



EXECUTIVE SUMMARY

MEETING DATE: January 16, 2026

HCR26-009

SUBJECT: Lease Agreement at Hotel Sandford for BB's Delicatessen

COUNCIL DISTRICT: 3

ORIGINATING DEPARTMENT: Real Estate

CONTACT/PHONE NUMBER: Emmanuel Arellano (619) 578-7586

REQUESTED ACTION:

Approve a four-year extension of the commercial lease with BB's Delicatessen and approve one option to extend for a period of no more than five years to continue to occupy the commercial space at 1321 Fifth Ave. on the first floor of Hotel Sandford, 1301 Fifth Ave., San Diego, CA 92101.

EXECUTIVE SUMMARY OF KEY FACTORS:

- On February 23, 2010, the Housing Authority of the City of San Diego (Housing Authority) approved the San Diego Housing Commission's (SDHC) acquisition of Hotel Sandford, which consists of 129 rent-restricted affordable housing units for very low-income seniors and one manager's unit. The four-story building also includes approximately 7,663 square feet of first-floor commercial space.
- BB's Delicatessen (BB's Deli) has occupied one of the commercial suites at Hotel Sandford continuously since February 1995.
- To replace the previous expiring lease, SDHC executed a one-year lease with BB's Deli for October 1, 2025, through September 30, 2026. BB's Deli has expressed interest in extending the current lease for four additional years and adding one option for an additional extension of five years.
- SDHC values the long tenancy and positive community impact of BB's Deli. As of the date of this report, BB's Deli is current with its rent payments and is following all other terms of the lease agreement.
- The key terms of the extended lease:
 - The lease term will be extended for four years, and one option for a five-year lease extension will be added.
 - The rental rate will be \$2.19 per square foot per month at inception, with an annual increase of 3% per square foot. BB's Deli is considered a very good, long-term tenant. The rent is within the range of current market rents.
 - SDHC, as the lessor, will have one option to permit an extension of the term for an additional five years, if the lessee requests an extension, on the same terms, covenants and conditions of the lease, except the rental rate will be increased as shown in a table on Page 2 of this report.
 - The lessee will be responsible for paying a monthly prorated share of the water usage in the commercial suites based upon the past year. This proration will be recalculated each year based upon actual usage during the previous year.
 - The lessee shall be responsible for any new signage, and must obtain approval from SDHC, Civic San Diego as successor agency for Center City Development Corporation, and the City of San Diego prior to installation. The signage must conform to the Hotel Sandford Sign Regulations, dated October 27, 2010.
- The funding sources and uses proposed to be approved by this action were included in the Housing Authority-approved FY 2026 SDHC budget.



REPORT

DATE ISSUED: January 8, 2026

REPORT NO: HCR26-009

ATTENTION: Chair and Members of the San Diego Housing Commission
Board of Commissioners
For the Agenda of January 16, 2026

SUBJECT: Lease Agreement at Hotel Sandford for BB's Delicatessen

COUNCIL DISTRICT: 3

Advance notice of San Diego Housing Commission hearing of the following matter has been provided to the Housing Authority Members pursuant to the provisions of San Diego Municipal Code Section 98.0301(e)(4)(A)-(B).

REQUESTED ACTION

Approve a four-year extension of the commercial lease with BB's Delicatessen and approve one option to extend for a period of no more than five years to continue to occupy the commercial space at 1321 Fifth Ave. on the first floor of Hotel Sandford, 1301 Fifth Ave., San Diego, CA 92101.

STAFF RECOMMENDATION

That the San Diego Housing Commission (SDHC) Board of Commissioners (Board) take the following actions:

- 1) Approve a four-year extension of the lease with BB's Delicatessen for the period of October 1, 2026, through September 30, 2030, with a 3 percent rent increase each year, to occupy the commercial space at 1321 Fifth Ave. on the first floor of Hotel Sandford, 1301 Fifth Ave., San Diego, CA 92101.
- 2) Approve one option to extend the lease with BB's Delicatessen for an additional five years, from October 1, 2030, through September 30, 2035, with a 3% rent increase each year, to occupy the commercial space at 1321 Fifth Ave. on the first floor of Hotel Sandford, 1301 Fifth Ave., San Diego, CA 92101.
- 3) Authorize the President and Chief Executive Officer (President and CEO), or designee, to execute all documents and instruments that are necessary and/or appropriate to implement these approvals, in a form approved by General Counsel, and take such actions as are necessary and/or appropriate to implement these approvals, provided that a copy of the documents, signed as to form by General Counsel, is submitted to each Housing Commissioner.

SUMMARY

On February 23, 2010, the Housing Authority of the City of San Diego (Housing Authority) approved SDHC's acquisition of Hotel Sandford, which consists of 129 rent-restricted affordable housing units for very low-income seniors and one manager's unit. The four-story building also includes approximately 7,663 square feet of first-floor commercial space.

BB's Delicatessen (BB's Deli) has occupied one of the commercial suites at Hotel Sandford continuously since February 1995. To replace the previous expiring lease, SDHC executed a one-year

lease with BB's Deli for October 1, 2025, through September 30, 2026. BB's Deli has expressed interest in extending the current lease for four additional years and adding one option for an additional extension of five years.

SDHC values the long tenancy and positive community impact of BB's Deli. As of the date of this report, BB's Deli is current with its rent payments and is following all other terms of the lease agreement.

The key terms of the extended lease will be as follows:

1. The lease term will be extended for four years, and one option for a five-year lease extension will be added.
2. The rent for the extended lease term will be charged as outlined in the table below. The rental rate will be \$2.19 per square foot per month at inception, with an annual increase of 3% per square foot. BB's Deli is considered a very good, long-term tenant. The rent is within the range of current market rents.

Term	Monthly Rent	Rental Rate sf/mo.
10/1/2025 – 9/30/2026	\$1,693.51	\$2.19/sf/mo.
10/1/2026 – 9/30/2027	\$1,744.32	\$2.26/sf/mo.
10/1/2027 – 9/30/2028	\$1,796.65	\$2.32/sf/mo.
10/1/2028 – 9/30/2029	\$1,850.54	\$2.39/sf/mo.
10/1/2029 – 9/30/2030	\$1,906.06	\$2.47/sf/mo.

3. SDHC, as the lessor, will have one option to permit an extension of the term for an additional five years, if the lessee requests an extension, on the same terms, covenants and conditions of the lease, except the rental rate will be increased as follows:

Term	Monthly Rent	Rental Rate sf/mo.
10/1/2030 – 9/30/2031	\$1,963.24	\$2.54/sf/mo.
10/1/2031 – 9/30/2032	\$2,022.14	\$2.62/sf/mo.
10/1/2032 – 9/30/2033	\$2,082.80	\$2.69/sf/mo.
10/1/2033 – 9/30/2034	\$2,145.29	\$2.78/sf/mo.
10/1/2034 – 9/30/2035	\$2,209.65	\$2.86/sf/mo.

4. The lessee will be responsible for paying a monthly prorated share of the water usage in the commercial suites based upon the past year. This proration will be recalculated each year based upon actual usage during the previous year.
5. The lessee shall be responsible for any new signage, and must obtain approval from SDHC, Civic San Diego as successor agency for Center City Development Corporation, and the City of San Diego prior to installation. The signage must conform to the Hotel Sandford Sign Regulations, dated October 27, 2010.

FISCAL CONSIDERATIONS

The funding sources and uses proposed to be approved by this action were included in the Housing Authority-approved FY 2026 SDHC budget.

SDHC STRATEGIC PLAN

This item relates to the Core Value “Commit to transparency and being strong financial stewards” in SDHC’s Strategic Plan for Fiscal Years (FY) 2026-2030.

NONDISCRIMINATION ASSURANCE

At SDHC, we’re about people. We are committed to ensuring a compassionate, person-centered approach to SDHC’s programs, policies, projects and activities and to serving our community impartially, fairly and without bias. We are also committed to ensuring compliance with all applicable federal, state and local laws and protections to the extent that they affect this action relative to nondiscrimination.

BB’s Deli is a privately owned, small business serving the Hotel Sandford and surrounding community since 1995. Staff have requested a workforce report for record keeping purposes only.

ENVIRONMENTAL REVIEW

California Environmental Quality Act

The lease extension is not a project as defined by the California Environmental Quality Act Section 21065 and State CEQA Guidelines Section 15378(b)(5) as an administrative activity of government that will not result in direct or indirect physical changes in the environment. The determination that this activity is not subject to CEQA, pursuant to Section 15060(c)(3), is not appealable and a Notice of Right to Appeal the Environmental Determination (NORA) is not required.

National Environmental Policy Act

National Environmental Policy Act (NEPA) review is not required as no federal funds are involved in this action.

Respectfully submitted,

Emmanuel Arellano

Emmanuel Arellano
Vice President, Asset Management
Real Estate Division

Approved by,

Jeff Davis

Jeff Davis
Deputy Chief Executive Officer
San Diego Housing Commission

Attachments: 1) Commercial Lease between SDHC and BB’s Delicatessen.

A printed copy is available for review during business hours at the information desk in the main lobby of SDHC’s offices at 1122 Broadway, San Diego, CA 92101. Docket materials are also available in the “Governance & Legislative Affairs” section of SDHC’s website at www.sdhc.org.

**Portion of the Ground Floor
Sandford Hotel
1321 Fifth Avenue
San Diego, California**

**RETAIL LEASE
(BB's Delicatessen)**

THIS RETAIL LEASE ("Lease") is made as of this 6th day of October 2025, by and between San Diego Housing Commission, a public agency ("Landlord"), and BB's Deli, LLC, a California limited liability company ("Tenant").

1. Definitions.

"Building" means the building commonly known as the Sandford Hotel, 1301-1333 Fifth Avenue, San Diego, California.

"Building Rules and Regulations" means the rules and regulations which may hereafter be adopted by Landlord for the care, protection, cleanliness, and operation of the Premises, Project, Building and Common Areas, and any reasonable modifications or additions to such rules and regulations adopted by Landlord so long as the same does not negatively impact the Project or Premises or Tenant's use, occupancy and enjoyment thereof or Tenant's rights under this Lease. Notwithstanding the foregoing, Landlord and Tenant agree that the terms and conditions of this Lease shall control the rights and responsibilities of the parties and shall supersede any and all provisions of the Building Rules and Regulations which may now or in the future conflict with the terms and conditions of this Lease. Landlord shall not be responsible to Tenant for failure of any other tenant or occupant of the Building to observe or comply with any of the Building Rules and Regulations. The term "Building Rules and Regulations" shall be deemed to include any and all reasonable amendments made by Landlord to the Building Rules and Regulations after the date of this Lease as Landlord may deem desirable, in Landlord's reasonable discretion, for the proper and efficient operation and maintenance of the Building. Such rules and regulations may include, without limitation restrictions in the hours during which the Project shall be open for use so long as the same does not negatively impact the Project or Premises or Tenant's use, occupancy and enjoyment thereof or Tenant's rights under this Lease.

