




UNITED STATES BANKRUPTCY COURT SOUTHERN DISTRICT OF NEW YORK (MANHATTAN)		PROOF OF CLAIM	 YOUR CLAIM IS SCHEDULED AS: Schedule/Claim ID s466 Amount/Classification \$8,304.39 Unsecured
In re: Jennifer Convertibles, Inc.	Case Number: 10-13779		
NOTE: See Reverse for List of Debtors/Case Numbers/ important details. This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A "request" for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.			
Name of Creditor and Address: the person or other entity to whom the debtor owes money or property  25239790001712 KLEIN MILLER INVESTMENT CO. 2121 CENTURY WOODS WAY LOS ANGELES, CA 90067		<input type="checkbox"/> Check box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars. <input type="checkbox"/> Check this box if you are the debtor or trustee in this case.	The amounts reflected above constitute your claim as scheduled by the Debtor or pursuant to a filed claim. If you agree with the amounts set forth herein, and have no other claim against the Debtor, you do not need to file this proof of claim EXCEPT as stated below. If the amounts shown above are listed as Contingent, Unliquidated or Disputed, a proof of claim must be filed. If you have already filed a proof of claim with the Bankruptcy Court or BMC, you do not need to file again. THIS SPACE IS FOR COURT USE ONLY
Creditor Telephone Number ()	RECEIVED OCT 22 2010 BMC GROUP		<input type="checkbox"/> Check this box to indicate that this claim amends a previously filed claim. Claim Number (if known): Filed on:
Name and address where payment should be sent (if different from above):			
Payment Telephone Number ()			
1. AMOUNT OF CLAIM AS OF DATE CASE FILED \$15,465.89 * See Summary of Claim Attached hereto. If all or part of your claim is secured, complete item 4 below; however, if all of your claim is unsecured, do not complete item 4. If all or part of your claim is entitled to priority, complete item 5. If all or part of your claim qualifies as an administrative expense under 11 U.S.C. § 503(b)(9), complete item 6. <input type="checkbox"/> Check this box if claim includes interest or other charges in addition to the principal amount of claim. Attach itemized statement of interest or charges.			
2. BASIS FOR CLAIM: Lease		(See instructions #2 and #3a on reverse side.)	3. LAST FOUR DIGITS OF ANY NUMBER BY WHICH CREDITOR IDENTIFIES DEBTOR: 3a. Debtor may have scheduled account as:
4. SECURED CLAIM (See instruction #4 on reverse side.) Check the appropriate box if your claim is secured by a lien on property or a right of set off and provide the requested information Nature of property or right of setoff: Describe: <input type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input type="checkbox"/> Other Value of Property: \$ Annual Interest Rate: % if any: \$ Basis for Perfection:		Secured Claim Amount: \$ DO NOT include the priority portion of your claim here. Unsecured Claim Amount: \$ Amount of arrearage and other charges as of time case filed included in secured claim.	
5. PRIORITY CLAIM <input type="checkbox"/> Amount of Claim Entitled to Priority under 11 U.S.C. § 507(a). If any portion of your claim falls in one of the following categories, check the box and state the amount. You MUST specify the priority of the claim: <input type="checkbox"/> Domestic support obligations under 11 U.S.C. § 507(a)(1)(A) or (a)(1)(B). <input type="checkbox"/> Wages, salaries, or commissions (up to \$11,725*), earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. § 507(a)(4). <input type="checkbox"/> Contributions to an employee benefit plan - 11 U.S.C. § 507(a)(5). <input type="checkbox"/> Up to \$2,600* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. § 507(a)(7). <input type="checkbox"/> Taxes or penalties owed to governmental units - 11 U.S.C. § 507(a)(8). <input type="checkbox"/> Other - Specify applicable paragraph of 11 U.S.C. § 507(a) (). * Amounts are subject to adjustment on 4/1/13 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.		Unsecured Priority Claim Amount: \$ Include ONLY the priority portion of your unsecured claim here.	
6. AMOUNT OF CLAIM THAT QUALIFIES AS AN ADMINISTRATIVE EXPENSE UNDER 11 U.S.C. § 503(b)(9): \$ See instruction #6 on reverse side			
7. CREDITS: The amount of all payments on this claim has been credited for the purpose of making this proof of claim.			
8. SUPPORTING DOCUMENTS: Attach redacted copies of supporting documents, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, court judgments, mortgages, and security agreements. You may also attach a summary. Attach redacted copies of evidence of perfection of a security interest. (See instruction 8 and definition of "redacted" on reverse side.) If the documents are not available, please explain. DATE-STAMPED COPY: To receive an acknowledgment of the filing of your claim, enclose a stamped, self-addressed envelope and copy of this proof of claim. DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING.			
The original of this completed proof of claim form must be sent by mail or hand delivered (FAXES NOT ACCEPTED) so that it is actually received on or before 5:00 pm, prevailing Eastern Time on October 25, 2010 for Non-Governmental Claimants OR on or before 5:00 pm, prevailing Eastern Time on January 18, 2011 for Governmental Units BY MAIL TO: BMC Group, Inc Attn: Jennifer Convertibles Claims Processing PO Box 3020 Chanhassen, MN 55317-3020 BY HAND OR OVERNIGHT DELIVERY TO: BMC Group, Inc Attn: Jennifer Convertibles Claims Processing 18750 Lake Drive East Chanhassen, MN 55317			THIS SPACE FOR COURT USE ONLY Jennifer Convertibles  00270
DATE 10/21/10	SIGNATURE: The person filing this claim must sign it. Sign and print name and title, if any, of the creditor or other person authorized to file this claim and state address and telephone number if different from the notice address above. Attach copy of power of attorney, if any. Geo Miller, Managing Partner		

INSTRUCTIONS FOR PROOF OF CLAIM FORM

The instructions and definitions below are general explanations of the law. In certain circumstances, such as bankruptcy cases not filed voluntarily by the debtor, there may be exceptions to these general rules.

ITEMS TO BE COMPLETED IN PROOF OF CLAIM FORM (IF NOT ALREADY PROPERLY FILLED IN)

<p>Court, Name of Debtor, and Case Number: Fill in the name of the federal judicial district where the bankruptcy case was filed (for example Central District of California), the name of the debtor in the bankruptcy case, and the bankruptcy case number. If you received a notice of the case from the Claims Agent, BMC Group, some or all of this information may have been already completed.</p> <p>Debtor Name Case No See a attached sheet</p>	<p>5. Amount of Claim Entitled to Priority Under 11 U.S.C. §507(a). If any portion of your claim falls in one or more of the listed categories, check the appropriate box(es) and state the amount entitled to priority. (See DEFINITIONS, below.) A claim may be partly priority and partly non-priority. For example, in some of the categories, the law limits the amount entitled to priority.</p> <p>6. Amount of Claim that qualifies as an Administrative Expense under 11 U.S.C. §503(b)(9): State the value of any goods received by the debtor within 20 days before the date of commencement for which the goods have been sold to the debtor in the ordinary course of the debtor's business.</p>
<p>Creditor's Name and Address: Fill in the name of the person or entity asserting a claim and the name and address of the person who should receive notices issued during the bankruptcy case. A separate space is provided for the payment address if it differs from the notice address. The creditor has a continuing obligation to keep the court informed of its current address. See Federal Rule of Bankruptcy Procedure (FRBP) 2002(g).</p> <p>1. Amount of Claim as of Date Case Filed: State the total amount owed to the creditor on the date of the Bankruptcy filing. Follow the instructions concerning whether to complete item, 4, 5 and 6. Check the box if interest or other charges are included in the claim.</p> <p>2. Basis for Claim: State the type of debt or how it was incurred. Examples include goods sold, money loaned, services performed, personal injury/wrongful death, car loan, mortgage note, and credit card.</p> <p>3. Last Four Digits of Any Number by Which Creditor Identifies Debtor: State only the last four digits of the debtor's account or other number used by the creditor to identify the debtor.</p> <p>3a. Debtor May Have Scheduled Account As: Use this space to report a change in the creditor's name, a transferred claim, or any other information that clarifies a difference between this proof of claim and the claim as scheduled by the debtor.</p> <p>4. Secured Claim: Check the appropriate box and provide the requested information if the claim is fully or partially secured. Skip this section if the claim is entirely unsecured. (See DEFINITIONS, below.) State the type and the value of property that secures the claim, attach copies of lien documentation, and state annual interest rate and the amount past due on the claim as of the date of the bankruptcy filing.</p>	<p>7. Credits: An authorized signature on this proof of claim serves as an acknowledgment that when calculating the amount of the claim, the creditor gave the debtor credit for any payments received toward the debt.</p> <p>8. Supporting Documents: Attach to this proof of claim form redacted copies documenting the existence of the debt and of any lien securing the debt. You may also attach a summary. You must also attach copies of documents that evidence perfection of any security interest. You may also attach a summary. FRBP 3001(c) and (d). Do not send original documents, as attachments may be destroyed after scanning.</p> <p>Date and Signature: The person filing this proof of claim <u>must</u> sign and date it. FRBP 9011. If the claim is filed electronically, FRBP 5005(a)(2), authorizes courts to establish local rules specifying what constitutes a signature. Print the name and title, if any, of the creditor or other person authorized to file this claim. State the filer's address and telephone number if it differs from the address given on the top of the form for purposes of receiving notices. Attach a complete copy of any power of attorney. Criminal penalties apply for making a false statement on a proof of claim.</p> <p>Date-Stamped Copy Return claim form and attachments, if any. If you wish to receive an acknowledgement of your claim, please enclose a self-addressed stamped envelope and a second copy of the proof of claim form with any attachments to the Claims Agent, BMC Group, at the address on the front of this form.</p> <p><i>Please read – important information: upon completion of this claim form, you are certifying that the statements herein are true.</i></p> <p>Be sure all items are answered on the claim form. If not applicable, insert "Not Applicable."</p>

DEFINITIONS

INFORMATION

<p>DEBTOR A debtor is the person, corporation, or other entity that has filed a bankruptcy case.</p> <p>CREDITOR A creditor is any person, corporation, or other entity to whom the debtor owed a debt on the date that the bankruptcy case was filed.</p> <p>CLAIM A claim is the creditor's right to receive payment on a debt that was owed by the debtor on the date of the bankruptcy filing. See 11 U.S.C. §101 (5). A claim may be secured or unsecured.</p> <p>PROOF OF CLAIM A form telling the bankruptcy court how much the debtor owed a creditor at the time the bankruptcy case was filed (the amount of the creditor's claim). This form must be filed with the court-appointed Claims Agent, BMC Group, at the address listed on the reverse side of this page</p> <p>SECURED CLAIM Under 11 U.S.C. §506(a) A secured claim is one backed by a lien on property of the debtor. The claim is secured so long as the creditor has the right to be paid from the property prior to other creditors.</p>	<p>The amount of the secured claim cannot exceed the value of the property. Any amount owed to the creditor in excess of the value of the property is an unsecured claim. Examples of liens on property include a mortgage on real estate or a security interest in a car.</p> <p>A lien may be voluntarily granted by a debtor or may be obtained through a court proceeding. In some states, a court judgment is a lien. A claim also may be secured if the creditor owes the debtor money (has a right to setoff).</p> <p>UNSECURED NONPRIORITY CLAIM If a claim is not a secured claim it is an unsecured claim. A claim may be partly secured and partly unsecured if the property on which a creditor has a lien is not worth enough to pay the creditor in full.</p> <p>UNSECURED PRIORITY CLAIM Under 11 U.S.C. §507(a) Priority claims are certain categories of unsecured claims that are paid from the available money or property in a bankruptcy case before other unsecured claims.</p> <p>Evidence of Perfection Evidence of perfection may include a mortgage, lien, certificate of title, financing statement, or other</p>	<p>document showing that the lien has been filed or recorded.</p> <p>Redacted A document has been redacted when the person filing it has masked, edited out, or otherwise deleted, certain information. A creditor should redact and use only the last four digits of any social-security, individual's tax-identification, or financial-account number, all but the initials of a minor's name and only the year of any person's date of birth.</p> <p>Offers to Purchase a Claim Certain entities are in the business of purchasing claims for an amount less than the face value of the claims. One or more of these entities may contact the creditor and offer to purchase the claim. Some of the written communications from these entities may easily be confused with official court documentation or communications from the debtor. These entities do not represent the bankruptcy court or the debtor. The creditor has no obligation to sell its claim. However, if the creditor decides to sell its claim, any transfer of such claim is subject to FRBP 3001(e), any applicable provisions of the Bankruptcy Code (11 U.S.C. § 101 et seq.), and any applicable orders of the bankruptcy court.</p>
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ONCE YOUR CLAIM IS FILED YOU CAN OBTAIN OR VERIFY YOUR CLAIM NUMBER BY VISITING www.bmcgroup.com

