Claims (<i>arising from provisionally complex case type listed above</i>) (41) <p>Enforcement of Judgment</p> <ul style="list-style-type: none"> Enforcement of Judgment (20) <ul style="list-style-type: none"> Abstract of Judgment (Out of County) Confession of Judgment (<i>non-domestic relations</i>) Sister State Judgment Administrative Agency Award (<i>not unpaid taxes</i>) Petition/Certification of Entry of Judgment on Unpaid Taxes Other Enforcement of Judgment Case <p>Miscellaneous Civil Complaint</p> <ul style="list-style-type: none"> RICO (27) Other Complaint (<i>not specified above</i>) (42) <ul style="list-style-type: none"> Declaratory Relief Only Injunctive Relief Only (<i>non-harassment</i>) Mechanics Lien Other Commercial Complaint Case (<i>non-tort/non-complex</i>) Other Civil Complaint (<i>non-tort/non-complex</i>) <p>Miscellaneous Civil Petition</p> <ul style="list-style-type: none"> Partnership and Corporate Governance (21) Other Petition (<i>not specified above</i>) (43) <ul style="list-style-type: none"> Civil Harassment Workplace Violence Elder/Dependent Adult Abuse Election Contest Petition for Name Change Petition for Relief From Late Claim Other Civil Petition
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BC 641097

**CIVIL CASE COVER SHEET ADDENDUM AND
STATEMENT OF LOCATION
(CERTIFICATE OF GROUNDS FOR ASSIGNMENT TO COURTHOUSE LOCATION)**

This form is required pursuant to Local Rule 2.3 in all new civil case filings in the Los Angeles Superior Court.

Step 1: After completing the Civil Case Cover Sheet (Judicial Council form CM-010), find the exact case type in Column A that corresponds to the case type indicated in the Civil Case Cover Sheet.

Step 2: In Column B, check the box for the type of action that best describes the nature of the case.

Step 3: In Column C, circle the number which explains the reason for the court filing location you have chosen.

Applicable Reasons for Choosing Court Filing Location (Column C)

- Class actions must be filed in the Stanley Mosk Courthouse, Central District.
- Permissive filing in central district.
- Location where cause of action arose.
- Mandatory personal injury filing in North District.
- Location where performance required or defendant resides.
- Location of property or permanently garaged vehicle.
- Location where petitioner resides.
- Location wherein defendant/respondent functions wholly.
- Location where one or more of the parties reside.
- Location of Labor Commissioner Office.
- Mandatory filing location (Hub Cases – unlawful detainer, limited non-collection, limited collection, or personal injury).

BY FAX

Auto Tort
Other Personal Injury/Property Damage/Wrongful Death Tort
91027112018

A Civil Case Cover Sheet Category	B Type of Action (Check only one)	C Applicable Reasons - See Step 3 Above
Auto Tort	<input type="checkbox"/> A7100 Motor Vehicle - Personal Injury/Property Damage/Wrongful Death	1, 4, 11
	<input type="checkbox"/> A7110 Personal Injury/Property Damage/Wrongful Death – Uninsured Motorist	1, 4, 11
Other Personal Injury/Property Damage/Wrongful Death Tort	<input type="checkbox"/> A6070 Asbestos Property Damage	1, 11
	<input type="checkbox"/> A7221 Asbestos - Personal Injury/Wrongful Death	1, 11
	<input type="checkbox"/> A7260 Product Liability (not asbestos or toxic/environmental)	1, 4, 11
	<input type="checkbox"/> A7210 Medical Malpractice - Physicians & Surgeons	1, 4, 11
	<input type="checkbox"/> A7240 Other Professional Health Care Malpractice	1, 4, 11
Other Personal Injury Property Damage Wrongful Death (23)	<input type="checkbox"/> A7250 Premises Liability (e.g., slip and fall)	1, 4, 11
	<input type="checkbox"/> A7230 Intentional Bodily Injury/Property Damage/Wrongful Death (e.g., assault, vandalism, etc.)	1, 4, 11
	<input type="checkbox"/> A7270 Intentional Infliction of Emotional Distress	1, 4, 11
	<input type="checkbox"/> A7220 Other Personal Injury/Property Damage/Wrongful Death	1, 4, 11

SHORT TITLE:

Specialized Development, et al. v. Shaw, et al.