"Commencement Date" means October 1, 2025.

"Common Areas" means all areas, space, equipment and special services provided by Landlord within the ground floor of the Building for the common or joint use and benefit of the tenants, their employees, agents, servants, suppliers, customers and other invitees, including, by way of illustration, but not limitation, landscaped areas, curbs, sidewalks, restrooms, lobbies, floor corridor hallways, patios, parking facilities, plenums above the ceiling on all floors and all other areas outside the Building. Notwithstanding the foregoing or anything to the contrary contained herein, Landlord may determine the nature, size and extent of the Common Areas as well as make changes to the Common Areas from time to time which, in its opinion, are deemed desirable so

long as the same does not negatively impact the Premises or Tenant's use, occupancy and enjoyment thereof or Tenant's rights under this Lease and further provided Landlord cannot alter the access to the Premises, except during limited periods of construction by the Landlord, provided that alternative means of access are provided to the Tenant during such limited periods of time and provided further that advance notice is given to Tenant.

"Extended Term" shall have that meaning ascribed to it in Section 3(b) of this Lease.

"Hazardous Material" shall mean any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, the State of California or the United State Government. Provided, however, the term "Hazardous Materials" shall not include substances typically used in the ordinary course of operating and maintaining a barber college in California or small amounts of chemicals, cleaning agents and the like, provided that such substances are used in compliance with applicable laws.

"Initial Improvements" means the tenant improvements constructed by Tenant on the Premises, which shall consist of interior painting, minor repairs and construction of signage on the Building's exterior. Initial Improvements shall be constructed in accordance with Section 5 of this Lease.

"Initial Term" shall have that meaning ascribed to it in Section 3(a) of this Lease.

"Landlord" means the San Diego Housing Commission, a public agency.

"Landlord's Affiliates" means collectively the City of San Diego, the Housing Authority of the City of San Diego, and all of their respective members, directors, council members, employees, agents, affiliates, management and other contractors.

"Monthly Rent" and "Rent" shall have the same meaning, which shall be that meaning ascribed to both terms in Section 4(b) of this Lease.

"Premises" means the approximately 773 rentable square feet comprising a portion of the ground floor of the Building, as shown on the Premises Floor Plan, as calculated in substantial conformance with the American National Standard Institute Publication ANSI Z65.1-1996 as promulgated by the Building Owners and Managers Association International standard.

"Premises Floor Plan" means the Premises Floor Plan attached hereto as Exhibit A.

"Project" means the Building and surrounding real property to the extent owned by Landlord.

"Tenant" means BB's Deli, LLC, a California limited liability company.

"Term" means collectively the Initial Term and the Extended Term, if any.

2. Lease of the Premises; “As-Is” Condition. Landlord leases to Tenant and Tenant leases from Landlord the Premises. Tenant hereby agrees and acknowledges that Tenant is leasing the Premises “As-Is” from Landlord, without relying on any communications not set forth herein that may have been made by Landlord, or any of Landlord’s agents or employees, with respect to the Premises or Tenant’s intended use thereof. Without limiting the generality of the foregoing, Tenant shall be solely responsible for determining the condition of the Premises. Landlord shall have no obligation to improve the Premises.

3. Term, Extensions and Contingencies.

(a) Term. Unless sooner terminated pursuant to the terms of this Lease, the term of this Lease shall initially be for one (1) year beginning on the Commencement Date (i.e., October 1, 2025) and terminating at midnight on September 30, 2026. Subject to and upon approval of this Lease by the San Diego Housing Commission Board of Commissioners and, if necessary, the Housing Authority of the City of San Diego, the term of this Lease shall be extended to a total of five (5) years, terminating at midnight on September 30, 2030 (“Initial Term”).

(b) Extension. Landlord grants to Tenant one (1) option to extend the Initial Term upon the same terms, covenants and conditions of this Lease, for an additional five (5) years (“Extended Term”), except that the Rent shall be increased as set forth in Section 4(b), below. If Tenant elects to exercise the option, Tenant shall notify Landlord in writing at least three (3) months prior, but not more than six (6) months prior to the expiration of the Initial Term.

4. Rent and Security Deposit.

(a) Security Deposit. Prior to this Lease, Tenant has paid a security deposit in the amount of One Thousand Eighty Seven and No/100 Dollars (\$1,087.00).

(b) Monthly Rent. Tenant agrees to pay Landlord rent each and every month during the Term commencing upon the Rent Commencement Date. The monthly rent shall be in the amounts set forth in the table below (“Rent”). Rent, plus applicable taxes, if any, plus water and sewer charges, as hereinafter described, shall be payable in advance on or before the first (1st) day of each month. All Rent may be paid by check and delivered personally or by first class mail to Landlord at 1122 Broadway, Suite 300, San Diego, California, 92101.

Period	Monthly Rent
10/1/2025 - 9/30/2026	\$1,693.51
10/1/2026 - 9/30/2027	\$1,744.32
10/1/2027 - 9/30/2028	\$1,796.65
10/1/2028 - 9/30/2029	\$1,850.54
10/1/2029 - 9/30/2030	\$1,906.06

(c) Monthly Rent During Extension. If Tenant elects to exercise its option to extend this Lease as set forth in Section 3(b), above, the monthly rent shall be in the amounts set forth in the table below.

Period	Monthly Rent
10/1/2030 - 9/30/2031	\$1,963.24
10/1/2031 - 9/30/2032	\$2,022.14
10/1/2032 - 9/30/2033	\$2,082.80
10/1/2033 - 9/30/2034	\$2,145.29
10/1/2034 - 9/30/2035	\$2,209.65

(d) Utilities. Tenant shall be responsible for payment of all separately metered utilities for the Premises, which includes electric. Tenant shall also be responsible for Tenant's prorated share of water services, which is based on occupied retail space. There is no gas service to the Premises. Tenant is responsible for trash collection and removal at the Premises. Tenant shall maintain a current contract with a trash collection service provider for trash collection and removal at the Premises and shall maintain a copy of all current contracts and contract renewals with the onsite property manager engaged by Landlord.

(e) Delinquent Rent.

(1) Interest. Any amount due from Tenant to Landlord which is not paid when due shall bear interest at ten percent (10%) per annum from the date such payment is due until paid. The interest required to be paid by Tenant pursuant to this Section 4(e)(1) shall constitute additional rent under this Lease.

(2) Late Charges. Tenant hereby acknowledges that in addition to lost interest, the late payment by Tenant to Landlord of Monthly Rent or any other sums due hereunder will cause Landlord to incur other costs not contemplated in this Lease, the exact amount of which will be extremely difficult and impracticable to ascertain. Such other costs include, but are not limited to, processing, administrative and accounting costs. Accordingly, if any installment of Monthly Rent or other sum due from Tenant to Landlord is not paid when due, Tenant shall pay to Landlord, immediately upon receipt of notice from Landlord, as additional rent, a late charge equal to five percent (5%) of such overdue amount. The parties hereby agree that (i) such late charge represents a fair and reasonable estimate of the costs Landlord will incur in processing such delinquent payment by Tenant, (ii) such late charge shall be paid to Landlord as liquidated damages for each delinquent payment pursuant to California Civil Code Section 1671, and (iii) the payment of late charges and the payment of interest are distinct and separate from one another in that the payment of interest is to compensate Landlord for the use of Landlord's money by Tenant, while the payment of late charges is to compensate Landlord for the additional administrative expense incurred by Landlord in handling and processing delinquent payments. The late charge is not intended to compensate Landlord for the costs incurred by Landlord to handle NSF checks tendered by Tenant, and Landlord shall have the right to charge Tenant a NSF Fee.

(3) No Waiver. Neither assessment nor acceptance of interest or late charges by Landlord shall constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of its other rights and remedies under this Lease. Nothing contained in this Section 4(d) shall be deemed to condone, authorize, sanction or grant to Tenant an option for the late payment of rent, additional rent or other sums due hereunder, and Tenant

shall be deemed in default with regard to any such payments should the same not be made by the date on which they are due.

5. Alterations.

(a) By Landlord. Landlord may make alterations or other changes to the Building which Landlord determines in its sole and absolute discretion are necessary or desirable without notice to or consent of the Tenant so long as the same does not negatively impact the Building or Premises or Tenant's use, occupancy and enjoyment thereof or Tenant's rights under this Lease. Tenant shall cooperate with Landlord if Landlord elects to make alterations or other changes to the Premises.

(b) By Tenant. Tenant shall not make any alterations to the Premises without Landlord's consent. Any alterations, improvements or additions consented to by Landlord in writing as provided in this Section 5(b), shall be constructed without cost to Landlord, in a first class, good, workmanlike and defect-free manner by licensed contractors (with experience in construction of tenant improvements, approved by the Landlord, which may be withheld by Landlord in its reasonable discretion). Tenant shall be solely responsible for the effect of any alterations made by Tenant on the Premises or the Building, regardless of Landlord's consent to such alterations. Notwithstanding anything to the contrary contained herein, in no event shall Landlord be responsible for repair of or liability to Tenant for any defects in the Improvements, as defined below, and/or any other alterations, improvements or additions. Tenant shall give Landlord thirty (30) days advance notice before beginning any work on alterations to permit Landlord to file a Notice of Nonresponsibility and take any other actions in advance of commencement of any alterations. Upon completion of the alterations, Tenant shall provide Landlord with a complete set of "as-built" plans.

(c) Trade and Other Fixtures. Tenant shall not install any trade or other fixtures on or in the Premises without first securing the written consent of Landlord's President/CEO, which may be withheld by Landlord in its reasonable discretion. Any fixtures consented to by Landlord in writing, shall be installed in a first class, good, workmanlike and defect-free manner by licensed contractors without cost to Landlord, and shall be free and clear of mechanics' and materialmen's liens; provided that if any such lien is filed, Tenant shall either promptly bond or discharge the same or it may contest the same in good faith. Tenant shall obtain all necessary permits required for any such fixtures and shall comply with all applicable laws, regulations, ordinances, and codes. Tenant shall, at Tenant's expense, at the expiration of the Term, remove the fixtures and shall repair any damage caused by such removal.