SUMMARY OF CLAIM

Jennifer Convertibles, Inc. is indebted to Klein-Miller Investment Co. ("Klein-Miller") under the terms of its lease of the premises located at 8751 Beverly Boulevard, Los Angeles, California 90048 as follows:

1. Unpaid Base Rent for the Period –July 1, 2010 through July 31, 2010 in the amount of \$14,302.00. (Please note that the unpaid Base Rent for the period of time of July 18 through July 31, 2010 qualifies as administrative rent. This figure is \$6,458.97).
2. Property Taxes (Portion of First Installment which portion covers July 1, 2010 through August 31, 2010) in the amount of 1,163.89. (Please note that the portion of property taxes for the period July 18, 2010 through August 31, 2010 also qualifies as administrative rent. This figure is \$844.76. (Property Tax Bill was recently received, the claimed amount has not yet been placed on the Balance Detail, attachment 9.)

Total \$15,465.89*

*The lease has not yet been assumed or rejected. In the event the Lease is rejected, Klein-Miller reserves the right to add lease rejection damages to its claim. Please further note that Klein-Miller has negotiated and executed a Lease Modification Agreement with Jennifer Convertibles, Inc. (A copy of which is referenced as item 1, below. To Klein-Miller's knowledge, this document has yet been executed by Jennifer Convertibles, Inc. It is anticipated that it will be so executed. In the event that the Lease Modification Agreement is executed by Jennifer Convertibles, Inc., timely approved by the bankruptcy court and the lease is assumed and not subsequently rejected, the claim set forth above would be waived.

Documents Attached:

1. Lease Modification Agreement dated October 11th, 2010;
2. Fifth Modification Agreement dated April 13, 2010;
3. Fourth Modification of Lease dated February 1, 2009;
4. Third Modification of Lease of Lease dated April 8, 2005;
5. Second Modification of Lease dated July 1, 2000;
6. Letter of Possession and Modification of Lease dated August 11, 1993;
7. Standard Industrial/Commercial Single Tenant Lease-Net dated June 28, 1993;
8. Property Tax Bill –Fiscal Year 2010-2011; and
9. Balance Detail-computer records: July, 2010 Base Rent as open balance is highlighted.

LEASE MODIFICATION AGREEMENT
JENNIFER CONVERTIBLES, INC.

THIS LEASE MODIFICATION AGREEMENT ("Modification Agreement") is made this 11th day of October, 2010, by and between KLEIN-MILLER INVESTMENT CO., (hereinafter referred to "Landlord"), and JENNIFER CONVERTIBLES, INC., as Assignee or J.C. West Hollywood CA IV, Inc. ("Tenant").

WITNESSETH:

WHEREAS, Landlord and Tenant are parties to a Standard Industrial/Commercial Single Tenant Lease-Net dated June 28, 1993 as modified by that certain Letter of Possession and Modification of Lease dated August 11, 1993, as further modified by that certain Second Modification of Lease dated July 1, 2000, as further modified by that certain Third Modification of Lease dated April 8, 2005, as further modified by that certain Fourth Modification of Lease dated February 1, 2009, as further modified by that certain Fifth Modification Agreement dated April 13, 2010 and that has now been extended until December 31, 2011 (collectively, the "Lease") relative to those certain retail premises designated as 8751 Beverly Boulevard, Los Angeles, CA 90048 (the "Premises"); and

WHEREAS, Landlord and Tenant acknowledge that on July 18, 2010, Tenant filed for bankruptcy protection in Chapter 11 proceedings in the United States Bankruptcy Court for the Southern District of New York, Case Number 10-13779 that includes the Premises, and that Tenant is functioning as a Debtor-in -Possession; and

WHEREAS, Tenant is presently in arrears on account of pre-petition unpaid monthly rent of approximately \$14,000 (the "Arrears"); and

WHEREAS, the Landlord has agreed to waive and forgive any and all of the Arrears that would be due under the Lease, and has agreed to further modify and extend the terms of the Lease as expressly set forth in this Modification Agreement; and

WHEREAS, the parties acknowledge that during the pendency of Tenant's bankruptcy cases under Chapter 11, the terms of this Modification Agreement, including without limitation, those terms related to rental adjustments, shall be in effect; and

NOW, THEREFORE, in consideration of the covenants and conditions set forth herein, and for good consideration, the receipt and sufficiency of which is acknowledged, the parties agree as follows:

1. Landlord has agreed to waive and forgive the Arrears.
2. Landlord and Tenant agree to extend the current term of the lease at the current rent through and including December 31, 2011.
3. For the period commencing September 1, 2010 through December 31, 2011 the monthly Rent shall be \$14,000.
4. All other terms and conditions of the Lease shall remain in full force and effect, except those terms which are expressly modified by this Modification Agreement.

Unless otherwise defined herein, all capitalized terms shall have the same meaning as defined in the Lease.

5. The effectiveness of this Modification Agreement is upon execution, but is conditioned upon approval by the bankruptcy court hereof. If this Modification Agreement is not approved by the bankruptcy court within sixty (60) days following execution, this Modification Agreement shall be considered null and void and of no consequence to either party. Tenant shall timely petition the bankruptcy court for approval of this Modification.
6. During the pendency of Tenant's bankruptcy cases under Chapter 11, the terms of this Modification Agreement, including without limitation, those terms related to the payment of Rent and rental adjustments, shall be in effect and the Debtor shall remain current in its post-petition obligations.
7. Should this Modification Agreement not be approved within 60 days, or should the Tenant subsequently reject the Lease under 11 U.S.C. § 365 during the course of Tenant's bankruptcy cases under chapter 11 of title 11 of the United States Code, this Modification Agreement will not give rise to an administrative rejection claim under 11 U.S.C. § 503(b)(7) but preserves its rights to have an allowed claim under 11 U.S.C. § 502(b)(6) and further, the forgiveness of the Arrears shall be reinstated and allowed as a general unsecured claim.
8. This Modification Agreement may be executed by facsimile and in counter parts, each facsimile being deemed and original and constituting one original document.

IN WITNESS WHEREOF, Landlord and Tenant have hereunto executed this Modification Agreement as of the day and year first above written.

LANDLORD:
KLEIN-MILLER INVESTMENT CO.

By: 
Name: Leo Miller, Trustee
Title: Managing Partner

TENANT:
JENNIFER CONVERTIBLES, INC., DEBTOR
AND DEBTOR-IN-POSSESSION

By: _____
Name: _____
Title: _____

FIFTH MODIFICATION AGREEMENT

LESSOR NAME KLEIN-MILLER INVESTMENT CO.
AND ADDRESS: 2121 Century Woods Way
 Los Angeles, California 91696

LESSEE NAME JENNIFER CONVERTIBLES, INC.
AND ADDRESS: (Successor-in-interest to J.C. West
 Hollywood
 CA IV, Inc. by Assignment dated 09/01/2000)
 417 Crossways Park Drive
 Woodbury, New York 11797

LEASE: Standard/Industrial Commercial Single-Tenant
 Lease-Net, dated June 28, 1993 and as
 modified by First Modification of Lease
 dated as of August 11, 1993, by Second
 Modification of Lease dated July 1, 2000, by
 Third Modification of Lease dated April 8,
 2005 and by Fourth Modification Agreement
 dated February 1, 2009.

PREMISES: 8751 Beverly Boulevard
 Los Angeles County, California

EFFECTIVE DATE: April 13, 2010

R E C I T A L S

A. Lessee is the tenant of Lessor at the Premises. Lessee occupies the Premises under the terms of the Lease.

B. The Term of the Lease expires on August 31, 2010.

C. Lessor and Lessee have agreed to modify the future obligations of Lessee as to the payment of property taxes and insurance premiums and extend the Term of the Lease as provided herein.

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee modify the Lease and agree as follows:

AGREEMENT

1. Incorporation of Recitals. The above Recitals are incorporated herein by this reference.

2. Meaning of Capitalized Terms. Except as specifically modified herein, all capitalized terms in this Modification shall have the same meaning as set forth in the Lease.

3. Extension of Term. The Term of the Lease is extended one (1) year ("Third Extended Term"). The Third Extended Term shall commence on September 1, 2010 and shall end on August 31, 2011.

4. Base Rent. The Base Rent payable by Lessee to Lessor during the Third Extended Term shall be Fourteen Thousand Dollars (\$14,000.00) a month.

5. Modification of Lease. Commencing September 1, 2010, Lessee shall have no obligation to pay directly, or reimburse Lessor, the cost of insurance premiums on the liability insurance carried by Lessor under paragraph 8.2(b) of the Lease nor shall Lessee have any obligation to pay, or reimburse Lessor, the cost of the insurance premiums for insurance obtained by the Insuring Party under paragraph 8.3 of the Lease. In addition, Commencing September 1, 2010, Lessee shall have no obligation to pay directly or reimburse Lessor for Real Property Taxes covering a period of time commencing September 1, 2010 and thereafter during the Third Extended Term.

6. Payment of Property Taxes. Concurrently with the execution of this Fifth Modification Agreement, Lessee shall pay Lessor the sum of \$3,350.00 which is the second installment of property taxes for the fiscal year 2009-2010.

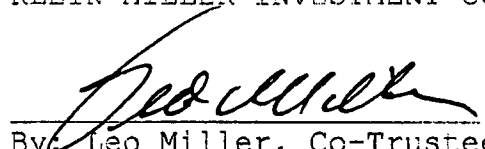
7. Lease Remains in Effect. Except as expressly modified in this Agreement, all the terms, covenants and conditions of said Lease shall remain in full force and effect, shall be binding on the parties hereto, and are hereby ratified and affirmed.

IN WITNESS WHEREOF, the parties hereto have set their hand and seal the day and year first below written and declare this Fifth Modification Agreement to be binding on them, their respective successors and permitted assigns.