CASE NUMBER

Non-Personal Injury/Property Damage/Wrongful Death Tort
 Employment
 Contract
 Real Property
 Unlawful Detainer

A Civil Case Cover Sheet Category No.	B Type of Action (Check only one)	C Applicable Reasons - See Step 3 Above
Business Tort (07)	<input type="checkbox"/> A6029 Other Commercial/Business Tort (not fraud/breach of contract)	1, 2, 3
Civil Rights (08)	<input type="checkbox"/> A6005 Civil Rights/Discrimination	1, 2, 3
Defamation (13)	<input type="checkbox"/> A6010 Defamation (slander/libel)	1, 2, 3
Fraud (16)	<input type="checkbox"/> A6013 Fraud (no contract)	1, 2, 3
Professional Negligence (25)	<input type="checkbox"/> A6017 Legal Malpractice	1, 2, 3
	<input type="checkbox"/> A6050 Other Professional Malpractice (not medical or legal)	1, 2, 3
Other (35)	<input type="checkbox"/> A6025 Other Non-Personal Injury/Property Damage tort	1, 2, 3
Wrongful Termination (36)	<input type="checkbox"/> A6037 Wrongful Termination	1, 2, 3
Other Employment (15)	<input type="checkbox"/> A6024 Other Employment Complaint Case	1, 2, 3
	<input type="checkbox"/> A6109 Labor Commissioner Appeals	10
Breach of Contract/ Warranty (06) (not insurance)	<input type="checkbox"/> A6004 Breach of Rental/Lease Contract (not unlawful detainer or wrongful eviction)	2, 5
	<input type="checkbox"/> A6008 Contract/Warranty Breach - Seller Plaintiff (no fraud/negligence)	2, 5
	<input type="checkbox"/> A6019 Negligent Breach of Contract/Warranty (no fraud)	1, 2, 5
	<input type="checkbox"/> A6028 Other Breach of Contract/Warranty (not fraud or negligence)	1, 2, 5
Collections (09)	<input type="checkbox"/> A6002 Collections Case-Seller Plaintiff	5, 6, 11
	<input type="checkbox"/> A6012 Other Promissory Note/Collections Case	5, 11
	<input type="checkbox"/> A6034 Collections Case-Purchased Debt (Charged Off Consumer Debt Purchased on or after January 1, 2014)	5, 6, 11
Insurance Coverage (18)	<input type="checkbox"/> A6015 Insurance Coverage (not complex)	1, 2, 5, 8
Other Contract (37)	<input checked="" type="checkbox"/> A6009 Contractual Fraud	1, 2, 3, 5
	<input type="checkbox"/> A6031 Tortious Interference	1, 2, 3, 5
	<input type="checkbox"/> A6027 Other Contract Dispute(not breach/insurance/fraud/negligence)	1, 2, 3, 8, 9
Eminent Domain/Inverse Condemnation (14)	<input type="checkbox"/> A7300 Eminent Domain/Condemnation Number of parcels _____	2, 6
Wrongful Eviction (33)	<input type="checkbox"/> A6023 Wrongful Eviction Case	2, 6
Other Real Property (26)	<input type="checkbox"/> A6018 Mortgage Foreclosure	2, 6
	<input type="checkbox"/> A6032 Quiet Title	2, 6
	<input type="checkbox"/> A6060 Other Real Property (not eminent domain, landlord/tenant, foreclosure)	2, 6
Unlawful Detainer-Commercial (31)	<input type="checkbox"/> A6021 Unlawful Detainer-Commercial (not drugs or wrongful eviction)	6, 11
Unlawful Detainer-Residential (32)	<input type="checkbox"/> A6020 Unlawful Detainer-Residential (not drugs or wrongful eviction)	6, 11
Unlawful Detainer-Post-Foreclosure (34)	<input type="checkbox"/> A6020F Unlawful Detainer-Post-Foreclosure	2, 6, 11
Unlawful Detainer-Drugs (38)	<input type="checkbox"/> A6022 Unlawful Detainer-Drugs	2, 6, 11