(d) Lien Free Construction. All alterations, improvements and additions shall be constructed free and clear of mechanics' and materialmen's liens; provided that if any such lien is filed, Tenant shall remove and discharge the same within ten (10) business days of written notice from the Landlord. Time is of the essence. Failure to timely remove the lien shall constitute a "Material Default" under the terms of this Lease. Notwithstanding the foregoing, Tenant may contest the mechanics' and/or materialmens' liens in good faith, at Tenant's own expense, by appropriate proceedings, provided Tenant posts a bond and removes such lien or stays enforcement thereof.

6. Use.

(a) Permitted Use.

(1) Sandwich Shop. Tenant shall use the Premises only as a sandwich shop, selling and serving sandwiches and related food items. Tenant shall not be permitted to sell or distribute alcoholic beverages for any purpose. Tenant may sell lottery tickets at the Premises provided that all such sales comply with any and all applicable local, state and/or federal rules and regulations.

(2) Outdoor Seating. Tenant shall have the right to place outdoor dining tables and chairs between the exterior of the Building and the beginning of the public right-of-way, in the space located under the Building's overhang. No outdoor dining is permitted to occur within nor shall any tables or chairs be located within the public right-of-way. Tenant shall obtain, and maintain at all times, the appropriate approvals and/or permits from the City of San Diego and/or Civic San Diego to place outdoor tables and chairs adjacent to the Building. Any outdoor tables and chairs may not remain outdoors overnight and shall be brought into Tenant's Premises by the close of business each day.

(3) Tenant's Exclusive Use. So long as Tenant operates a sandwich shop, Landlord shall not use or allow any other person or entity except Tenant to operate a sandwich shop in the Building. Notwithstanding the forgoing, Landlord shall be permitted to lease space within the building to other business that may, as a byproduct of their primary operation, sell sandwiches, and such lease shall be exempt from Tenant's exclusive use. For example, pre-packaged sandwiches sold by a coffee shop or convenience store will not be considered to conflict with Tenant's exclusive use. Tenant agrees and acknowledges that Tenant's exclusive use is limited to the sale of sandwiches and the like; nothing contained herein grants Tenant the exclusive right to operate a restaurant or food purveyor or similar store at the Building.

(b) Other Exclusive Uses. Tenant represents and warrants to Landlord that Tenant shall use the Premises only as allowed by Section 6(a), above. In addition to any other indemnity contained in this Lease, Tenant shall defend, indemnify and hold Landlord and Landlord's Affiliates harmless from and against any and all losses, liabilities, general, special, consequential and/or incidental damages, injuries, costs, expenses or claims of any and every kind whatsoever (including, without limitation, court costs, attorneys' fees, damages to any person, the Premises, the Building, the Project or loss of rents) which at any time or from time to time may be paid, incurred or suffered by or asserted against Landlord with respect to, or as a direct or indirect result of the breach by Tenant of any of the covenants set forth in this Section 6(b). Tenant's indemnification obligations under this Section 6(b) shall survive the expiration or earlier termination of this Lease.

(c) Additional Use Limitations. Tenant shall not permit the occupancy of the Premises at any time during the Term to exceed that allowed by the applicable codes and regulations concerning occupancy. Tenant shall not do or permit anything to be done in or about the Premises which will in any way obstruct or interfere with the rights of other tenants or occupants of the

Building or injure or annoy them or use or allow the Premises to be used for any immoral or unlawful purpose, nor shall Tenant cause, maintain or permit any nuisance in, on or about the Premises. Tenant shall not commit or permit to be committed any waste in or upon the Premises.

(d) Compliance With Laws, Covenants and Requirements. Tenant represents and warrants to Landlord, that Tenant, its agents, servants, employees, invitees and licensees, shall comply with, and shall not use the Premises in any way (or permit or suffer anything to be done in or about the Premises) which will conflict with: (i) any law, statute, ordinance or governmental rule or regulation affecting the Project or Building, now in force or which may be hereafter promulgated, including, but not limited to, the provisions of any city or county zoning codes regulating the use of the Project or Building; (ii) any covenant, condition or restriction (whether or not of public record) affecting the Building or Project, now in force or which may hereafter be enacted or promulgated; (iii) the Americans With Disabilities Act, including, without limitation, the architectural barrier removal requirements of said Act; (iv) all requirements, now in force or which may hereafter be in force, of any board of fire underwriters or other similar body now or hereafter constituted relating to or affecting the condition, use or occupancy of the Premises; or (v) any licensing requirements of any city, county, or other governmental or quasi-governmental entity regulating Tenant's use of the Premises (hereinafter collectively referred to as "Applicable Laws, Covenants and Requirements"). Tenant shall promptly notify Landlord of and shall promptly provide Landlord with true, correct and legible copies of all orders, reports, notices and correspondence (including those which may be considered confidential) of or concerning the investigation, compliance, and corrective actions and all complaints, pleadings, and other legal documents filed against Tenant relating to Tenant's failure to comply with Applicable Laws, Covenants and Requirements. Tenant shall, at its sole cost and expense, promptly comply with all Applicable Laws, Covenants and Requirements in so far as they relate to the specific manner of Tenant's use and occupancy of the Premises. The judgment of any court of competent jurisdiction or the admission by Tenant in any action against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any Applicable Laws, Covenants and Requirements, shall be conclusive of the fact as between Landlord and Tenant. The Building is a non-smoking building and the Tenant shall not allow its employees, agents, contractors, subcontractors, clients, invitees or others using or occupying the Premises to smoke while in the Premises.

(e) Nondiscrimination and Nonsegregation. The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this Lease is made and accepted upon and subject to the following conditions: That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased.

(f) Hazardous Material.

(1) Except with respect to commercially packaged products used and stored by Tenant at the Premises, such as, common cleaning fluids and supplies, Tenant hereby agrees that neither Tenant, nor Tenant's agents, employees, contractors, invitees or licensees will engage in any activity in, on or about the Premises or the Building, nor permit others to engage in any such activity, which will result in the Premises or the Building containing any Hazardous Material. If at any time it is determined that Tenant or Tenant's agents, employees, contractors, invitees or licensees, have been responsible for the Premises or the Building containing any Hazardous Material, then Tenant shall be solely responsible for and shall pay for all costs incurred in connection with the removal of said Hazardous Materials. The obligations on the part of Tenant set forth in this paragraph 6(e) shall survive the expiration of the Term of this Lease or the exercise by Landlord of any of Landlord's remedies under this Lease.

(2) Tenant shall promptly comply with the requirements of Section 25359.7(b) of the California Health and Safety Code and/or any successor or similar statute to provide Landlord with written notice that any Hazardous Material has come or will come to be located on or beneath the Premises, the Building or the Project if Tenant discovers or has reasonable cause to believe of the presence of such materials. Should Tenant fail to so notify Landlord, Landlord shall have all rights and remedies provided for such a failure by such Section 25359.7(b) in addition to all other rights and remedies which Landlord may have under this Lease or otherwise. Tenant shall not take any remedial action related to Hazardous Materials located in or about the Premises, the Building or the Project and shall not enter into a settlement, consent decree or compromise in response to any claim related to Hazardous Materials without the prior written consent of Landlord, which may be withheld by Landlord in its sole and absolute discretion. Tenant shall immediately notify Landlord in writing of: (i) any enforcement, clean-up, removal or other governmental action instituted, completed or threatened with regard to Hazardous Materials at the Premises, the Building or the Project of which Tenant is directly notified; (ii) any claim made or threatened by any person against Tenant, Landlord, the Premises, the Building or the Project related to damage, contribution, cost recovery, compensation, loss or injury resulting from or claimed to result from any Hazardous Materials of which Tenant is directly notified; and (iii) any reports made to any environmental agency arising out of or in connection with any Hazardous Materials at or removed from the Premises, the Building or the Project, including any complaints, notices, warnings or assertions of any violation in connection therewith of which Tenant is directly notified.

(3) In addition to any other indemnity contained in this Lease, Tenant shall defend, indemnify and hold Landlord and Landlord's Affiliates harmless from and against any and all losses, liabilities, general, special, consequential and/or incidental damages, injuries costs, expenses, claims of any and every kind whatsoever (including, without limitation, court costs, reasonable attorneys' fees, damages to any person, the Premises, the Building, the Project or loss of rents) which at any time or from time to time may be paid, incurred or suffered by or asserted against Landlord with respect to, or as a direct or indirect result of: (i) the breach by Tenant of any of the covenants set forth in this Section 6(e); or (ii) the presence on, under or the escape, seepage, leakage, spillage, discharge, emission, release from, onto or into the Premises, the Building, or the Project, of any Hazardous Material to the extent directly or indirectly caused or allowed by Tenant, or any agent, employee, contractor, invitee or licensee of Tenant. Tenant's liability under this Section 6(e) shall extend to any and all Hazardous Materials whether or not such substance was

defined, recognized, or known or suspected of being hazardous, toxic, dangerous or wasteful at the time of any act or omission giving rise to Tenant's liability. Tenant's indemnification obligations under this Section (6)(e)(3) shall survive the expiration or earlier termination of this Lease.

(g) Compliance With Americans With Disabilities Act and Other Disability, Health and Safety Requirements. Tenant shall comply with all requirements of the ADA, Title 24 and any other Applicable Laws, Covenants and Requirements relating to disabled access and facilities, upgraded fire safety equipment and seismic protection, and other disability and health and safety regulations (collectively, "Disability and Safety Laws") with respect to the Premises, including without limitation, any tenant improvement work performed by Tenant. Tenant hereby agrees to indemnify, defend and hold Landlord harmless from and against all liabilities, losses, demands, actions, expenses or claims, including attorneys' fees and court costs to the extent directly arising out of or in any manner connected with Tenant's failure to comply with Disability and Safety Laws, including without limitation, the costs of making any alterations, renovations or accommodations required by Disability and Safety Laws or any governmental enforcement agency, to the extent compliance is directly related to tenant improvement work performed by Tenant. Tenant's indemnification obligations under this Section 6(f) shall survive the expiration or earlier termination of this Lease.

(h) Additional Prohibited Actions of Tenant. Tenant shall not commit or permit the commission of any acts on the Premises or the Building, nor use or permit the use of the Premises or the Building in any way that: (i) increases the existing rates for, or causes cancellation of, any fire, casualty, liability, or other insurance policy insuring the Building or its contents; (ii) violates or conflicts with any law, statute, ordinance, or governmental rule or regulation, whether now in force or hereinafter enacted, governing the specific manner of Tenant's use of the Premises or the Building; (iii) obstructs or interferes with the rights of other tenants or occupants of the Building or injures or annoys them; or (iv) constitutes the commission of waste on the Premises or the commission or maintenance of a nuisance as defined by the laws of the State of California.