SIGNATURES ON NEXT PAGE

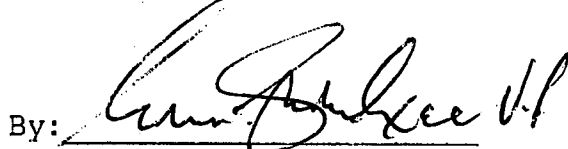
LESSOR:

KLEIN-MILLER INVESTMENT CO.


By: Leo Miller, Co-Trustee
Title: Managing Partner
Date: 5/26/10

LESSEE:

JENNIFER CONVERTIBLES, INC.


By: Edward B. Seidner
Executive Vice-President
Date:

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FOURTH MODIFICATION AGREEMENT

LANDLORD NAME KLEIN-MILLER INVESTMENT CO.
AND ADDRESS: 2121 Century Woods Way
 Los Angeles, California 91696

TENANT NAME JENNIFER CONVERTIBLES, INC.
AND ADDRESS: (Successor-in-interest to J.C. West Hollywood
 CA IV, Inc. by Assignment dated 09/01/2000)
 417 Crossways Park Drive
 Woodbury, New York 11797

DATE OF LEASE: June 28, 1993 and as modified by First Modification
 of Lease dated as of August 11, 1993, by Second
 Modification of Lease dated July 1, 2000, and by
 Third Modification of Lease dated April 8, 2005.

PREMISES: 8751 Beverly Boulevard
 Los Angeles County, California

EFFECTIVE DATE: February 1, 2009

R E C I T A L

Landlord and Tenant have agreed to modify the Lease in the manner hereinafter set forth.

NOW, THEREFORE, for and in consideration of the covenants herein contained and other good and valuable consideration, the receipt and adequacy of which are confessed and acknowledged by each of the parties hereto, it is agreed as follows:

1. The Lease is hereby modified to reflect that for the period February 1, 2009 through the end of the Term, August 31, 2010, Tenant shall pay base rent to the Landlord as follows:

Period	Annual	Monthly
02/01/2009 - 08/31/2010	\$171,624.00	\$14,302.00

2. All notices to the Tenant shall be addressed to Jennifer Convertibles, Inc., 417 Crossways Park Drive, Woodbury, NY 11797, Attn: Edward B. Seidner, with a copy to The Law Office of Wincig & Wincig, 137 Fifth Avenue, New York, NY 10010 Attn: Owen Wincig, Esq.

3. Except as expressly modified in this Agreement, all the terms, covenants and conditions of said Lease shall remain in full force and effect, shall be binding on the parties hereto, and are hereby ratified and affirmed.

IN WITNESS WHEREOF, the parties hereto have set their hand and seal the day and year first below written and declare this Modification of Lease Agreement to be binding on them, their respective successors and permitted assigns.

LANDLORD:

KLEIN-MILLER INVESTMENT CO.



By:

Title: *Managing Partner*

Date: *4/7/09*

TENANT:

JENNIFER CONVERTIBLES, INC.



By:

Edward B. Seidner

Executive Vice-President

Date:

03/23/2005 11:35 310310334 LEO MILLER PAGE 01

THIRD MODIFICATION OF LEASE

This Third Modification of Lease ("Modification") is entered into as of the 8th day of April, 2005 by and between KLEIN-MILLER INVESTMENT Co., a general partnership ("Lessor") and JENNIFER CONVERTIBLES, INC., a Delaware corporation ("Lessee") under the following facts and circumstances:

RECITALS

A. Lessee is the tenant of Lessor of the property commonly known by the street address of 8751 Beverly Boulevard, Los Angeles County, California ("Premises"). Lessor is the owner of the Premises.

B. Lessee occupies the Premises under the terms and conditions of that certain Standard Industrial/Commercial Single-Tenant Lease-Net dated, for reference purposes only, June 28, 1993 as modified by that certain Letter of Possession and Modification of Lease dated as of August 11, 1993 as further modified by that certain Second Modification of Lease dated July 1, 2000 (collectively the "Lease").

C. The Extended Term of the Lease expires on August 31, 2005. Lessor and Lessee desire to extend the Term of the Lease for five (5) years under the terms contained herein.

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor, Assignor and Assignee amend the Lease and agree as follows:

AGREEMENT

1. Incorporation of Recitals. The above Recitals are incorporated herein by this reference.
2. Meaning of Capitalized Terms. Except as specifically modified herein, all capitalized terms in this Modification shall have the same meaning as set forth in the Lease.
3. Extension of Term. The Term of the Lease is extended five (5) years ("Second Extended Term"). The Second Extended Term shall commence on September 1, 2005 and shall end on August 31, 2010.
4. Base Rent. The Base Rent payable by Lessee to Lessor during the Second Extended Term shall be as follows:

Year 1 of Second Extended Term: September 1, 2005 through August 31, 2006, the monthly Base Rent shall be \$14,803.00;

Year 2 of Extended Term: September 1, 2006 through August 31, 2007, the monthly Base Rent shall be \$15,860.00;

Year 3 of Extended Term: September 1, 2007 through August 31, 2008, the monthly Base Rent shall be \$16,336.00;

Year 4 of Extended Term: September 1, 2008 through August 31, 2009, the monthly Base Rent shall be \$16,826.00;

Year 5 of Extended Term: September 1, 2009 through August 31, 2010, the monthly Base Rent shall be \$17,331.00.

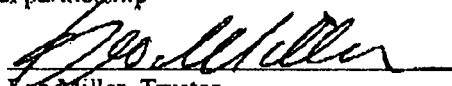
5. Lease In Full Force and Effect. Except as modified by this Modification, all terms, covenants, conditions and provisions of the Lease shall remain in full force and effect, except that during the Second Extended Term, the abatement of Base Rent referenced in paragraph 49 of the Lease and the rent credit referenced in paragraph 50 of the Lease shall not constitute Inducement Provisions subject to paragraph 13.3 of the Lease.

6. Authority. Each person executing this Modification on behalf of an entity represents and warrants that he is duly authorized and has full authority to execute this Modification and that this Modification is binding upon said entity in accordance with its terms. This representation and warranty shall survive the execution and delivery of this Modification.

Executed as of the date and at the place as hereinabove set forth.

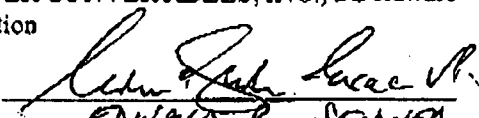
"LESSOR"
KLEIN-MILLER INVESTMENT, CO.,
a general partnership

By:


Leo Miller, Trustee
Managing General Partner

"LESSEE"
JENNIFER CONVERTIBLES, INC., a Delaware
corporation

By:


EDWARD B. SEAMAN
Its: EXECUTIVE V.P.

By:

Its:

Number 2 of
4 executed
counterparts.

SECOND MODIFICATION OF LEASE

This Second Modification of Lease ("Modification") is entered into as of the 1st day of July, 2000 by and between KLEIN-MILLER INVESTMENT Co., a general partnership ("Lessor"), J.C. WEST HOLLYWOOD CA IV, INC., a California corporation ("Assignor") and Jennifer Convertibles, Inc., a Delaware corporation ("Assignee") under the following facts and circumstances:

RECITALS

A. Assignor is the tenant of Lessor of the property commonly known by the street address of 8751 Beverly Boulevard, Los Angeles County, California ("Premises"). Lessor is the owner of the Premises.

B. Assignor occupies the Premises under the terms and conditions of that certain Standard Industrial/Commercial Single-Tenant Lease-Net dated, for reference purposes only, June 28, 1993 as modified by that certain Letter of Possession and Modification of Lease dated as of August 11, 1993 (collectively the "Lease").

C. The Original Term of the Lease expires on August 31, 2000. Assignor desires to assign the Lease to Assignee, and Assignee desires to accept the assignment and assumption thereof, concurrent with the approval of Lessor as set forth herein. Assignor and Assignee desire to extend the Term of the Lease for five (5) years but not under the terms of the Option to Extend Term contained in paragraph 69 of the Lease.

D. Lessor has agreed to the assignment of the Lease to Assignee and to extend the Term of the Lease on the terms set forth in this Modification.

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor, Assignor and Assignee amend the Lease and agree as follows:

AGREEMENT

1. The above Recitals are incorporated herein by this reference.
2. Except as specifically modified herein, all capitalized terms in this Modification shall have the same meaning as set forth in the Lease.
3. Effective Date of Assignment. The assignment set forth herein shall take effect on July 1, 2000 ("Effective Date").
4. Assignment and Assumption. Effective as of the Effective Date, Assignor assigns and transfers all its right, title and interest in the Lease to Assignee, and Assignee accepts the assignment and assumes and agrees to perform, from the effective date of the assignment, as a direct obligation to Lessor, all the terms, covenants, conditions and provisions of the Lease, including, but not limited to, all of Assignor's obligations under paragraph 7 of the Lease. Assignee specifically assumes responsibility for all matters which do not fall within the definition of "Ordinary wear and tear" as set forth in paragraph 7.4(c) due to any act or omission of Assignor as described in the Lease.

5. Consent to Assignment. Lessor consents to the assignment set forth above, without waiver of restrictions set forth in the Lease concerning further assignment and subject to the provisions of paragraph 12 of the Lease, including, but not limited to, paragraph 12.2(a) of the Lease. Notwithstanding the forgoing, Lessor releases Assignor from any and all liabilities, duties and obligations under the Lease regarding occurrences after August 31, 2000. Assignor shall remain liable to Lessor for the performance of all obligations, covenants and/or duties under the Lease arising prior to September 1, 2000, including, all acts, omissions or other failure to comply with the terms of the Lease by Assignor prior to the Effective Date.

6. The Term of the Lease is extended five (5) years ("Extended Term"). The Extended Term shall commence on September 1, 2000 and shall end on August 31, 2005.

7. The Base Rent payable by Assignee to Lessor during the Extended Term shall be as follows:

Year 1 of Extended Term: September 1, 2000 through August 31, 2001, the monthly Base Rent shall be \$12,900.00;

Year 2 of Extended Term: September 1, 2001 through August 31, 2002, the monthly Base Rent shall be \$13,352.00.00;

Year 3 of Extended Term: September 1, 2002 through August 31, 2003, the monthly Base Rent shall be \$13, 819.00;

Year 4 of Extended Term: September 1, 2003 through August 31, 2004, the monthly Base Rent shall be \$14, 302.00;

Year 5 of Extended Term: September 1, 2004 through August 31, 2005, the monthly Base Rent shall be \$14, 803.00

8. Concurrently with the execution of this Modification, Assignee shall deliver to Lessor the sum of Four thousand nine hundred dollars (\$4,900.00) as and for an additional Security Deposit so that the total Security Deposit is Twelve Thousand Nine Hundred Dollars (\$12,900.00).

9. The addresses set forth in the modification to paragraph 23 found in paragraph 68, Notices are modified as follows:

To Assignee: Jennifer Convertibles
419 Crossway Park Drive
Woodbury, New York 11797

With a copy to: Law Offices of Wincig and Wincig
Attention: Bernard Wincig, Esq.
574 Fifth Avenue
New York, New York 10036

10. Paragraph 69, Option to Extend Term, shall remain in full force and effect as hereinafter modified:

A. The option term shall be for a period of sixty (60) months commencing on the expiration of the Extended Term.

B. The option to extend shall be on the same terms and conditions as the Lease as hereby amended with the exception of the Base Rent.

C. All references therein to the phrase "Original Term" shall be replaced with the phrase "Extended Term". All references therein to the phrase "five percent (5%) or one hundred five percent (105%)," respectively, shall be replaced with the phrase "three and one half percent (3.5%) and one hundred three and one half percent (103.5%)," respectively.