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	A Civil Case Cover Sheet Category No.	B Type of Action (Check only one)	C Applicable Reasons - See Step 3 Above
Judicial Review	Asset Forfeiture (05)	<input type="checkbox"/> A6108 Asset Forfeiture Case	2, 3, 6
	Petition re Arbitration (11)	<input type="checkbox"/> A6115 Petition to Compel/Confirm/Vacate Arbitration	2, 5
	Writ of Mandate (02)	<input type="checkbox"/> A6151 Writ - Administrative Mandamus <input type="checkbox"/> A6152 Writ - Mandamus on Limited Court Case Matter <input type="checkbox"/> A6153 Writ - Other Limited Court Case Review	2, 8 2 2
	Other Judicial Review (39)	<input type="checkbox"/> A6150 Other Writ /Judicial Review	2, 8
Provisionally Complex Litigation	Antitrust/Trade Regulation (03)	<input type="checkbox"/> A6003 Antitrust/Trade Regulation	1, 2, 8
	Construction Defect (10)	<input type="checkbox"/> A6007 Construction Defect	1, 2, 3
	Claims Involving Mass Tort (40)	<input type="checkbox"/> A6006 Claims Involving Mass Tort	1, 2, 8
	Securities Litigation (28)	<input type="checkbox"/> A6035 Securities Litigation Case	1, 2, 8
	Toxic Tort Environmental (30)	<input type="checkbox"/> A6036 Toxic Tort/Environmental	1, 2, 3, 8
	Insurance Coverage Claims from Complex Case (41)	<input type="checkbox"/> A6014 Insurance Coverage/Subrogation (complex case only)	1, 2, 5, 8
Enforcement of Judgment	Enforcement of Judgment (20)	<input type="checkbox"/> A6141 Sister State Judgment	2, 5, 11
		<input type="checkbox"/> A6160 Abstract of Judgment	2, 6
		<input type="checkbox"/> A6107 Confession of Judgment (non-domestic relations)	2, 9
		<input type="checkbox"/> A6140 Administrative Agency Award (not unpaid taxes)	2, 8
		<input type="checkbox"/> A6114 Petition/Certificate for Entry of Judgment on Unpaid Tax	2, 8
<input type="checkbox"/> A6112 Other Enforcement of Judgment Case	2, 8, 9		
Miscellaneous Civil Complaints	RICO (27)	<input type="checkbox"/> A6033 Racketeering (RICO) Case	1, 2, 8
	Other Complaints (Not Specified Above) (42)	<input type="checkbox"/> A6030 Declaratory Relief Only	1, 2, 8
		<input type="checkbox"/> A6040 Injunctive Relief Only (not domestic/harassment)	2, 8
<input type="checkbox"/> A6011 Other Commercial Complaint Case (non-tort/non-complex)		1, 2, 8	
<input type="checkbox"/> A6000 Other Civil Complaint (non-tort/non-complex)	1, 2, 8		
Miscellaneous Civil Petitions	Partnership Corporation Governance (21)	<input type="checkbox"/> A6113 Partnership and Corporate Governance Case	2, 8
	Other Petitions (Not Specified Above) (43)	<input type="checkbox"/> A6121 Civil Harassment	2, 3, 9
		<input type="checkbox"/> A6123 Workplace Harassment	2, 3, 9
		<input type="checkbox"/> A6124 Elder/Dependent Adult Abuse Case	2, 3, 9
		<input type="checkbox"/> A6190 Election Contest	2
		<input type="checkbox"/> A6110 Petition for Change of Name/Change of Gender	2, 7
		<input type="checkbox"/> A6170 Petition for Relief from Late Claim Law	2, 3, 8
<input type="checkbox"/> A6100 Other Civil Petition	2, 9		

11/2016

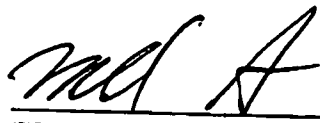
SHORT TITLE: Specialized Development, et al. v. Shaw, et al.	CASE NUMBER
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Step 4: Statement of Reason and Address: Check the appropriate boxes for the numbers shown under Column C for the type of action that you have selected. Enter the address which is the basis for the filing location, including zip code. (No address required for class action cases).

REASON: <input type="checkbox"/> 1. <input type="checkbox"/> 2. <input type="checkbox"/> 3. <input type="checkbox"/> 4. <input type="checkbox"/> 5. <input type="checkbox"/> 6. <input type="checkbox"/> 7. <input type="checkbox"/> 8. <input type="checkbox"/> 9. <input type="checkbox"/> 10. <input type="checkbox"/> 11.	ADDRESS: 1411 Wilson Street	
CITY: Los Angeles	STATE: CA	ZIP CODE: 90021

Step 5: Certification of Assignment: I certify that this case is properly filed in the Central Judicial District of the Superior Court of California, County of Los Angeles [Code Civ. Proc., §392 et seq., and Local Rule 2.3(a)(1)(E)].

Dated: 11/18/2016



(SIGNATURE OF ATTORNEY/FILING PARTY)

PLEASE HAVE THE FOLLOWING ITEMS COMPLETED AND READY TO BE FILED IN ORDER TO PROPERLY COMMENCE YOUR NEW COURT CASE:

1. Original Complaint or Petition.
2. If filing a Complaint, a completed Summons form for issuance by the Clerk.
3. Civil Case Cover Sheet, Judicial Council form CM-010.
4. Civil Case Cover Sheet Addendum and Statement of Location form, LACIV 109, LASC Approved 03-04 (Rev. 02/16).
5. Payment in full of the filing fee, unless there is court order for waiver, partial or scheduled payments.
6. A signed order appointing the Guardian ad Litem, Judicial Council form CIV-010, if the plaintiff or petitioner is a minor under 18 years of age will be required by Court in order to issue a summons.
7. Additional copies of documents to be conformed by the Clerk. Copies of the cover sheet and this addendum must be served along with the summons and complaint, or other initiating pleading in the case.

11/21/2016