(i) Building Rules and Regulations. Tenant shall, and Tenant agrees to cause its agents, servants, employees, invitees, and licensees to, observe and comply fully and faithfully with the Building Rules and Regulations. Landlord shall not be responsible to Tenant for failure of any other tenant or occupant of the Building to observe or comply with any of the Building Rules and Regulations.

(j) Inspection of Premises. Landlord shall have the right to enter upon the Premises upon twenty-four (24) hours prior written notice for the purpose of inspecting the condition of the Premises and to determine whether Tenant is complying with its obligations hereunder, to supply any service to be provided by Landlord to Tenant hereunder, to exhibit the Premises to prospective purchasers, mortgagees or tenants, to post notices of nonresponsibility, and to repair the Premises and any other portion of the Building, without abatement of rent, and may for that purpose erect scaffolding and other necessary structures that are reasonably required by the character of the work to be performed by Landlord, provided that the business of Tenant shall not be interfered with unreasonably. Notwithstanding the foregoing, in the event of an emergency requiring Landlord's entry into the Premises, Landlord may give Tenant shorter notice in any manner that is practicable

under the circumstances. Tenant hereby waives any claim for damages for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby. For each of the aforesaid purposes, Landlord shall at all times have and retain a key with which to unlock all of the doors in, upon and about the Premises, and Landlord shall have the right to use any and all means which Landlord may deem proper to open such doors in the event of an emergency. Any entry to the Premises or portions thereof obtained by Landlord by any of said means, or otherwise, shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an eviction, actual or constructive, of Tenant from the Premises, or any portion thereof. Any such inspections shall be performed with as little disturbance and inconvenience to Tenant as reasonably possible.

7. Services and Utilities.

(a) Utilities. Tenant shall be responsible for all separately metered utilities provided to the Premises.

(b) Energy Provider. Tenant acknowledges and agrees that the decision whether to change the provider of electricity to the Building and the selection of the provider of electricity to the Building shall be made by Landlord's in its sole and absolute discretion. Tenant shall cooperate with Landlord (including providing Landlord upon request at no charge with information regarding Tenant's electrical consumption) to facilitate Landlord's decision making process. Tenant shall cooperate with Landlord in any present or future government-mandated conservation requirements. Landlord shall not be liable for and Tenant shall not be entitled to any abatement or reduction of rent by reason of any interruption, stoppage or failure in such service arising from any change in the provider of electricity to the Building.

(c) Breaks In Utility Services. Landlord shall not be liable for and Tenant shall not be entitled to any abatement or reduction of rent by reason of Landlord's failure to furnish any utilities and services, including, without limitation, electricity, water and HVAC, when such failure is caused by any of the following, to the extent beyond the reasonable control of Landlord: (i) accidents, breakage or repairs, (ii) strikes, brownouts, blackouts, riots, civil disturbances, lockouts or other labor disturbances or labor disputes of any character, (iii) governmental regulation, moratorium or other governmental action, (iv) limitation, rationing, curtailment or restriction on the use of water, electricity, gas heating, cooling or other forms of service or utility provided to the Premises, or (v) by any other cause, similar or dissimilar, beyond the reasonable control of Landlord, nor shall such failure under such circumstances be construed as a constructive or actual eviction of Tenant. Landlord shall not be liable under any circumstances for loss or injury to property or business, however occurring, through or in connection with or incidental to Landlord's failure to furnish any of said service or utilities.

8. Taxes. Property taxes Tenant shall be liable for and agrees to pay all taxes levied upon its personal property, leasehold improvements, additions, alterations and fixtures, including trade fixtures and inventory, located on the Premises or elsewhere. Tenant shall pay directly to the respective taxing authorities all possessory interest tax, if any, levied against the Premises during the Term. Non-exempt taxes, if any, with respect to Tenant's possessory interest in the Premises

for the first and final years of the Term shall be prorated between Landlord and Tenant based upon the commencement and expiration of the Term. Landlord will not be required to pay any penalty, interest or cost resulting from Tenant's failure to pay non-exempt taxes with respect to Premises, Tenant's personal property, leasehold improvements, additions, alteration and fixtures and/or the delinquent payment of such taxes by Tenant. If a separate tax statement is not available for the Premises, the amount of non-exempt taxes, if any, for which Tenant shall be liable under this Lease shall be a percentage of the total amount of such taxes levied against the Building, which percentage shall be determined by dividing the amount of square feet in the Premises by the total amount of square feet in the Building subject to such taxes. Tenant shall pay and be liable for any tax or fee (now or hereafter imposed by any governmental entity) applicable to or measured by or on the Rents or any other charges payable by Tenant under this Lease, including, without limitation, any gross income tax, gross receipts tax or excise tax with respect to the receipt of such Rent or other charges on the possession, leasing, operation, use or occupancy of the Premises, and specifically including any commercial rental tax of the City of San Diego, if any, that may now or hereafter be imposed. Tenant acknowledges that Landlord is a public entity and that possessory interest taxes, if any, will be assessed against the Tenant for its space and for the Initial Improvements and other improvements to the Building made by the Tenant under the terms of this Lease. Tenant shall pay all such taxes in addition to its Rent.

9. Maintenance.

(a) Landlord's Maintenance and Repair of the Building. At all times during the Term, Landlord agrees: (i) to maintain the foundation and structural soundness of the Building; and (ii) to keep in good repair plumbing and electrical wiring servicing the Premises. Landlord shall also be responsible for maintaining the exterior of the Building, including, but not limited to, (a) landscaping, repaving, resurfacing, repairing, replacing, painting, lighting, cleaning, removing trash and similar items with respect to the exterior of the Building; (b) trash disposal service for the Building's common trash receptacles; and (c) painting, window washing, sidewalk cleaning and general cleaning, and janitorial services for the Building, but such services shall not be supplied by Landlord for the interior of the Premises.

(b) Tenant's Maintenance of the Premises. Tenant shall keep the Premises in a neat, clean and orderly condition at all times during the Term, and shall not permit rubbish, waste or garbage, to accumulate at any time. Tenant shall not commit or permit any waste of the Premises or any acts to be done in violation of any laws or ordinances. Tenant shall not use or permit the use of the Premises for any illegal purposes.

(c) Repair of the Premises. Except as provided in Section 9(a) above, during the Term, Tenant shall make all repairs and replacements to the Premises, as and when necessary to preserve in a first class order, condition and repair (less normal wear and tear) the Premises and every part thereof, including, without limitation, all fixtures, interior walls, interior surfaces of exterior walls, ceilings, windows, store front windows, doors, cabinets, draperies, window coverings, carpeting and other floor coverings and plate glass located within the Premises, and all utility systems and facilities.

(d) Landlord's Right to Make Repairs. In the event that Tenant fails to maintain the Premises in a first-class order, condition and repair as required by this Lease or fails to comply with any applicable laws, regulations or requirements as required by this Lease, then within a reasonable time following written notification to Tenant (except in the case of an emergency, in which case no prior notification shall be required), Landlord shall have the right, but not the obligation, to enter the Premises and to do such acts and expend such funds at the expense of Tenant as are required to place the Premises in the condition required by this Lease. Any amount so expended by Landlord shall be paid by Tenant within thirty (30) days after demand. Landlord shall have no liability to Tenant for any reasonable inconvenience or interference with the use of the Premises by Tenant resulting from Landlord's performance of such maintenance or repair work.

10. Casualty Damage and Casualty Insurance.

(a) Insured Casualties. In the event the Premises, or any portion thereof, is damaged or destroyed by any casualty that is covered by the insurance maintained by Landlord, then Landlord shall rebuild and restore the Premises, as the case may be, and repair the damaged portion thereof, provided that (i) the amount of insurance proceeds available to Landlord equals or exceeds the cost of such rebuilding, restoration and repair; (ii) such rebuilding, restoration and repair can be completed within one hundred eighty (180) days after the work commences in the opinion of a registered architect or engineer appointed by Landlord; (iii) the damage or destruction has occurred more than twelve (12) months before the expiration of the Term; and (iv) such rebuilding, restoration, or repair is then permitted, under applicable governmental laws, rules and regulations, to be done in such a manner as to return the Premises to substantially its condition immediately prior to the damage or destruction, including, without limitation, the same net rentable floor area. If any of the circumstances described in (i) through (iv) above cannot be satisfied, Landlord may, at its option, either (1) rebuild or restore the Premises or Building, as the case may be, and repair the damaged portion thereof, or (2) elect not to rebuild or restore and this Lease shall then terminate. To the extent that insurance proceeds must be paid to a mortgagee or beneficiary under, or must be applied to reduce any indebtedness secured by, a mortgage or deed of trust encumbering the Premises, or the Building, such proceeds, for the purposes of this Section 10(a), shall be deemed not available to Landlord unless such mortgagee or beneficiary permits Landlord to use such proceeds for the rebuilding, restoration, and repair of the Premises or Building. Notwithstanding the foregoing, Landlord shall have no obligation to repair any damage to, or to replace any of, Tenant's personal property, furnishings, fixtures, equipment or other such property or effects of Tenant.

(b) Non-Insured Casualties. In the event the Premises, or any portion thereof, is materially damaged or destroyed by any casualty not covered by the insurance maintained or requested to be maintained by Landlord, then Landlord may, at its option, either (i) rebuild or restore the Premises and repair the damaged portions thereof at Landlord's own expense; or (ii) terminate this Lease effective as of the date the damage or destruction occurred. If Landlord does not give Tenant written notice within sixty (60) days after the material damage or destruction occurs of its election to rebuild or restore the Premises and repair the damaged portions thereof, Landlord shall be deemed to have elected to terminate this Lease. Notwithstanding the foregoing, Tenant may terminate this Lease upon thirty (30) days' prior written notice if Landlord elects to

perform such repair or restoration and either (1) such repair or restoration cannot be completed within one hundred and eighty (180) days or (2) the damage or destruction occurs within the last twelve (12) months of the Term, unless Tenant's actions or omissions are the cause of the damage, in such event Tenant shall be liable to and shall reimburse Landlord for any and all damages caused thereby.