11. Except as modified by this Modification, all terms, covenants, conditions and provisions of the Lease shall remain in full force and effect, except that during the Extended Term, the abatement of Base Rent referenced in paragraph 49 of the Lease and the rent credit referenced in paragraph 50 of the Lease shall not constitute Inducement Provisions subject to paragraph 13.3 of the Lease.

12. Each person executing this Modification on behalf of an entity represents and warrants that he is duly authorized and has full authority to execute this Modification and that this Modification is binding upon said entity in accordance with its terms. This representation and warranty shall survive the execution and delivery of this Modification.

Executed as of the date and at the place as hereinabove set forth.

"LESSOR"
KLEIN-MILLER INVESTMENT, CO.,
a general partnership

By: _____

Leo Miller, Trustee
Managing General Partner

"ASSIGNOR"
J.C. WEST HOLLYWOOD CA IV, INC.,
a California corporation

By: _____

Its: _____

EXECUTIVE VICE PRESIDENT

By: _____

Its: _____

"ASSIGNEE"
Jennifer Convertibles, Inc.,
a Delaware corporation

By: _____

Its: _____

EXECUTIVE VICE PRESIDENT

By: _____

Its: _____

LETTER OF POSSESSION AND MODIFICATION OF LEASE

This Letter of Possession and Modification of Lease ("Letter") is made and entered into as of the 11th day of August, 1993 by and between Klein-Miller Investment Co., a general partnership ("Lessor") and J.C. West Hollywood CA IV, Inc., a California corporation, ("Lessee") under the following facts and circumstances:

RECITALS

A. Lessor and Lessee are parties to that certain Standard Industrial/Commercial Single-Tenant Lease-Net dated for reference purposes only, June 28, 1993 (the "Lease") concerning the real property at 8751 Beverly Blvd., Los Angeles County, California (the "Premises").

B. The Lease provides for a commencement date of August 9, 1993. Lessee has obtained possession of the Premises and desires to acknowledge the same. Lessee also desires that the term of Lease run from the first day of a month and terminate on the last day of month.

C. All Capitalized terms in this Letter shall have the same meaning as in the Lease.

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants contained herein and for other good and valuable consideration, Lessor and Lessee agree as follows:

1. The hereinabove set forth Recitals are incorporated herein by this reference.
2. The Original Term of the Lease set forth in paragraph 1.3 is modified as follows: The Original Term shall commence on September 1, 1993 and end on August 31, 2000;
3. Paragraph 1.5 of the Lease is modified as follows: The Base Rent shall be payable on the first (1st) day of each month commencing September 1, 1993. A payment of \$8,000 shall be due on September 1, 1993 as the Base Rent for month one of the Lease.
4. Lessee acknowledges that Lessor has complied with all the terms, covenants, and the conditions of the Lease on Lessor's part to be performed and that it has taken possession of the Premises on or before August 9, 1993. Lessee further acknowledges that it is obligated to pay the sum of Five Thousand Nine Hundred Thirty-Five and thirty-eight one-hundredths Dollars (\$5,935.38) as Base Rent for the period August 9, 1993 through August 31, 1993 and the provisions of paragraph 3.2 of the Lease setting forth that Base

Rent is abated during the period of early possession is hereby deleted. In connection with the forgoing, paragraph 1.6 of the Lease is deleted in its entirety and replaced with the following:

"Base Rent Upon Execution: \$5,935.38 as Base Rent for the period of Early Possession, August 9, 1993 through August 31, 1993."

6. Except as set forth in this Letter, all the terms, covenants and conditions of the Lease shall remain unchanged and in full force and effect.

Executed as of the date hereinabove set forth.

"Lessor"

Executed at Los Angeles,
California

Klein-Miller Investment Co.,
a general partnership

By: 

Leo Miller
General Partner

"Lessee"

Executed at Inwood, New York

J.C. West Hollywood CA IV, Inc.,
a California corporation

By: 

BERNARD WINCIG
Assistant Secretary

STANDARD INDUSTRIAL/COMMERCIAL SINGLE-TENANT LEASE-~~NET~~ NETS.

(Do not use this form for Multi-Tenant Property)

1. Basic Provisions ("Basic Provisions")

1.1 Parties: This Lease ("Lease"), dated for reference purposes only, June 28 August, 19 93, is made by and between Klein-Miller Investment Co., a general partnershipand J.C. West Hollywood CA IV, Inc., a California corporation ("Lessor")

("Lessee"),

1.2 Premises: That certain real property, including all improvements therein or to be provided by Lessor under the terms of this Lease, and commonly known by the street address of 8751 Beverly Blvd.located in the County of Los Angeles, State of Californiaand generally described as (describe briefly the nature of the property) an open showroom space with a second floor area; also, nine (9) parking spaces in tandem form as per drawing attached hereto as Exhibit "A". (See Article 58)1.3 Term: Seven (7) years and No (0) months ("Original Term") commencing August 9, 1993("Commencement Date") and ending August 8, 2000 ("Expiration Date"). (See Paragraph 3 for further provisions.)1.4 Early Possession: None ("Early Possession Date").

(See Paragraphs 3.2 and 3.3 for further provisions.)

1.5 Base Rent: \$ 8,000.00 per month ("Base Rent"), payable on the ninth day of each month commencing August 9, 1993

(See Paragraph 4 for further provisions.)

☒ If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted. (See Article 49)1.6 Base Rent Paid Upon Execution: \$ Eight Thousand and 00/100 Dollars (\$8,000.00)as Base Rent for the period August 9, 1993 through September 8, 19931.7 Security Deposit: \$ 8,000.00 ("Security Deposit"). (See Paragraph 5 for further provisions.)1.8 Permitted Use: Retail sales of convertible sofas and related accessories

(See Article 57) (See Paragraph 6 for further provisions.)

1.9 Insuring Party: Lessor is the "Insuring Party" unless otherwise stated herein. (See Paragraph 8 for further provisions.)

1.10 Real Estate Brokers: The following real estate brokers (collectively, the "Brokers") and brokerage relationships exist in this transaction and are consented to by the Parties (check applicable boxes):

Strategic Properties, Inc., Bob Smith - Agent represents☒ Lessor exclusively ("Lessor's Broker"); ☐ both Lessor and Lessee, and Grubb & Ellis Company, Ian Brown - Agent represents☒ Lessee exclusively ("Lessee's Broker"); ☐ both Lessee and Lessor. (See Paragraph 15 for further provisions.)1.11 Guarantor. The obligations of the Lessee under this Lease are to be guaranteed by Jennifer L.P. IV, a Delaware Limited Partnership. There is also a partial guaranty ("Guarantor"). (See Paragraph 37 for further provisions.)1.12 Addenda. Attached hereto is an Addendum or Addenda consisting of Paragraphs 49 through 71 and Exhibits "A" all of which constitute a part of this Lease.

2. Premises.

2.1 Letting. Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of square footage set forth in this Lease, or that may have been used in calculating rental, is an approximation which Lessor and Lessee agree is reasonable and the rental based thereon is not subject to revision whether or not the actual square footage is more or less.

* 2.2 Condition. Lessor shall deliver the Premises to Lessee clean and free of debris on the Commencement Date and warrants to Lessee that the existing plumbing, fire sprinkler system, lighting, air conditioning, heating, and loading doors, if any, in the Premises, other than those constructed by Lessee, shall be in good operating condition on the Commencement Date. If a non-compliance with said warranty exists as of the Commencement Date Lessor shall, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within thirty (30) days after the Commencement Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense.

2.3 Compliance with Covenants, Restrictions and Building Code. Lessor warrants to Lessee that the improvements on the Premises comply with all applicable covenants or restrictions of record and applicable building codes, regulations and ordinances in effect on the Commencement Date. Said warranty does not apply to the use to which Lessee will put the Premises or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a)) made or to be made by Lessee. If the Premises do not comply with said warranty, Lessor shall, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense. ~~If Lessee does not give Lessor written notice of a non-compliance with this warranty within six (6) months following the Commencement Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense. See Articles 50 and 70.~~

2.4 Acceptance of Premises. Lessee hereby acknowledges: (a) that it has been advised by the Brokers to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical and fire sprinkler systems, security, environmental aspects, compliance with Applicable Law, as defined in Paragraph 6.3) and the present and future suitability of the Premises for Lessee's intended use, (b) that Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefor as the same relate to Lessee's occupancy of the Premises and/or the term of this Lease, and (c) that neither Lessor, nor any of Lessor's agents, has made any oral or written representations or warranties with respect to the said matters other than as set forth in this Lease. See Article 70.

2.5 Lessee Prior Owner/Occupant. The warranties made by Lessor in this Paragraph 2 shall be of no force or effect if immediately prior to the date set forth in Paragraph 1.1 Lessee was the owner or occupant of the Premises. In such event, Lessee shall, at Lessee's sole cost and expense, correct any non-compliance of the Premises with said warranties.

3. Term.

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

3.2 Early Possession. If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early possession. All other terms of this Lease, however, (including but not limited to the obligations to pay Real Property Taxes and insurance premiums and to maintain the Premises) shall be in effect during such period. Any such early possession shall not affect nor advance the Expiration Date of the Original Term.

* See Article 50.

Initials [Signature]

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3.3 Delay In Possession. If for any reason Lessor cannot deliver possession of the Premises to Lessee as agreed herein by the Early Possession Date, if one is specified in Paragraph 1.4, or, if no Early Possession Date is specified, by the Commencement Date, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease, or the obligations of Lessee hereunder, or extend the term hereof, but in such case, Lessee shall not, except as otherwise provided herein, be obligated to pay rent or perform any other obligation of Lessee under the terms of this Lease until Lessor delivers possession of the Premises to Lessee. If possession of the Premises is not delivered to Lessee within sixty (60) days after the Commencement Date, Lessee may, at its option, by notice in writing to Lessor within ten (10) days thereafter, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder; provided, however, that if such written notice by Lessee is not received by Lessor within said ten (10) day period, Lessee's right to cancel this Lease shall terminate and be of no further force or effect. Except as may be otherwise provided, and regardless of when the term actually commences, if possession is not tendered to Lessee when required by this Lease and Lessee does not terminate this Lease, as aforesaid, the period free of the obligation to pay Base Rent, if any, that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts, changes or omissions of Lessee. See Article 52.

4. Rent.

4.1 Base Rent. Lessee shall cause payment of Base Rent and other rent or charges, as the same may be adjusted from time to time, to be received by Lessor in lawful money of the United States, without offset or deduction, on or before the day on which it is due under the terms of this Lease. Base Rent and all other rent and charges for any period during the term hereof which is for less than one (1) full calendar month shall be prorated based upon the actual number of days of the calendar month involved. Payment of Base Rent and other charges shall be made to Lessor at its address stated herein or to such other persons or at such other addresses as Lessor may from time to time designate in writing to Lessee.

5. Security Deposit. Lessee shall deposit with Lessor upon execution hereof the Security Deposit set forth in Paragraph 1.7 as security for Lessee's faithful performance of Lessee's obligations under this Lease. If Lessee fails to pay Base Rent or other rent or charges due hereunder, or otherwise Defaults under this Lease (as defined in Paragraph 13.1), Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor for any liability, cost, expense, loss or damage (including attorneys' fees) which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of said Security Deposit, Lessee shall within ten (10) days after written request therefor deposit moneys with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. Any time the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional moneys with Lessor sufficient to maintain the same ratio between the Security Deposit and the Base Rent as those amounts are specified in the Basic Provisions. Lessor shall not be required to keep all or any part of the Security Deposit separate from its general accounts. Lessor shall, at the expiration or earlier termination of the term hereof and after Lessee has vacated the Premises, return to Lessee (or, at Lessor's option, to the last assignee, if any, of Lessee's interest herein), that portion of the Security Deposit not used or applied by Lessor. Unless otherwise expressly agreed in writing by Lessor, no part of the Security Deposit shall be considered to be held in trust, to bear interest or other increment for its use, or to be prepayment for any moneys to be paid by Lessee under this Lease.

6. Use.

6.1 Use. Lessee shall use and occupy the Premises only for the purposes set forth in Paragraph 1.8, or any other use which is comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that creates waste or a nuisance, or that disturbs owners and/or occupants of, or causes damage to, neighboring premises or properties.

6.2 Hazardous Substances.

(a) **Reportable Uses Require Consent.** The term "Hazardous Substance" as used in this Lease shall mean any product, substance, chemical, material or waste whose presence, nature, quantity and/or intensity of existence, use, manufacture, disposal, transportation, spill, release or effect, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substance shall include, but not be limited to, hydrocarbons, petroleum, gasoline, crude oil or any products, by-products or fractions thereof. Lessee shall not engage in any activity in, on or about the Premises which constitutes a Reportable Use (as hereinafter defined) of Hazardous Substances without the express prior written consent of Lessor and compliance in a timely manner (at Lessee's sole cost and expense) with all Applicable Law (as defined in Paragraph 6.3). "Reportable Use" shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority. Reportable Use shall also include Lessee's being responsible for the presence in, on or about the Premises of a Hazardous Substance with respect to which any Applicable Law requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may, without Lessor's prior consent, but in compliance with all Applicable Law, use any ordinary and customary materials reasonably required to be used by Lessee in the normal course of Lessee's business permitted on the Premises, so long as such use is not a Reportable Use and does not expose the Premises or neighboring properties to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may (but without any obligation to do so) condition its consent to the use or presence of any Hazardous Substance, activity or storage tank by Lessee upon Lessee's giving Lessor such additional assurances as Lessor, in its reasonable discretion, deems necessary to protect itself, the public, the Premises and the environment against damage, contamination or injury and/or liability therefrom or therefor, including, but not limited to, the installation (and removal on or before Lease expiration or earlier termination) of reasonably necessary protective modifications to the Premises (such as concrete encasements) and/or the deposit of an additional Security Deposit under Paragraph 5 hereof. Lessor may withhold its consent in its absolute discretion.

(b) **Duty to Inform Lessor.** If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance, or a condition involving or resulting from same, has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor. Lessee shall also immediately give Lessor a copy of any statement, report, notice, registration, application, permit, business plan, license, claim, action or proceeding given to, or received from, any governmental authority or private party, or persons entering or occupying the Premises, concerning the presence, spill, release, discharge of, or exposure to, any Hazardous Substance or contamination in, on, or about the Premises, including but not limited to all such documents as may be involved in any Reportable Uses involving the Premises.

(c) **Indemnification.** Lessee shall indemnify, protect, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, and the Premises, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, costs, claims, liens, expenses, penalties, permits and attorney's and consultant's fees arising out of or involving any Hazardous Substance or storage tank brought onto the Premises by or for Lessee or under Lessee's control. Lessee's obligations under this Paragraph 6 shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation (including consultant's and attorney's fees and testing), removal, remediation, restoration and/or abatement thereof, or of any contamination therein involved, and shall survive the expiration or earlier termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances or storage tanks, unless specifically so agreed by Lessor in writing at the time of such agreement.

6.3 Lessee's Compliance with Law. Except as otherwise provided in this Lease, Lessee, shall, at Lessee's sole cost and expense, fully, diligently and in a timely manner, comply with all "Applicable Law," which term is used in this Lease to include all laws, rules, regulations, ordinances, directives, covenants, easements and restrictions of record, permits, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants, relating in any manner to the Premises (including but not limited to matters pertaining to (i) industrial hygiene, (ii) environmental conditions on, in, under or about the Premises, including soil and groundwater conditions, and (iii) the use, generation, manufacture, production, installation, maintenance, removal, transportation, storage, spill or release of any Hazardous Substance or storage tank), now in effect or which may hereafter come into effect, and whether or not reflecting a change in policy from any previously existing policy. Lessee shall, within five (5) days after receipt of Lessor's written request, provide Lessor with copies of all documents and information, including, but not limited to, permits, registrations, manifests, applications, reports and certificates, evidencing Lessee's compliance with any Applicable Law specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving failure by Lessee or the Premises to comply with any Applicable Law.

6.4 Inspection; Compliance. Lessor and Lessor's Lender(s) (as defined in Paragraph 8.3(a)) shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease and all Applicable Laws (as defined in Paragraph 6.3), and to employ experts and/or consultants in connection therewith and/or to advise Lessor with respect to Lessee's activities, including but not limited to the installation, operation, use, monitoring, maintenance, or removal of any Hazardous Substance or storage tank on or from the Premises. The costs and expenses of any such inspections shall be paid by the party requesting same, unless a Default or Breach of this Lease, violation of Applicable Law, or a contamination, caused or materially contributed to by Lessee is found to exist or be imminent, or unless the inspection is requested or ordered by a governmental authority as the result of any such existing or imminent violation or contamination. In any such case, Lessee shall upon request reimburse Lessor or Lessor's Lender, as the case may be, for the costs and expenses of such inspections.

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

7.1 Lessee's Obligations.

(a) Subject to the provisions of Paragraphs 2.2 (Lessor's warranty as to condition), 2.3 (Lessor's warranty as to compliance with covenants, etc), 7.2 (Lessor's obligations to repair), 9 (damage and destruction), and 14 (condemnation), Lessee shall, at Lessee's sole cost and expense and at all times, keep the Premises and every part thereof in good order, condition and repair, structural and non-structural (whether or not such portion of the Premises requiring repair, or the means of repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs

reasonably

as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, without limiting the generality of the foregoing, all equipment or facilities serving the Premises, such as plumbing, heating, air conditioning, ventilating, electrical, lighting facilities, boilers, fired or unfired pressure vessels, fire sprinkler and/or standpipe and hose or other automatic fire extinguishing system, including fire alarm and/or smoke detection systems and equipment, fire hydrants, fixtures, walls (interior and exterior), foundations, ceilings, roofs, floors, windows, doors, plate glass, skylights, landscaping, driveways, parking lots, fences, retaining walls, signs, sidewalks and parkways located in, on, about, or adjacent to the Premises. Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of, the Premises, the elements surrounding same, or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance and/or storage tank brought onto the Premises by or for Lessee or under its control. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair. If Lessee occupies the Premises for seven (7) years or more, Lessor may require Lessee to repair the exterior of the buildings on the Premises as reasonably required, but not more frequently than once every seven (7) years. See Article 60.

(b) Lessee shall, at Lessee's sole cost and expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in, the inspection, maintenance and service of the following equipment and improvements, if any, located on the Premises: (i) heating, air conditioning and ventilation equipment, (ii) boiler, fired or unfired pressure vessels, (iii) fire sprinkler and/or standpipe and hose or other automatic fire extinguishing systems, including fire alarm and/or smoke detection, (iv) landscaping and irrigation systems, (v) roof covering and drain maintenance and (vi) asphalt and parking lot maintenance.

7.2 Lessor's Obligations. Except for the warranties and agreements of Lessor contained in Paragraphs 2.2 (relating to condition of the Premises), 2.3 (relating to compliance with covenants, restrictions and building code), 9 (relating to destruction of the Premises) and 14 (relating to condemnation of the Premises), it is intended by the Parties hereto that Lessor have no obligation, in any manner whatsoever, to repair and maintain the Premises, the improvements located thereon, or the equipment therein, whether structural or non structural, all of which obligations are intended to be that of the Lessee under Paragraph 7.1 hereof. It is the intention of the Parties that the terms of this Lease govern the respective obligations of the Parties as to maintenance and repair of the Premises. Lessee and Lessor expressly waive the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease with respect to, or which affords Lessee the right to make repairs at the expense of Lessor or to terminate this Lease by reason of, any needed repairs.

7.3 Utility Installations; Trade Fixtures; Alterations.

(a) **Definitions; Consent Required.** The term "Utility Installations" is used in this Lease to refer to all carpeting, window coverings, air lines, power panels, electrical distribution, security, fire protection systems, communication systems, lighting fixtures, heating, ventilating, and air conditioning equipment, plumbing, and fencing in, on or about the Premises. The term "Trade Fixtures" shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term "Alterations" shall mean any modification of the improvements on the Premises from that which are provided by Lessor under the terms of this Lease, other than Utility Installations or Trade Fixtures, whether by addition or deletion. "Lessee Owned Alterations and/or Utility Installations" are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor as defined in Paragraph 7.4(a). Lessee shall not make any Alterations or Utility Installations in, on, under or about the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations to the interior of the Premises (excluding the roof), as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, and the cumulative cost thereof during the term of this Lease as extended does not exceed ~~\$25,000~~ \$10,000. **for Alterations per Lease year**

(b) **Consent.** Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with proposed detailed plans. All consents given by Lessor, whether by virtue of Paragraph 7.3(a) or by subsequent specific consent, shall be deemed conditioned upon: (i) Lessee's acquiring all applicable permits required by governmental authorities, (ii) the furnishing of copies of such permits together with a copy of the plans and specifications for the Alteration or Utility Installation to Lessor prior to commencement of the work thereon, and (iii) the compliance by Lessee with all conditions of said permits in a prompt and expeditious manner. Any Alterations or Utility Installations by Lessee during the term of this Lease shall be done in a good and workmanlike manner, with good and sufficient materials, and in compliance with all Applicable Law. Lessee shall promptly upon completion thereof furnish Lessor with as-built plans and specifications therefor. Lessor may (but without obligation to do so) condition its consent to any requested Alteration or Utility Installation that costs \$10,000 or more upon Lessee's providing Lessor with a lien and completion bond in an amount equal to one and one-half times the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor under Paragraph 36 hereof.

(c) **Indemnification.** Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanics' or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than ten (10) days' notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility in or on the Premises as provided by law. If Lessee shall, in good faith, contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof against the Lessor or the Premises. If Lessor shall require, Lessee shall furnish to Lessor a surety bond satisfactory to Lessor in an amount equal to one and one-half times the amount of such contested lien claim or demand, indemnifying Lessor against liability for the same, as required by law for the holding of the Premises free from the effect of such lien or claim. In addition, Lessor may require Lessee to pay Lessor's attorney's fees and costs in participating in such action if Lessor shall decide it is to its best interest to do so.

7.4 Ownership; Removal; Surrender; and Restoration.

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

(b) **Removal.** Unless otherwise agreed in writing, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or earlier termination of this Lease, notwithstanding their installation may have been consented to by Lessor. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent of Lessor.