(c) Minor Casualties. If the Premises are not rendered substantially unfit for the occupancy or use herein contemplated as the result of any insured casualty, Landlord shall promptly and diligently restore the Premises at Landlord's expense to the condition existing prior to the occurrence of the casualty and the Rent shall not abate during such restoration period, provided the Landlord is prompt and diligent in connection with the restoration.

(d) Damage Caused by Acts of Vandalism. Notwithstanding the provisions of (a), (b), and (c) of this Section 10, Landlord shall not be responsible for restoring any damage to the Premises, or any portion thereof, that is materially damaged or destroyed by an act or acts of vandalism. Tenant shall promptly and diligently restore the Premises, at Tenant's expense, to the condition existing prior to the occurrence of the vandalism.

(e) Abatement of Rent. Provided this Lease is not terminated as provided in Sections 10(a) or (b), above, Tenant shall be entitled to an abatement of Rent by reason of the damage to or destruction of the Premises, only to the extent that either: (i) Landlord actually receives insurance proceeds for loss of rental income attributable to the Premises (Landlord shall not be required to maintain such insurance, but may in its sole and absolute discretion elect to do so); (ii) the floor area of the Premises cannot be reasonably used by Tenant for the conduct of its business, or (iii) Tenant does not have reasonable access to the Premises, in which event the Rent shall abate in the proportion which the approximate area of the damaged or destroyed portion of the Premises bears to the total area of the Premises commencing upon the date of the damage to or destruction of the Premises or Building has occurred until substantial completion of the repair of such damage or destruction.

(f) Tenant's Waiver of Civil Code Sections 1932 and 1933. Tenant's right to terminate this Lease in the event of any damage or destruction to the Premises is governed by the terms of this Section 10 and therefore Tenant hereby expressly waives the provisions of Section 1932, Subdivision 2, and Section 1933, Subdivision 4, of the California Civil Code, and any and all laws, whether now or hereafter in force, whether created by ordinance, statute, judicial decision, administrative rules or regulations, or otherwise, that would cause this Lease to be terminated, or give Tenant a right to terminate this Lease, upon any damage to or destruction of the Project that occurs.

11. Waiver of Subrogation. If either party sustains loss or damage to the Premises or the fixtures, goods, wares, merchandise or any other property located thereon, from which it is protected by an insurance policy, then, to the extent that such party is so protected, it waives any right of recovery from the other party. Each party agrees immediately to give to each insurance company which has issued to it a policy of fire and extended coverage property insurance written notice of the terms of such mutual waivers, and to cause such insurance policy to be properly

endorsed, if necessary, to prevent the invalidation of such insurance coverage by reason of such waivers.

12. Insurance.

(a) Tenant Insurance Requirements. Tenant agrees, at Tenant's sole cost and expense, to maintain in force continuously throughout the Term:

(1) Commercial general public liability and property damage insurance covering the Premises with limits of not less than \$2,000,000.00 for injury to or death of one or more persons and/or property damage arising out of a single accident or occurrence and \$2,000,000.00 in the aggregate. All such insurance shall name Landlord and the Housing Authority of the City of San Diego as additional insureds (with cross liability endorsements and an endorsement providing contractual liability for work performed near a railroad). Upon receipt of written request therefor, Tenant shall furnish Landlord a certificate from the insurer evidencing such coverage as required by this Section 12(a)(1);

(2) Worker's compensation insurance, with coverage as required by the State of California;

(3) Fire, extended coverage, and vandalism and malicious mischief insurance, insuring the personal property, furniture, furnishings and fixtures belonging to Tenant located on the Premises for not less than one hundred percent (100%) of the actual replacement value thereof; and

(4) Such other insurance as Landlord or Landlord's lender deems reasonably necessary to carry in connection with the ownership and operation of a first-class building.

(b) Additional Insurance Requirements. Each insurance policy obtained by Tenant pursuant to this Lease shall contain a clause that the insurer will provide to Landlord at least thirty (30) days' prior written notice of any material change, non-renewal or cancellation of the policy and shall be in a form satisfactory to the Landlord and shall be taken out with an insurance company authorized to do business in the State of California and rated not less than Financial Class XIII and Policy Holder Rating "A" in the current issue of Best's Insurance Code. Except for worker's compensation insurance, each insurance certificate for casualty insurance shall indicate that the insurer waives its rights of subrogation against the other party. In addition, all insurance policies obtained by Tenant shall be written as primary policies, non-contributing with or in excess of any coverage which Landlord may carry, with loss payable clauses satisfactory to the President and CEO of Landlord and in favor of Landlord and naming Landlord and any management agent from time to time designated by Landlord and any lender of Landlord as additional insureds. The liability limits of the above-described insurance policies shall in no way limit the liability of any party under the terms of this Lease. Not more frequently than every two (2) years, if, in the reasonable opinion of Landlord, the amount of liability insurance specified in Section 12(a) is not adequate, such limits of coverage shall be adjusted by Landlord, by written notification to Tenant, in order to maintain insurance protection at least equal to the protection afforded on the date the Term commences. If Tenant fails to maintain and secure the insurance coverage required under

this Section 12, Landlord shall have, in addition to all other remedies provided herein and by law, the right, but not the obligation, to procure and maintain such insurance, the cost of which shall be due and payable to Landlord by Tenant on demand. No policy of insurance required pursuant to this Lease shall contain a deductible exceeding Ten Thousand Dollars (\$10,000) per occurrence. Tenant shall be solely responsible for the payment of any deductible.

(c) Landlord Insurance Requirements.

(1) Liability Insurance. Landlord agrees, at Landlord's expense, to maintain in force continuously throughout the Term, commercial general public liability insurance covering the Building (including the Premises) with combined single limit coverage of at least \$2,000,000 or its equivalent, and shall upon Tenant's written request, furnish Tenant a certificate from the insurer evidencing such coverage.

(2) Property Insurance. Landlord shall maintain all-risk property insurance covering the Project, Premises and the Building against loss or damage resulting from fire and other insurable casualties.

13. Indemnity. Tenant agrees to indemnify, defend and hold Landlord and Landlord's Affiliates entirely harmless from and against all liabilities, losses, demands, actions, expenses or claims, including attorneys' fees, fees of experts and accountants and court costs, for injury to or death of any person or for damages to any property arising out of or in any manner connected with (i) the use, occupancy or enjoyment of the Project, Building or Premises by Tenant and/or any sublessee and their agents, employees, invitees, licensees or contractors (the "Tenant's Agents") or any work, activity or other things allowed or suffered by Tenant or Tenant's Agents to be done in or about the Project, Building or Premises; (ii) any breach or default in the performance of any obligation of Tenant under this Lease; and (iii) any act or failure to act, whether negligent or otherwise tortious, by Tenant or Tenant's Agents on or about the Project, Building or Premises; provided, however, that Tenant shall not be obligated to so indemnify Landlord to the extent any such matters arise from or are caused by the willful misconduct or gross negligence of Landlord. If Tenant is required to defend Landlord, then Landlord shall be entitled to select its own defense counsel, and Tenant shall pay on behalf of, or to, Landlord all defense expenses incurred by Landlord. Except to the extent such matters arise from or are caused by Landlord's gross negligence or willful misconduct, Tenant agrees that Landlord and Landlord's Affiliates shall not be liable for injury to Tenant's business or loss of income therefrom. Tenant further agrees that Landlord and Landlord's Affiliates shall not be liable in any event for injury to the person or property of Tenant or Tenant's Agents, whether such damage or injury is caused by or results from criminal acts, fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, heating, ventilation, air conditioning or lighting fixtures, or from any other cause, whether damage or injury results from conditions arising upon the Premises or upon other portions of the Building or the Project, or from other sources or places appurtenant to the Premises and regardless of whether the cause of such damage or injury or the means of repairing the same is inaccessible to Tenant, and Landlord shall not be liable for any damages arising from any act or neglect of any other tenant, if any, of the Building or the Project. All property of Tenant kept or stored on the Premises or in the Building shall be so kept or stored at the risk of Tenant only, and Tenant shall hold Landlord harmless from

any claims arising out of damage to the same, including subrogation claims by Tenant's insurance carriers. The indemnifications contained herein shall survive the expiration or early termination of this Lease.

14. Assignment and Sublease. Tenant shall not directly or indirectly, voluntarily or by operation of law, sublease, sell, assign, encumber, pledge or otherwise transfer or hypothecate all or any part of the Premises or this Lease, without the written consent of Landlord, which may be withheld by Landlord in its reasonable discretion. A change in the shareholders, partners or members of Tenant shall be considered a transfer of this Lease, requiring Landlord consent, as provided in this Section 14. Any assignment or sublease shall be subject to all of the terms, covenants and conditions of this Lease. Provided, however, that in no event shall any sublease, sale, assignment, encumbrances, pledge, transfer or hypothecation, relieve Tenant of its obligations hereunder. Tenant shall remain primarily liable for the terms, covenants and conditions to be complied with by Tenant hereunder whether this Lease is assigned, sublet and/or otherwise transferred, including without limitation the payment of rent and the performance of the terms, covenants and conditions of this Lease. No withholding of consent by Landlord shall give rise to any claim by Tenant or any proposed assignee or entitle Tenant to terminate this Lease, to recover contract damages or to any abatement of rent. In connection with any assignment or sublease of the Premises, as a condition to Landlord's consent, Tenant shall pay to Landlord as additional rent as and when received by Tenant an amount equal to all "Profit" (as hereinafter defined) derived from such assignment or sublease. "Profit" shall mean the difference between (i) the sum of any and all amounts payable by the proposed assignee or sublessee under the terms of the proposed assignment or sublease, and (ii) the sum of the Rent and other payment obligations payable to Landlord by Tenant under the terms of this Lease. For all purposes under this paragraph, a sub-sublease, assignment of sublease or any similar arrangement shall be considered a sublease. Tenant understands and acknowledges that the intent of the parties in negotiating this Lease was not to create any bonus value or allow Tenant to profit as a result of any favorable terms contained herein or any future changes in the market for the Premises. Tenant further acknowledges that any such value shall be paid to Landlord as set forth in this paragraph. Landlord reserves the right to review and approve financial statements for all prospective assignees and to approve the form of the assignment and/or sublease involved in each transaction, as a condition to the approval of any and all assignments and subletting.

15. Eminent Domain.

(a) Total Taking. If all or substantially all of the Premises is condemned or taken in any manner for public or quasi-public use, including, but not limited to, a conveyance or assignment in lieu of the condemnation or taking, or if so much of the Premises is so taken or condemned so as to render the remaining portion of the Premises unusable by Tenant for the conduct of Tenant's business, as determined by the condemning authority, this Lease shall automatically terminate on the earlier of the date on which actual physical possession is taken by the condemnor or the date of dispossession of Tenant as a result of such condemnation or other taking.