(c) **Surrender/Restoration.** Lessee shall surrender the Premises by the end of the last day of the Lease term or any earlier termination date, with all of the improvements, parts and surfaces thereof clean and free of debris and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice or by Lessee performing all of its obligations under this Lease. Except as otherwise agreed or specified in writing by Lessor, the Premises, as surrendered, shall include the Utility Installations. The obligation of Lessee shall include the repair of any damage occasioned by the installation, maintenance or removal of Lessee's Trade Fixtures, furnishings, equipment, and Alterations and/or Utility Installations, as well as the removal of any storage tank installed by or for Lessee, and the removal, replacement, or remediation of any soil, material or ground water contaminated by Lessee, all as may then be required by Applicable Law and/or good practice. Lessee's Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee subject to its obligation to repair and restore the Premises per this Lease.

8. Insurance; Indemnity.

8.1 Payment For Insurance. Regardless of whether the Lessor or Lessee is the Insuring Party, Lessee shall pay for all insurance required under this Paragraph 8 except to the extent of the cost attributable to liability insurance carried by Lessor in excess of \$1,000,000 per occurrence. Premiums for policy periods commencing prior to or extending beyond the Lease term shall be prorated to correspond to the Lease term. Payment shall be made by Lessee to Lessor within ten (10) days following receipt of an invoice for any amount due.

8.2 Liability Insurance.

(a) **Carried by Lessee.** Lessee shall obtain and keep in force during the term of this Lease a Commercial General Liability policy of insurance protecting Lessee and Lessor (as an additional insured) against claims for bodily injury, personal injury and property damage based upon, involving or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than \$1,000,000 per occurrence with an "Additional Insured-Managers or Lessors of Premises" Endorsement and contain the "Amendment of the Pollution Exclusion" for damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance required by this Lease or as carried by Lessee shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance to be carried by Lessee shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only.

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

8.3 Property Insurance—Building, Improvements and Rental Value.

(a) **Building and Improvements.** The Insuring Party shall obtain and keep in force during the term of this Lease a policy or policies in the name of Lessor, with loss payable to Lessor and to the holders of any mortgages, deeds of trust or ground leases on the Premises ("Lender(s)"), insuring loss

or damage to the Premises. The amount of such insurance shall be equal to the full replacement cost of the Premises, as the same shall exist from time to time, or the amount required by Lenders, but in no event more than the commercially reasonable and available insurable value thereof if, by reason of the unique nature or age of the improvements involved, such latter amount is less than full replacement cost. If Lessor is the Insuring Party, however, Lessee Owned Alterations and Utility Installations shall be insured by Lessee under Paragraph 8.4 rather than by Lessor. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for any additional costs resulting from debris removal and reasonable amounts of coverage for the enforcement of any ordinance or law regulating the reconstruction or replacement of any undamaged sections of the Premises required to be demolished or removed by reason of the enforcement of any building, zoning, safety or land use laws as the result of a covered cause of loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed \$1,000 per occurrence, and Lessee shall be liable for such deductible amount in the event of an Insured Loss, as defined in Paragraph 9.1(c).

(b) **Rental Value.** The Insuring Party shall, in addition, obtain and keep in force during the term of this Lease a policy or policies in the name of Lessor, with loss payable to Lessor and Lender(s), insuring the loss of the full rental and other charges payable by Lessee to Lessor under this Lease for one (1) year (including all real estate taxes, insurance costs, and any scheduled rental increases). Said insurance shall provide that in the event the Lease is terminated by reason of an insured loss, the period of indemnity for such coverage shall be extended beyond the date of the completion of repairs or replacement of the Premises, to provide for one full year's loss of rental revenues from the date of any such loss. Said insurance shall contain an agreed valuation provision in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected rental income, property taxes, insurance premium costs and other expenses, if any, otherwise payable by Lessee, for the next twelve (12) month period. Lessee shall be liable for any deductible amount in the event of such loss.

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

(d) **Tenant's Improvements.** If the Lessor is the Insuring Party, the Lessor shall not be required to insure Lessee Owned Alterations and Utility Installations unless the item in question has become the property of Lessor under the terms of this Lease. If Lessee is the Insuring Party, the policy carried by Lessee under this Paragraph 8.3 shall insure Lessee Owned Alterations and Utility Installations.

8.4 **Lessee's Property Insurance.** Subject to the requirements of Paragraph 8.5, Lessee at its cost shall either by separate policy or, at Lessor's option, by endorsement to a policy already carried, maintain insurance coverage on all of Lessee's personal property, Lessee Owned Alterations and Utility Installations in, on, or about the Premises similar in coverage to that carried by the Insuring Party under Paragraph 8.3. Such insurance shall be full replacement cost coverage with a deductible of not to exceed \$1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of personal property or the restoration of Lessee Owned Alterations and Utility Installations. Lessee shall be the Insuring Party with respect to the insurance required by this Paragraph 8.4 and shall provide Lessor with written evidence that such insurance is in force.

8.5 **Insurance Policies.** Insurance required hereunder shall be in companies duly licensed to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B+, V, or such other rating as may be required by a Lender having a lien on the Premises, as set forth in the most current issue of "Best's Insurance Guide." Lessee shall not do or permit to be done anything which shall invalidate the insurance policies referred to in this Paragraph 8. If Lessee is the Insuring Party, Lessee shall cause to be delivered to Lessor certified copies of policies of such insurance or certificates evidencing the existence and amounts of such insurance with the insureds and loss payable clauses as required by this Lease. No such policy shall be cancellable or subject to modification except after thirty (30) days prior written notice to Lessor. Lessee shall at least thirty (30) days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. If the Insuring Party shall fail to procure and maintain the insurance required to be carried by the Insuring Party under this Paragraph 8, the other Party may, but shall not be required to, procure and maintain the same, but at Lessee's expense.

8.6 **Waiver of Subrogation.** Without affecting any other rights or remedies, Lessee and Lessor ("**Waiving Party**") each hereby release and relieve the other, and waive their entire right to recover damages (whether in contract or in tort) against the other, for loss of or damage to the Waiving Party's property arising out of or incident to the perils required to be insured against under Paragraph 8. The effect of such releases and waivers of the right to recover damages shall not be limited by the amount of insurance carried or required, or by any deductibles applicable thereto. See Article 54.

8.7 **Indemnity.** Except for Lessor's negligence and/or breach of express warranties, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, costs, liens, judgments, penalties, permits, attorney's and consultant's fees, expenses and/or liabilities arising out of, involving, or in dealing with, the occupancy of the Premises by Lessee, the conduct of Lessee's business, any act, omission or neglect of Lessee, its agents, contractors, employees or invitees, and out of any Default or Breach by Lessee in the performance in a timely manner of any obligation on Lessee's part to be performed under this Lease. The foregoing shall include, but not be limited to, the defense or pursuit of any claim or any action or proceeding involved therein, and whether or not (in the case of claims made against Lessor) litigated and/or reduced to judgment, and whether well founded or not. In case any action or proceeding be brought against Lessor by reason of any of the foregoing matters, Lessee upon notice from Lessor shall defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be so indemnified.

8.8 **Exemption of Lessor from Liability.** Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the building of which the Premises are a part, or from other sources or places, and regardless of whether the cause of such damage or injury or the means of repairing the same is accessible or not. Lessor shall not be liable for any damages arising from any act or neglect of any other tenant of Lessor. Notwithstanding Lessor's negligence or breach of this Lease, Lessor shall under no circumstances be liable for injury to Lessee's business or for any loss of income or profit therefrom.

9. Damage or Destruction.

9.1 Definitions.

(a) "**Premises Partial Damage**" shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, the repair cost of which damage or destruction is less than 50% of the then Replacement Cost of the Premises immediately prior to such damage or destruction, excluding from such calculation the value of the land and Lessee Owned Alterations and Utility Installations.

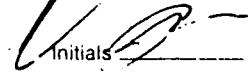
(b) "**Premises Total Destruction**" shall mean damage or destruction to the Premises, other than Lessee Owned Alterations and Utility Installations, the repair cost of which damage or destruction is 50% or more of the then Replacement Cost of the Premises immediately prior to such damage or destruction, excluding from such calculation the value of the land and Lessee Owned Alterations and Utility Installations.

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

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

(e) "**Hazardous Substance Condition**" shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises.

9.2 **Partial Damage—Insured Loss.** If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect, provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is \$10,000 or less, and, in such event, Lessor shall make the insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds (except as to the deductible which is Lessee's responsibility) as and when required to complete said repairs. In the event, however, the shortage in proceeds was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within ten (10) days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said ten (10) day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If Lessor does not receive such funds or assurance within said period, Lessor may nevertheless elect by written notice to Lessee within ten (10) days thereafter to make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect. If in such case Lessor does not so elect, then this Lease shall terminate sixty (60) days following the occurrence of the damage or destruction. Unless otherwise agreed, Lessee shall in no event have any right to reimbursement from Lessor for any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3 rather than Paragraph 9.2, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

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9.3 Partial Damage—Uninsured Loss. If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 13), Lessor may at Lessor's option, either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) give written notice to Lessee within thirty (30) days after receipt by Lessor of knowledge of the occurrence of such damage of Lessor's desire to terminate this Lease as of the date sixty (60) days following the giving of such notice. In the event Lessor elects to give such notice of Lessor's intention to terminate this Lease, Lessee shall have the right within ten (10) days after the receipt of such notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage totally at Lessee's expense and without reimbursement from Lessor. Lessee shall provide Lessor with the required funds or satisfactory assurance thereof within thirty (30) days following Lessee's said commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible and the required funds are available. If Lessee does not give such notice and provide the funds or assurance thereof within the times specified above, this Lease shall terminate as of the date specified in Lessor's notice of termination.

9.4 Total Destruction. Notwithstanding any other provision hereof, if a Premises Total Destruction occurs (including any destruction required by any authorized public authority), this Lease shall terminate sixty (60) days following the date of such Premises Total Destruction, whether or not the damage or destruction is an Insured Loss or was caused by a negligent or willful act of Lessee. In the event, however, that the damage or destruction was caused by Lessee, Lessor shall have the right to recover Lessor's damages from Lessee except as released and waived in Paragraph 8.6.

9.5 Damage Near End of Term. If at any time during the last six (6) months of the term of this Lease there is damage for which the cost to repair exceeds one (1) month's Base Rent, whether or not an Insured Loss, Lessor may, at Lessor's option, terminate this Lease effective sixty (60) days following the date of occurrence of such damage by giving written notice to Lessee of Lessor's election to do so within thirty (30) days after the date of occurrence of such damage. Provided, however, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, within twenty (20) days following the occurrence of the damage, or before the expiration of the time provided in such option for its exercise, whichever is earlier ("Exercise Period"), (i) exercising such option and (ii) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs. If Lessee duly exercises such option during said Exercise Period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's expense repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during said Exercise Period, then Lessor may at Lessor's option terminate this Lease as of the expiration of said sixty (60) day period following the occurrence of such damage by giving written notice to Lessee of Lessor's election to do so within ten (10) days after the expiration of the Exercise Period, notwithstanding any term or provision in the grant of option to the contrary.

9.6 Abatement of Rent; Lessee's Remedies.

(a) In the event of damage described in Paragraph 9.2 (Partial Damage—Insured), whether or not Lessor or Lessee repairs or restores the Premises, the Base Rent, Real Property Taxes, insurance premiums, and other charges, if any, payable by Lessee hereunder for the period during which such damage, its repair or the restoration continues (not to exceed the period for which rental value insurance is required under Paragraph 8.3(b)), shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired. Except for abatement of Base Rent, Real Property Taxes, insurance premiums, and other charges, if any, as aforesaid, all other obligations of Lessee hereunder shall be performed by Lessee, and Lessee shall have no claim against Lessor for any damage suffered by reason of any such repair or restoration.