(b) Partial Taking. If less than all or substantially all of the Premises is so condemned or taken, rendering the remaining portion of the Premises usable by Tenant for the conduct of its

business, as determined by the condemning authority, this Lease shall automatically terminate only as to the portion of the Premises so taken as of the earlier of the date on which actual physical possession is taken by the condemnor or the date of dispossession of Tenant as a result of such condemnation or taking. If such portion of the Building is condemned or otherwise taken so as to require, in the opinion of Landlord, a substantial alteration or reconstruction of the remaining portions thereof, this Lease may be terminated by Landlord, as of the date on which actual physical possession is taken by the condemnor or dispossession of Tenant as a result of such condemnation or taking, by written notice to Tenant within sixty (60) days following notice to Landlord of the date on which such physical possession is taken or dispossession will occur.

(c) Award. Landlord shall be entitled to the entire award in any condemnation proceeding or other proceeding for taking for public or quasi-public use, including, without limitation, any award made for the value of the leasehold estate created by this Lease. No award for any partial or total taking shall be apportioned, and Tenant hereby assigns to Landlord any award that may be made in such condemnation or other taking, together with any and all rights of Tenant now or hereafter arising in or to the same or any part thereof. Although all damages in the event of any condemnation shall belong to Landlord whether such damages are awarded as compensation for diminution in value of the leasehold or to the fee of the Premises, Tenant shall have the right to claim and recover from the condemnor, but not from Landlord, such compensation as may be separately awarded or recoverable by Tenant in Tenant's own right on account of damages to Tenant's business by reason of the condemnation and for or on account of any cost or loss to which Tenant might incur to remove Tenant's merchandise, furniture and other personal property, fixtures, and equipment or for the interruption of or damage to Tenant's business.

(d) Rent Abatement. In the event of a partial condemnation or other taking that does not result in a termination of this Lease as to the entire Premises, the rent and all other charges shall abate in proportion to the portion of the Premises taken by such condemnation or other taking. If this Lease is terminated, in whole or in part, pursuant to any of the provisions of this Section 15, all rent and other charges payable by Tenant to Landlord hereunder and attributable to the Premises taken shall be paid up to the date upon which actual physical possession shall be taken by the condemnor. Landlord shall be entitled to retain the entire Security Deposit until such time as this Lease is terminated as to all of the Premises.

(e) Temporary Taking. If all or any portion of the Premises is condemned or otherwise taken for public or quasi-public use for a limited period of time, this Lease shall remain in full force and effect and Tenant shall continue to perform all terms, conditions and covenants of this Lease; provided, however, the rent and all other charges payable by Tenant to Landlord hereunder shall abate during such limited period in proportion to the portion of the Premises that is rendered unusable as a result of such condemnation or other taking. Landlord shall be entitled to receive the entire award made in connection with any such temporary condemnation or other taking.

(f) Transfer of Landlord's Interest to Condemnor. Landlord may, without any obligation to Tenant, agree to sell and/or convey to the condemnor the Premises, the Project, or any portion thereof, sought by the condemnor, subject to this Lease and the rights of Tenant hereunder, without first requiring that any action or proceeding be instituted or, if instituted, pursued to a judgment.

16. Attorneys' Fees. Tenant shall pay to Landlord all amounts for costs, including, but not limited to, attorneys' fees and amounts paid to any collection agency, incurred by Landlord in connection with any breach or default by Tenant under this Lease or incurred in order to enforce or interpret the terms or provisions of this Lease. Such amounts shall be payable upon demand. In addition, if any action shall be instituted by either Landlord or Tenant for the enforcement or interpretation of any of its rights or remedies in or under this Lease, the prevailing party shall be entitled to recover from the losing party all costs incurred by the prevailing party in said action and any appeal therefrom, including reasonable attorneys' fees and court costs to be fixed by the court therein.

17. Default.

(a) Tenant's Default. The occurrence of any one or more of the following shall constitute a default hereunder by Tenant:

(1) Tenant abandons the Premises or vacates the Premises for a period of ten (10) or more consecutive days;

(2) Tenant fails to pay any rent or other charges required to be paid by Tenant under this Lease and such failure continues for five (5) days after it is due (subject to the grace periods described in Sections 4(d)(1) and (2), above); provided, however, that the obligation of Tenant to pay interest and late charges pursuant to Sections 4(d)(1) and (2), above, shall commence as of the due date of the rent or such other monetary obligation and not on the expiration of such five (5) day grace period (subject to the grace periods described in Sections 4(d)(1) and (2), above);

(3) Tenant fails to promptly and fully perform any other covenant, condition or agreement contained in this Lease and such failure continues for thirty (30) days (or such shorter time provided herein) after written notice thereof from Landlord, provided, however, that if the term, condition, covenant or obligation to be performed by Tenant is of such nature that the same cannot reasonably be cured within thirty (30) days and if Tenant commences such performance within said thirty (30) day period and thereafter diligently undertakes to complete the same, then such failure shall not be a default hereunder. Such thirty (30) day notice shall be in lieu of and not in addition to any notice required under California Code of Civil Procedure Section 1161;

(4) A trustee, disbursing agent or receiver is appointed to take possession of all or substantially all of Tenant's assets or of Tenant's interest in this Lease and Tenant does not regain possession within sixty (60) days after such appointment; Tenant makes an assignment for the benefit of creditors; or all or substantially all of Tenant's assets in, on or about the Premises or Tenant's interest in this Lease are attached or levied upon under execution (and Tenant does not discharge the same within sixty (60) days thereafter);

(5) A petition in bankruptcy, insolvency or for reorganization or arrangement is filed by or against Tenant pursuant to any federal or state statute and, with respect to any such petition filed against it, Tenant fails to secure a stay or discharge thereof within sixty (60) days after the filing of the same;

(6) Immediately, in the event of any assignment, subletting or other transfer for which the prior written consent of the Landlord has not been obtained;

(7) Immediately, in the event of discovery of any false or misleading statement concerning financial information submitted by Tenant to Landlord in connection with obtaining this Lease or any other consent or agreement by Landlord;

(8) Immediately, in the event Tenant admits in writing its inability to pay its debts as they mature; or

(9) Immediately, upon the suspension of Tenant's right to conduct its business, caused by the order, judgment, decree, decision or other act of any court or governmental agency.

(b) Landlord's Remedies. Upon the occurrence of a default by Tenant that is not cured by Tenant within any applicable grace period, Landlord shall have the following rights and remedies in addition to all other rights and remedies available to Landlord at law or in equity:

(1) The rights and remedies provided by California Civil Code Section 1951.4, which allows Landlord to continue this Lease in effect and to enforce all of its rights and remedies under this Lease, including the right to recover rent and any other additional monetary charges as they become due, for as long as Landlord does not terminate Tenant's right to possession; provided, however, if Landlord elects to exercise its remedies described in this Section 17(b)(1) and Landlord does not terminate this Lease, and if Tenant requests Landlord's consent to an assignment of this Lease or a sublease of the Premises at such time as Tenant is in default, Landlord shall not unreasonably withhold its consent to such assignment or sublease. Acts of maintenance or preservation, efforts to relet the Premises or the appointment of a receiver upon Landlord's initiative to protect its interest under this Lease shall not constitute a termination of Tenant's right to possession;

(2) The right to terminate this Lease by giving notice to Tenant in accordance with applicable law;

(3) The right and power to enter the Premises and remove therefrom all persons and property, to store such property in a public warehouse or elsewhere at the cost of and for the account of Tenant. Before retaking of any such property from storage, Tenant shall pay to Landlord, upon demand, all expenses incurred in such removal and all storage charges against such property. Any such property of Tenant not so retaken from storage by Tenant within thirty (30) days after such property is removed from the Premises shall be deemed abandoned and may be either disposed of by Landlord pursuant to Section 1988 of the California Civil Code or retained by Landlord as its own property. Landlord may from time to time sublet the Premises or any part thereof for such term or terms (which may extend beyond the Term) and at such rent and such other terms as Landlord in its sole discretion may deem advisable, with the right to make alterations and repairs to the Premises. Upon each such subletting, Tenant shall be immediately liable for payment to Landlord of the cost of such subletting and such alterations and repairs incurred by Landlord, if any. Any amounts received by Landlord from such subletting shall be applied first

toward the cost of any alterations or repairs made to the Premises in connection with such subletting; second, to payment of Rent and other monetary obligations due and unpaid hereunder, and the residue, if any, shall be held by Landlord and applied in payment of future Rent and other monetary obligations as the same become due hereunder. If Tenant has been credited with any rent to be received by such subletting and such rent shall not be promptly paid to Landlord by the subtenant(s), or if such rents received from such subletting during any month are less than those to be paid during that month by Tenant hereunder, Tenant shall pay any such deficiency to Landlord. Such deficiency shall be calculated and paid monthly. No taking possession of the Premises by Landlord shall be construed as an election on Landlord's part to terminate this Lease unless written notice of such intention is given to Tenant. Notwithstanding any such subletting without termination, Landlord may at any time thereafter elect to terminate this Lease for such previous breach;

(4) The right to have a receiver appointed for Tenant, upon application by Landlord, to take possession of the Premises and to apply any rental collected from the Premises and to exercise all other rights and remedies granted to Landlord for Tenant pursuant to this Section 17; and

(5) The rights and remedies provided by California Civil Code Section 1951.2 to recover from Tenant upon termination of this Lease, including:

(A) the worth at the time of the award of the unpaid rent which had been earned at the time of termination;

(B) the worth at the time of the award of the amount by which the unpaid rent which would have been earned after termination until the time of the award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided;

(C) subject to subdivision (c) of California Civil Code Section 1951.2, the worth at the time of the award of the amount by which the unpaid rent for the balance of the Term after the time of the award exceeds the amount of rental loss that Tenant proves could be reasonably avoided; and

(D) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant'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, any attorneys' fees, broker's commissions or finder's fees (not only in connection with the reletting of the Premises, but also that portion of any leasing commission paid by Landlord in connection with this Lease which is applicable to that portion of the Lease Term which is unexpired as of the date on which this Lease is terminated), any costs for repairs, cleanup, refurbishing, removal (including the repair of any damage caused by such removal) and storage or disposal of Tenant's personal property, equipment, fixtures, and anything else that Tenant is required under this Lease to remove but does not remove, and any costs for alterations, additions and renovations and any other costs and expenses incurred by Landlord in regaining possession of and reletting or attempting to relet the Premises.