(b) If Lessor shall be obligated to repair or restore the Premises under the provisions of this Paragraph 9 and shall not commence, in a substantial and meaningful way, the repair or restoration of the Premises within ninety (90) days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice of Lessee's election to terminate this Lease on a date not less than sixty (60) days following the giving of such notice. If Lessee gives such notice to Lessor and such Lenders and such repair or restoration is not commenced within thirty (30) days after receipt of such notice, this Lease shall terminate as of the date specified in said notice. If Lessor or a Lender commences the repair or restoration of the Premises within thirty (30) days after receipt of such notice, this Lease shall continue in full force and effect. "Commence" as used in this Paragraph shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 Hazardous Substance Conditions. If a Hazardous Substance Condition occurs, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by Applicable Law and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 13), Lessor may at Lessor's option either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to investigate and remediate such condition exceeds twelve (12) times the then monthly Base Rent or \$100,000, whichever is greater, give written notice to Lessee within thirty (30) days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition of Lessor's desire to terminate this Lease as of the date sixty (60) days following the giving of such notice. In the event Lessor elects to give such notice of Lessor's intention to terminate this Lease, Lessee shall have the right within ten (10) days after the receipt of such notice to give written notice to Lessor of Lessee's commitment to pay for the investigation and remediation of such Hazardous Substance Condition totally at Lessee's expense and without reimbursement from Lessor except to the extent of an amount equal to twelve (12) times the then monthly Base Rent or \$100,000, whichever is greater. Lessee shall provide Lessor with the funds required of Lessee or satisfactory assurance thereof within thirty (30) days following Lessee's said commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such investigation and remediation as soon as reasonably possible and the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the times specified above, this Lease shall terminate as of the date specified in Lessor's notice of termination. If a Hazardous Substance Condition occurs for which Lessee is not legally responsible, there shall be abatement of Lessee's obligations under this Lease to the same extent as provided in Paragraph 9.6(a) for a period of not to exceed twelve months.

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

9.9 Waive Statutes. Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith.

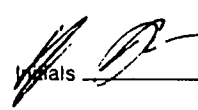
10. Real Property Taxes. See Article 55.

10.1 (a) Payment of Taxes. Lessee shall pay the Real Property Taxes, as defined in Paragraph 10.2, applicable to the Premises during the term of this Lease. Subject to Paragraph 10.1(b), all such payments shall be made at least ten (10) days prior to the delinquency date of the applicable installment. Lessee shall promptly furnish Lessor with satisfactory evidence that such taxes have been paid. If any such taxes to be paid by Lessee shall cover any period of time prior to or after the expiration or earlier termination of the term hereof, Lessee's share of such taxes shall be equitably prorated to cover only the period of time within the tax fiscal year this Lease is in effect, and Lessor shall reimburse Lessee for any overpayment after such proration. If Lessee shall fail to pay any Real Property Taxes required by this Lease to be paid by Lessee, Lessor shall have the right to pay the same, and Lessee shall reimburse Lessor therefor upon demand.

(b) **Advance Payment.** In order to insure payment when due and before delinquency of any or all Real Property Taxes, Lessor reserves the right, at Lessor's option, to estimate the current Real Property Taxes applicable to the Premises, and to require such current year's Real Property Taxes to be paid in advance to Lessor by Lessee, either: (i) in a lump sum amount equal to the installment due, at least twenty (20) days prior to the applicable delinquency date, or (ii) monthly in advance with the payment of the Base Rent. If Lessor elects to require payment monthly in advance, the monthly payment shall be that equal monthly amount which, over the number of months remaining before the month in which the applicable tax installment would become delinquent (and without interest thereon), would provide a fund large enough to fully discharge before delinquency the estimated installment of taxes to be paid. When the actual amount of the applicable tax bill is known, the amount of such equal monthly advance payment shall be adjusted as required to provide the fund needed to pay the applicable taxes before delinquency. If the amounts paid to Lessor by Lessee under the provisions of this Paragraph are insufficient to discharge the obligations of Lessee to pay such Real Property Taxes as the same become due, Lessee shall pay to Lessor, upon Lessor's demand, such additional sums as are necessary to pay such obligations. All moneys paid to Lessor under this Paragraph may be intermingled with other moneys of Lessor and shall not bear interest. In the event of a Breach by Lessee in the performance of the obligations of Lessee under this Lease, then any balance of funds paid to Lessor under the provisions of this Paragraph may, subject to proration as provided in Paragraph 10.1(a), at the option of Lessor, be treated as an additional Security Deposit under Paragraph 5.

10.2 Definition of "Real Property Taxes." As used herein, the term "Real Property Taxes" shall include any form of real estate tax or assessment, general, special, ordinary or extraordinary, and any license fee, commercial rental tax, improvement bond or bonds, levy or tax (other than inheritance, personal income or estate taxes) imposed upon the Premises by any authority having the direct or indirect power to tax, including any city, state or federal government, or any school, agricultural, sanitary, fire, street, drainage or other improvement district thereof, levied against any legal or equitable interest of Lessor in the Premises or in the real property of which the Premises are a part, Lessor's right to rent or other income therefrom, and/or Lessor's business of leasing the Premises. The term "Real Property Taxes" shall also include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring, or changes in applicable law taking effect, during the term of this Lease, including but not limited to a change in the ownership of the Premises or in the improvements thereon, the execution of this Lease, or any modification, amendment or transfer thereof, and whether or not contemplated by the Parties.

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

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10.4 Personal Property Taxes. Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee Owned Alterations, Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises or elsewhere. When possible, Lessee shall cause its Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said personal property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee within ten (10) days after receipt of a written statement setting forth the taxes applicable to Lessee's property or, at Lessor's option, as provided in Paragraph 10.1(b).

11. Utilities. Lessee shall pay for all water, gas, heat, light, power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. If any such services are not separately metered to Lessee, Lessee shall pay a reasonable proportion, to be determined by Lessor, of all charges jointly metered with other premises.

12. Assignment and Subletting. See Article 56.

12.1 Lessor's Consent Required.

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or otherwise transfer or encumber (collectively, "assignment") or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent given under and subject to the terms of Paragraph 36.

(b) A change in the control of Lessee shall constitute an assignment requiring Lessor's consent. The transfer, on a cumulative basis, of twenty-five percent (25%) or more of the voting control of Lessee shall constitute a change in control for this purpose.

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

(d) An assignment or subletting of Lessee's interest in this Lease without Lessor's specific prior written consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unconsented to assignment or subletting as a noncurable Breach, Lessor shall have the right to either: (i) terminate this Lease, or (ii) upon thirty (30) days written notice ("Lessor's Notice"), increase the monthly Base Rent to fair market rental value or one hundred ten percent (110%) of the Base Rent then in effect, whichever is greater. Pending determination of the new fair market rental value, if disputed by Lessee, Lessee shall pay the amount set forth in Lessor's Notice, with any overpayment credited against the next installment(s) of Base Rent coming due, and any underpayment for the period retroactively to the effective date of the adjustment being due and payable immediately upon the determination thereof. Further, in the event of such Breach and market value adjustment, (i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to the then fair market value (without the Lease being considered an encumbrance or any deduction for depreciation or obsolescence, and considering the Premises at its highest and best use and in good condition), or one hundred ten percent (110%) of the price previously in effect, whichever is greater, (ii) any index-oriented rental or price adjustment formulas contained in this Lease shall be adjusted to require that the base index be determined with reference to the index applicable to the time of such adjustment, and (iii) any fixed rental adjustments scheduled during the remainder of the Lease term shall be increased in the same ratio as the new market rental bears to the Base Rent in effect immediately prior to the market value adjustment.

12.2 Terms and Conditions Applicable to Assignment and Subletting.

(a) Regardless of Lessor's consent, any assignment or subletting shall not: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) alter the primary liability of Lessee for the payment of Base Rent and other sums due Lessor hereunder or for the performance of any other obligations to be performed by Lessee under this Lease.

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

(c) The consent of Lessor to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting by Lessee or to any subsequent or successive assignment or subletting by the sublessee. However, Lessor may consent to subsequent sublettings and assignments of the sublease or any amendments or modifications thereto without notifying Lessee or anyone else liable on the Lease or sublease and without obtaining their consent, and such action shall not relieve such persons from liability under this Lease or sublease.

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

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a non-refundable deposit of \$1,000 or ten percent (10%) of the current monthly Base Rent, whichever is greater, as reasonable consideration for Lessor's considering and processing the request for consent. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested by Lessor.

(f) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment or entering into such sublease, be deemed, for the benefit of Lessor, to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented in writing.

(g) The occurrence of a transaction described in Paragraph 12.1(c) shall give Lessor the right (but not the obligation) to require that the Security Deposit be increased to an amount equal to six (6) times the then monthly Base Rent, and Lessor may make the actual receipt by Lessor of the amount required to establish such Security Deposit a condition to Lessor's consent to such transaction.

(h) Lessor, as a condition to giving its consent to any assignment or subletting, may require that the amount and adjustment structure of the rent payable under this Lease be adjusted to what is then the market value and/or adjustment structure for property similar to the Premises as then constituted.

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

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all rentals and income arising from any sublease of all or a portion of the Premises heretofore or hereafter made by Lessee, and Lessor may collect such rent and income and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach (as defined in Paragraph 13.1) shall occur in the performance of Lessee's obligations under this Lease Lessee may, except as otherwise provided in this Lease, receive, collect and enjoy the rents accruing under such sublease. Lessor shall not, by reason of this or any other assignment of such sublease to Lessor, nor by reason of the collection of the rents from a sublessee, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee under such sublease. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor the rents and other charges due and to become due under the sublease. Sublessee shall rely upon any such statement and request from Lessor and shall pay such rents and other charges to Lessor without any obligation or right to inquire as to whether such Breach exists and notwithstanding any notice from or claim from Lessee to the contrary. Lessee shall have no right or claim against said sublessee or, until the Breach has been cured, against Lessor, for any such rents and other charges so paid by said sublessee to Lessor.

(b) In the event of a Breach by Lessee in the performance of its obligations under this Lease, Lessor, at its option and without any obligation to do so, may require any sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any other prior Defaults or Breaches of such sublessor under such sublease.

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

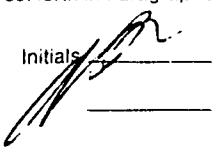
(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

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

13. Default; Breach; Remedies. See Article 53.

13.1 Default; Breach. Lessor and Lessee agree that if an attorney is consulted by Lessor in connection with a Lessee Default or Breach (as hereinafter defined), \$350.00 is a reasonable minimum sum per such occurrence for legal services and costs in the preparation and service of a notice of Default, and that Lessor may include the cost of such services and costs in said notice as rent due and payable to cure said Default. A "Default" is defined as a failure by the Lessee to observe, comply with or perform any of the terms, covenants, conditions or rules applicable to Lessee under this Lease. A "Breach" is defined as the occurrence of any one or more of the following Defaults, and, where a grace period for cure after notice is specified herein, the failure by Lessee to cure such Default prior to the expiration of the applicable grace period, and shall entitle Lessor to pursue the remedies set forth in Paragraphs 13.2 and/or 13.3:

(a) The vacating of the Premises without the intention to reoccupy same, or the abandonment of the Premises.