(c) Worth at the Time of the Award. The “worth at the time of award” of the amounts referred to in Section 17(b)(5)(A) and (B), above, shall be computed by allowing interest at ten percent (10%) per annum. The “worth at the time of award” of the amount referred to in Section 17(b)(5)(C), above, shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

(d) Mitigation of Damages. Landlord and Tenant hereby agree that Landlord’s obligation to mitigate damages after a default by Tenant under this Lease that results in Landlord regaining possession of all or part of the Premises shall be satisfied in full if Landlord undertakes to lease the Premises to another tenant (a “Substitute Tenant”) in accordance with the following criteria:

(1) Landlord shall have no obligation to solicit or entertain negotiations with any other prospective tenants for the Premises until Landlord obtains full and complete possession of the Premises including, without limitation, the final and unappealable legal right to relet the Premises free of any claim of Tenant;

(2) Landlord shall not be obligated to offer the Premises to any prospective tenant when other premises in the Building suitable for that prospective tenant’s use are currently available, or will be available within three (3) months;

(3) Landlord shall not be obligated to lease the Premises to a Substitute Tenant for a rent less than the current fair market rent then prevailing for similar retail space in comparable building in the same market area as the Building;

(4) Landlord shall not be obligated to enter into a new lease under terms and conditions that are unacceptable to Landlord under Landlord’s then current leasing policies for comparable space in the Building;

(5) Landlord shall not be obligated to enter into a lease with any proposed Substitute Tenant that does not have, in Landlord’s reasonable opinion, sufficient financial resources or operating experience to operate the Premises in a first-class manner;

(6) Landlord shall not be required to accept any Substitute Tenant offered by Tenant or to observe any instructions given by Tenant regarding such reletting;

(7) Landlord shall not be obligated to enter into a lease with any Substitute Tenant whose use would conflict with the uses allowed hereunder; and

(8) Landlord shall not be required to expend any amount of money to alter, remodel, or otherwise make the Premises suitable for use by a Substitute Tenant, unless:

(A) Tenant pays any such sum to Landlord in advance of Landlord’s execution of a lease with such Substitute Tenant (which payment shall not be in lieu of any damages or other sums to which Landlord may be entitled to as a result of Tenant’s default under this Lease); or

(B) Landlord, in Landlord's sole and absolute discretion, determines that any such expenditure is financially justified in connection with entering into any lease with such Substitute Tenant.

(e) Waiver by Tenant. Upon compliance with the criteria set forth in Section 17(d), above, regarding reletting of the Premises after a default by Tenant, Landlord shall be deemed to have fully satisfied Landlord's obligation to mitigate damages under this Lease; and Tenant waives, to the fullest extent legally permissible, any right to assert in any action by Landlord to enforce the terms of this Lease, any defense, counterclaim, or rights of setoff or recoupment respecting the mitigation of damages by Landlord, unless and to the extent Landlord maliciously or in bad faith fails to act in accordance with the requirements of this clause.

(f) No Waiver of Indemnification. Neither the termination of this Lease nor the exercise of any remedy under this Lease or otherwise available at law or in equity shall affect the right of Landlord to any right of indemnification set forth in this Lease or otherwise available at law or in equity for any act or omission of Tenant, and all rights to indemnification or other obligations of Tenant which are intended to be performed after termination of this Lease shall survive termination of this Lease and termination of Tenant's right to possession under this Lease.

(g) Landlord's Default.

(1) Default. It shall be a default and breach of this Lease by Landlord if Landlord materially fails to perform or observe any term, condition, covenant or obligation required to be performed or observed by it under this Lease for a period of thirty (30) days after receipt of written notice thereof from Tenant; provided, however, that if the term, condition, covenant or obligation to be performed by Landlord is of such nature that the same cannot reasonably be performed within such thirty (30) day period, such default shall be deemed to have been cured if Landlord commences such performance within said thirty (30) day period and thereafter diligently undertakes to complete the same.

(2) Tenant's Remedies. Tenant shall not have the right based upon a default of Landlord to terminate this Lease or to withhold, offset or abate rent, Tenant's sole recourse for Landlord's default shall be an action for damages against Landlord for diminution in the rental value of the Premises for the period of Landlord's default, which is proximately caused by Landlord's default. Tenant shall not have the right to terminate this Lease or to withhold, offset or abate the payment of rent based upon the unreasonable or arbitrary withholding by Landlord of its consent or approval of any matter requiring Landlord's consent or approval, including, but not limited to, any proposed assignment or subletting, Tenant's remedies in such instance being limited to a declaratory relief action, specific performance, injunctive relief or an action for actual damages. Tenant shall not in any case be entitled to any consequential (including lost profits) or punitive damages based upon any Landlord default or withholding of consent or approval.

(3) Non-Recourse. Notwithstanding anything to the contrary contained in this Lease, Tenant agrees and understands that Tenant shall look solely to the estate and property of Landlord in the Project for the enforcement of any judgment (or other judicial decree) requiring

the payment of money by Landlord to Tenant by reason of any default or breach by Landlord in the performance of its obligations under this Lease, it being intended hereby that no other assets of Landlord or any of Landlord's Affiliates shall be subject to levy, execution, attachment or any other legal process for the enforcement or satisfaction of the remedies pursued by Tenant in the event of such default or breach.

(4) Limitation of Liability. In the event of a sale or transfer of the Premises by Landlord, the Landlord named herein or, in the case of a subsequent transfer, the transferor, shall, after the date of such transfer, be automatically released from all personal liability for the performance or observance of any term, condition, covenant or obligation required to be performed or observed after the date of such transfer by Landlord hereunder; and the transferee shall be deemed to have assumed all of such terms, conditions, covenants and obligations, it being intended hereby that such terms, conditions, covenants and obligations shall be binding upon Landlord, its successors and assigns only during and in respect of their successive periods of ownership during the Term.

18. Signage. Tenant, at its own expense, shall have the right to place signage on the exterior of the Premises for maximum visibility consistent with the balance of the tenants in the Building, consistent with Landlord's signage plan and to the extent allowable by the City of San Diego and Civic San Diego. The exact location, design and colors of such signage shall be submitted by Tenant to Landlord and shall be subject to approval of the Landlord. Landlord's approval shall not be unreasonably withheld. The wiring and installation of such signage shall be done at Tenant's expense, subject to inspection and approval of Landlord. Any and all signage shall be subject to applicable sign ordinances and regulations, and appropriate City of San Diego and Civic San Diego approvals regarding number, size, and color. If Landlord revises the signage plan, after Tenant has erected a sign to which Landlord has granted consent, Tenant agrees, at Landlord's expense, to make the necessary changes to its sign in order to conform the sign to Landlord's signage plan, as enacted or revised.

19. Quiet Enjoyment. Upon payment by Tenant of the rents herein provided, and upon the observance and performance of all the covenants, terms and conditions on Tenant's part to be observed and performed, Tenant shall peaceably and quietly hold and enjoy the Premises for the term hereby demised without hindrance or interruption by Landlord or any other person or persons lawfully or equitably claiming by, through or under Landlord, subject, nevertheless, to the terms and conditions of this Lease, and any mortgage and/or deed of trust to which this Lease is subordinate and subject to Landlord's right from time to time to perform tenant improvement work in other space in the Project, which will involve, among other things, construction noise, the use of scaffolding, delays in the use of the Building's elevators, the presence of work crews and the use of the Building's elevators by work crews, provided, however, that such work does not materially interfere with Tenant's use of the Premises.

20. Landlord Exclusive Control.

(a) Building Alterations. Landlord shall have the sole and exclusive control of the Project, as well as the right to make changes to the Project so long as the same does not negatively impact the Project or Premises or Tenant's use, occupancy and enjoyment thereof or Tenant's

rights under this Lease. Landlord has the right, but not the obligation, to (i) restrain the use of the Project and/or common areas by unauthorized persons, (ii) utilize from time to time any portion of the Project and/or common areas for promotional and related matters, (iii) temporarily close any portion of the Project and/or common areas for repairs, improvements or alterations, or (iv) change the shape and size of the Project and/or common areas or change the location of improvements within the Project and/or common areas, including, without limitation, parking structures and other parking facilities, roadways and curb cuts. Landlord may determine the nature, size and extent of the common areas as well as make changes to the common areas from time to time which, in Landlord's opinion, are deemed desirable so long as the same does not negatively impact the Project or Premises or Tenant's use, occupancy and enjoyment thereof or Tenant's rights under this Lease.

(b) Landlord's Rights. Landlord reserves the right to install, use, maintain, repair, relocate and replace pipes, ducts, conduits, wires and appurtenant meters and equipment included in the Premises or outside the Premises, change the boundary lines of the Project and install, use, maintain, repair, alter or relocate, expand and replace any common areas. Such rights of Landlord shall include, but are not limited to, designating from time to time certain portions of the common areas as exclusively for the benefit of certain tenants in the Project.

21. Subordination. Tenant agrees that its leasehold interest hereunder is subordinate to any mortgages now on, or hereafter to be placed on, the Premises. Tenant shall comply with requests of Landlord's lender(s), for execution of documentation to effect this subordination of its leasehold interest, including without limitation, subordination, nondisturbance and attornment agreements. Tenant shall obtain any and all non-disturbance agreements in favor of Tenant from the holders of all mortgages, deeds of trust, ground leases and other encumbrances ("Encumbrances") against the Project that Tenant in its sole discretion deems necessary.

22. Estoppel Certificates. Tenant, at any time and from time to time, upon not less than five (5) days' prior written notice from Landlord, agrees to execute and deliver to Landlord a statement (a) certifying that this Lease is unmodified and in full force and effect, or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect and the date to which the rent and other charges are paid in advance, if any, and (b) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder, or specifying such defaults if they are claimed evidencing the status of this Lease. Tenant's failure to deliver an estoppel certificate within such time shall be conclusive upon Tenant that (i) this Lease is in full force and effect without modification except as may be represented by Landlord, (ii) to Tenant's knowledge there are no uncured defaults in Landlord's performance, and (iii) no rent has been paid in advance except as set forth in this Lease.

23. Financial Statements. Landlord has reviewed financial statements if so requested of the Tenant and has relied upon the truth and accuracy thereof with Tenant's knowledge and representations of the truth and accuracy of such statements and that said statements accurately and fairly depict the financial condition of Tenant as of the date of this Lease. Said financial statements are an inducing factor and consideration for the entering into of this Lease by Landlord with this particular Tenant. Tenant shall, at any time and from time to time upon not less than ten

(10) days' prior written notice from Landlord, furnish Landlord with current financial statements, which accurately reflect Tenant's then financial condition.

24. Notices. Any notices required or permitted hereunder shall be in writing and delivered in person to the other party or by a nationally recognized overnight courier such as FedEx, or United States Certified Mail, Return Receipt Requested, postage fully prepaid, to the addresses set forth below or to such other address as either party may designate in writing and deliver as provided in this Section.

Landlord: San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, CA 92101

Copy to: Christensen & Spath LLP
401 West A Street, Suite 2250
San Diego, CA 92101

Tenant: BB's Deli, LLC
1321 5th Avenue
San Diego, CA 92101

25. Brokers. Landlord and Tenant covenant, warrant and represent that no broker has been involved in the negotiation or consummation of this Lease. Tenant and Landlord each agree to indemnify, defend (with an attorney of the indemnitee's choice) and hold the other harmless from and against all claims, demands, causes of action and liabilities, including (without limitation) attorneys' fees and costs, arising out of a claim for a commission by any broker purporting to have acted on behalf of the indemnifying party.

26. Force Majeure and Landlord Delay. Neither party shall be required to perform any term, covenant or condition of this Lease so long as such performance is delayed or prevented by force majeure, which shall mean any acts of God, material restriction by any governmental authority, civil riot, and any other cause not reasonably within the control of such party and which by the exercise of due diligence such party is unable, wholly or in part, to prevent or overcome.

27. Holdover. Any holding over after the expiration of the Term, with or without the consent of Landlord, shall be construed to be a tenancy at sufferance at two hundred percent (200%) of the rent applicable immediately prior to the holdover period (prorated on a monthly basis) unless Landlord shall specify a lesser amount for rent in its sole discretion, and shall otherwise be on the terms and conditions herein specified as far as applicable. Any holding over without Landlord's consent shall constitute a default by Tenant and shall entitle Landlord to re-enter the Premises. Tenant shall indemnify, defend and hold Landlord harmless from any and all loss, damage, claim, cost, expense or liability (including, without limitation, attorneys' fees and costs) resulting from such holdover.

28. Binding On Landlord. Regardless of any written or verbal representation of any agent, manager or other employee of Landlord to the contrary, this Lease shall not be binding upon

Landlord, its successor and assigns, until the last to occur of: (i) execution by Landlord and Landlord's General Counsel; and (ii) approval of this Lease by resolution of the Housing Authority of the City of San Diego.

29. General Conditions.

(a) Counterparts. This Lease 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.

(b) Captions. The captions in this Lease are inserted for convenience of reference and in no way define, describe or limit the scope or intent of this Lease or any of the provisions of this Lease.

(c) Partial Invalidity. Any provision of this Lease which is unenforceable, invalid, or the inclusion of which would adversely affect the validity, legality, or enforcement of this Lease shall have no effect, but all the remaining provisions of this Lease shall remain in full effect.

(d) No Third-Party Rights. Nothing in this Lease, express or implied, is intended to confer upon any person, other than the parties to this Lease and their respective successors and assigns, any rights or remedies.

(e) Time Of Essence. Time is of the essence in this Lease.

(f) Relationship. Nothing contained in this Lease shall be deemed or construed by the parties or by any third person to create a relationship of principal and agent or partnership or a joint venture between Landlord and Tenant or between either or both of them and any third party.

(g) Landlord Approval. Where this Lease refers to an action or approval of the Landlord, it shall mean the approval of the President/CEO of the San Diego Housing Commission, or designee, unless otherwise provided.

(h) Exhibits Incorporated. All exhibits referred to in and attached to this Lease are hereby incorporated in this Lease by this reference.

(i) Further Assurances. Landlord and Tenant agree to execute all such instruments and documents and to take all actions which are reasonably necessary to carry out this Lease or accomplish its intent.

(j) Incorporation of Prior Agreements. This Lease contains all agreements of Landlord and Tenant with respect to any matter mentioned, or dealt with, herein. No prior agreement or understanding pertaining to any such matter shall be binding upon Landlord or Tenant.

(k) Amendment. This Lease may only be amended by written agreement signed by Landlord and by Tenant.

(l) No Waiver. No waiver by either party of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach of the same or any other provision. Landlord's consent to or approval of any act shall not be deemed to render unnecessary obtaining such Landlord's consent to or approval of any subsequent act. No waiver by either party shall be effective unless it is in writing, executed on behalf of such party.

(m) Consents. All consents to be given by either party shall be reasonably and timely given.

(n) No Leasehold Mortgages. Tenant shall not encumber its leasehold interest in the Premises, without the prior written approval of the Landlord.

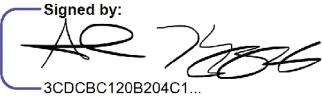
(o) Nondiscrimination. There shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, sexual orientation, marital status, national origin or ancestry in the leasing, subleasing, renting, transferring, use, occupancy, tenure or enjoyment of the Premises, nor shall Tenant itself, or any person claiming under or through it, establish or permit such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants or vendees in the Premises.

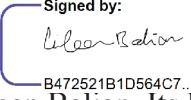
(p) Signature Authority. All individuals signing this Lease for a party which is a corporation, limited liability company, partnership or other legal entity, or signing under a power of attorney, or as a trustee, guardian, conservator, or in any other legal capacity, covenant to the each other party hereto that they have the necessary capacity and authority to act for, sign and bind the respective entity or principal on whose behalf they are signing.

IN WITNESS WHEREOF, the parties have executed this Lease.

TENANT:

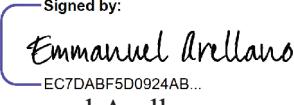
BB's Deli, LLC, a California limited liability company

By: 
3CDCBC120B204C1...
Alae Kazzazi, Its Managing Member

By: 
B472521B1D564C7...
Eileen Balian, Its Managing Member

LANDLORD:

San Diego Housing Commission

By: 
Emmanuel Arellano
Vice President Asset Management

Signed by:

Emmanuel Arellano

EC7DABF5D0924AB...

Approved as to form:
Christensen & Spath LLP

By: 
Walter F. Spath III, General Counsel
San Diego Housing Commission

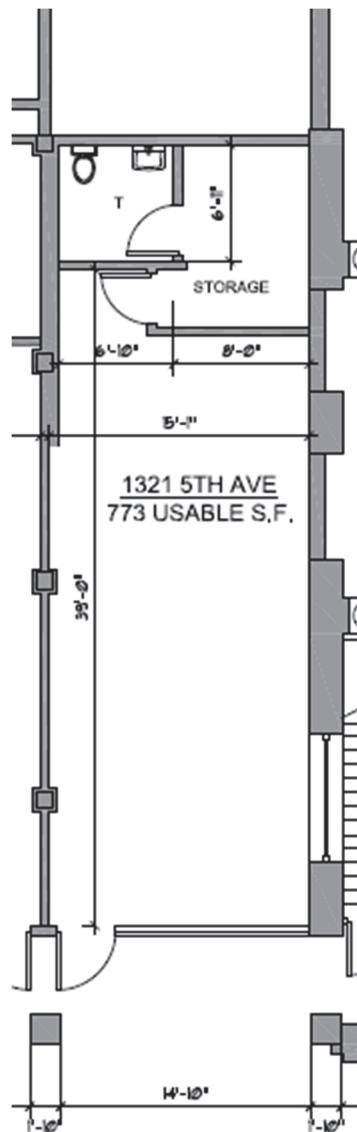
Signed by:

Walter F. Spath III

CD14CC058122472...

Exhibit A

Premises Floor Plan



Portion of the Ground Floor
Sandford Hotel
1321 Fifth Avenue
San Diego, California

**AMENDMENT TO RETAIL LEASE
(BB's Delicatessen)**

THIS AMENDMENT TO RETAIL LEASE (“Amendment”) is dated as of the ____ day of January, 2026, by and between the San Diego Housing Commission, a public agency (“Landlord”), and BB’s Deli, LLC, a California limited liability company (Tenant”).

RECITALS

A. Landlord and Tenant are all of the parties to that certain Retail Lease, dated as of October 6, 2025 (“Lease”), with respect to the Premises at the Building commonly known as the “Sandford Hotel.” All capitalized terms that are not defined herein, shall be defined as set forth in the Lease.

B. Section 3(a) of the Lease provides the one-year Lease Term will be extended to five (5) years, upon approval of the Lease by the San Diego Housing Commission Board of Commissioners and, if necessary, the Housing Authority of the City of San Diego. Such extension was approved by the San Diego Housing Commission Board of Commissioners. The Housing Authority of the City of San Diego did not elect to hear the matter, making the San Diego Housing Commission Board of Commissioners approval final. The Landlord and Tenant desire to amend the Lease to effectuate the foregoing and as otherwise set forth herein.

AGREEMENT

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and adequacy of which are acknowledged, the parties hereby agree as follows:

1. Restatement of Section 3(a). Section 3(a) of the Lease is hereby amended and restated to provide as follows:

(b) Term. Unless sooner terminated pursuant to the terms of this Lease, the term of this Lease shall begin on the Commencement Date (i.e., October 1, 2025) and terminate at midnight on September 30, 2030 (“Initial Term”).

2. Conflicts. In the event of a conflict between any term of provision of this Amendment and any term or provision of the Lease, the terms of this Amendment shall control.

3. Full Force and Effect. Except as set forth herein, the Lease, as modified by this Amendment, remains unmodified and in full force and effect.

4. Counterparts. This Amendment 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.

5. Recitals Incorporated. The recitals to this Amendment are hereby incorporated in this Amendment by this reference.

6. Signature Authority. All individuals signing this Amendment for a party which is a corporation, limited liability company, partnership or other legal entity, or signing under a power of attorney, or as a trustee, guardian, conservator, or in any other legal capacity, covenant to the each other party hereto that they have the necessary capacity and authority to act for, sign and bind the respective entity or principal on whose behalf they are signing.

IN WITNESS WHEREOF, the parties have executed this Amendment.

TENANT:

BB's Deli, LLC, a California limited liability company

By: _____
Alae Kazzazi, Its Managing Member

By: _____
Eileen Balian, Its Managing Member

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

LANDLORD:

San Diego Housing Commission

By: _____

Emmanuel Arellano
Vice President of Asset Management

Approved as to form:

Christensen & Spath LLP

By: _____

Walter F. Spath III, General Counsel
San Diego Housing Commission