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(b) Except as expressly otherwise provided in this Lease, the failure by Lessee to make any payment of Base Rent or any other monetary payment required to be made by Lessee hereunder, whether to Lessor or to a third party, as and when due, the failure by Lessee to provide Lessor with reasonable evidence of insurance or surety bond required under this Lease, or the failure of Lessee to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of three (3) days following written notice thereof by or on behalf of Lessor to Lessee.

(c) Except as expressly otherwise provided in this Lease, the failure by Lessee to provide Lessor with reasonable written evidence (in duly executed original form, if applicable) of (i) compliance with applicable law per Paragraph 6.3, (ii) the inspection, maintenance and service contracts required under Paragraph 7.1(b), (iii) the recission of an unauthorized assignment or subletting per Paragraph 12.1(b), (iv) a Tenancy Statement per Paragraphs 16 or 37, (v) the subordination or non-subordination of this Lease per Paragraph 30, (vi) the guaranty of the performance of Lessee's obligations under this Lease if required under Paragraphs 1.11 and 37, (vii) the execution of any document requested under Paragraph 42 (easements), or (viii) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of ten (10) days following written notice by or on behalf of Lessor to Lessee.

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

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

(f) The discovery by Lessor that any financial statement given to Lessor by Lessee or any Guarantor of Lessee's obligations hereunder was materially false.

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

13.2 Remedies. If Lessee fails to perform any affirmative duty or obligation of Lessee under this Lease, within ten (10) days after written notice to Lessee (or in case of an emergency, without notice), Lessor may at its option (but without obligation to do so), perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. The costs and expenses of any such performance by Lessor shall be due and payable by Lessee to Lessor upon invoice therefor. If any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor, at its option, may require all future payments to be made under this Lease by Lessee to be made only by cashier's check. In the event of a Breach of this Lease by Lessee, as defined in Paragraph 13.1, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach, Lessor may:

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

(b) Continue the Lease and Lessee's right to possession in effect (in California under California Civil Code Section 1951.4) after Lessee's Breach and abandonment and recover the rent as it becomes due, provided Lessee has the right to sublet or assign, subject only to reasonable limitations. See Paragraphs 12 and 36 for the limitations on assignment and subletting which limitations Lessee and Lessor agree are reasonable. Acts of maintenance or preservation, efforts to relet the Premises, or the appointment of a receiver to protect the Lessor's interest under the Lease, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available to Lessor under the laws or judicial decisions of the state wherein the Premises are located.

(d) The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 Inducement Recapture In Event Of Breach. Any agreement by Lessor for free or abated rent or other charges applicable to the Premises, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as "Inducement Provisions," shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and conditions of this Lease to be performed or observed by Lessee during the term hereof as the same may be extended. Upon the occurrence of a Breach of this Lease by Lessee, as defined in Paragraph 13.1, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, and recoverable by Lessor as additional rent due under this Lease, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this Paragraph shall not be deemed a waiver by Lessor of the provisions of this Paragraph unless specifically so stated in writing by Lessor at the time of such acceptance.

13.4 Late Charges. Lessee hereby acknowledges that late payment by Lessee to Lessor of rent and other sums due hereunder will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by the terms of any ground lease, mortgage or trust deed covering the Premises. Accordingly, if any installment of rent or any other sum due from Lessee shall not be received by Lessor or Lessor's designee within five (5) days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a late charge equal to five percent (5%) of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of late payment by Lessee. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent Lessor from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for three (3) consecutive installments of Base Rent, then notwithstanding Paragraph 4.1 or any other provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 Breach by Lessor. Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph 13.5, a reasonable time shall in no event be less than thirty (30) days after receipt by Lessor, and by the holders of any ground lease, mortgage or deed of trust covering the Premises whose name and address shall have been furnished Lessee in writing for such purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than thirty (30) days after such notice are reasonably required for its performance, then Lessor shall not be in breach of this Lease if performance is commenced within such thirty (30) day period and thereafter diligently pursued to completion.

14. Condemnation. If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (all of which are herein called "condemnation"), this Lease shall terminate as to the part so taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than ten percent (10%) of the floor area of the Premises, or more than twenty-five percent (25%) of the land area not occupied by any building, is taken by condemnation, Lessee may, at Lessee's option, to be exercised in writing within ten (10) days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within ten (10) days after the condemning authority shall

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have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in the same proportion as the rentable floor area of the Premises taken bears to the total rentable floor area of the building located on the Premises. No reduction of Base Rent shall occur if the only portion of the Premises taken is land on which there is no building. Any award for the taking of all or any part of the Premises under the power of eminent domain or any payment made under threat of the exercise of such power shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold or for the taking of the fee, or as severance damages; provided, however, that Lessee shall be entitled to any compensation, separately awarded to Lessee for Lessee's relocation expenses and/or loss of Lessee's Trade Fixtures. In the event that this Lease is not terminated by reason of such condemnation, Lessor shall to the extent of its net severance damages received, over and above the legal and other expenses incurred by Lessor in the condemnation matter, repair any damage to the Premises caused by such condemnation, except to the extent that Lessee has been reimbursed therefor by the condemning authority. Lessee shall be responsible for the payment of any amount in excess of such net severance damages required to complete such repair. See Article 66.

15. Broker's Fee.

15.1 The Brokers named in Paragraph 1.10 are the procuring causes of this Lease.

15.2 Upon execution of this Lease by both Parties, Lessor shall pay to said Brokers jointly, or in such separate shares as they may mutually designate in writing, a fee as set forth in a separate written agreement between Lessor and said Brokers, ~~(or in the event there is no separate written agreement between Lessor and said Brokers, the sum of \$) for brokerage services rendered by said Brokers to Lessor in this transaction.~~

~~15.3 Unless Lessor and Brokers have otherwise agreed in writing, Lessor further agrees that: (a) if Lessee exercises any Option (as defined in Paragraph 39.1) or any Option subsequently granted which is substantially similar to an Option granted to Lessee in this Lease, or (b) if Lessee acquires any rights to the Premises or other premises described in this Lease which are substantially similar to what Lessee would have acquired had an Option herein granted to Lessee been exercised, or (c) if Lessee remains in possession of the Premises, with the consent of Lessor, after the expiration of the term of this Lease after having failed to exercise an Option, or (d) if said Brokers are the procuring cause of any other lease or sale entered into between the Parties pertaining to the Premises and/or any adjacent property in which Lessor has an interest, or (e) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then as to any of said transactions, Lessor shall pay said Brokers a fee in accordance with the schedule of said Brokers in effect at the time of the execution of this Lease.~~

15.4 Any buyer or transferee of Lessor's interest in this Lease, whether such transfer is by agreement or by operation of law, shall be deemed to have assumed Lessor's obligation under this Paragraph 15. Each Broker shall be a third party beneficiary of the provisions of this Paragraph 15 to the extent of its interest in any commission arising from this Lease and may enforce that right directly against Lessor and its successors.

15.5 Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any named in Paragraph 1.10) in connection with the negotiation of this Lease and/or the consummation of the transaction contemplated hereby, and that no broker or other person, firm or entity other than said named Brokers is entitled to any commission or finder's fee in connection with said transaction. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party, including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

15.6 Lessor and Lessee hereby consent to and approve all agency relationships, including any dual agencies, indicated in Paragraph 1.10.

16. Tenancy Statement.

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

16.2 If Lessor desires to finance, refinance, or sell the Premises, any part thereof, or the building of which the Premises are a part, Lessee and all Guarantors of Lessee's performance hereunder shall deliver to any potential lender or purchaser designated by Lessor such financial statements of Lessee and such Guarantors as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past three (3) years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. **Lessor's Liability.** The term "Lessor" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or in this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor at the time of such transfer or assignment. Except as provided in Paragraph 15, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined.

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

19. **Interest on Past-Due Obligations.** Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor within thirty (30) days following the date on which it was due, shall bear interest from the thirty-first (31st) day after it was due at the rate of ^{12%}~~10%~~ per annum, but not exceeding the maximum rate allowed by law, in addition to the late charge provided for in Paragraph 13.4.

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

21. **Rent Defined.** All monetary obligations of Lessee to Lessor under the terms of this Lease are deemed to be rent.

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

23. Notices. See Article 68.

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

23.2 Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given forty-eight (48) hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantees next day delivery shall be deemed given twenty-four (24) hours after delivery of the same to the United States Postal Service or courier. If any notice is transmitted by facsimile transmission or similar means, the same shall be deemed served or delivered upon telephone confirmation of receipt of the transmission thereof, provided a copy is also delivered via delivery or mail. If notice is received on a Sunday or legal holiday, it shall be deemed received on the next business day.

24. **Waivers.** No waiver by ^{ra party} ~~Lessor~~ of the Default or Breach of any term, covenant or condition hereof, or of any subsequent Default or Breach ^{said party} ~~by Lessee~~ of the same or of any other term, covenant or condition hereof, Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. Regardless of Lessor's knowledge of a Default or Breach at the time of accepting rent, the acceptance of rent by Lessor shall not be a waiver of any preceding Default or Breach by Lessee of any provision hereof, other than the failure of Lessee to pay the particular rent so accepted. Any payment given Lessor by Lessee may be accepted by Lessor on account of moneys or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

25. **Recording.** Either Lessor or Lessee shall, upon request of the other, execute, acknowledge and deliver to the other a short form memorandum of this Lease for recording purposes. The Party requesting recordation shall be responsible for payment of any fees or taxes applicable thereto.

26. **No Right To Holdover.** Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or earlier termination of this Lease.

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

Initials

28. Covenants and Conditions. All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions.

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

30. Subordination; Attornment; Non-Disturbance.

30.1 Subordination. This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, "Security Device"), now or hereafter placed by Lessor upon the real property of which the Premises are a part, to any and all advances made on the security thereof, and to all renewals, modifications, consolidations, replacements and extensions thereof. Lessee agrees that the Lenders holding any such Security Device shall have no duty, liability or obligation to perform any of the obligations of Lessor under this Lease, but that in the event of Lessor's default with respect to any such obligation, Lessee will give any Lender whose name and address have been furnished Lessee in writing for such purpose notice of Lessor's default and allow such Lender thirty (30) days following receipt of such notice for the cure of said default before invoking any remedies Lessee may have by reason thereof. If any Lender shall elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device and shall give written notice thereof to Lessee, this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 Attornment. Subject to the non-disturbance provisions of Paragraph 30.3, Lessee agrees to attorn to a Lender or any other party who acquires ownership of the Premises by reason of a foreclosure of a Security Device, and that in the event of such foreclosure, such new owner shall not: (i) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership, (ii) be subject to any offsets or defenses which Lessee might have against any prior lessor, or (iii) be bound by prepayment of more than one month's rent.

30.3 Non-Disturbance. With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving assurance (a "non-disturbance agreement") from the Lender that Lessee's possession and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises.

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

31. Attorney's Fees. If any Party or Broker brings an action or proceeding to enforce the terms hereof or declare rights hereunder, the Prevailing Party (as hereafter defined) or Broker in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorney's fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, "Prevailing Party" shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorney's fee award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorney's fees reasonably incurred. Lessor shall be entitled to attorney's fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach.

32. Lessor's Access; Showing Premises; Repairs. Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times for the purpose of showing the same to prospective purchasers, lenders, or lessees, and making such alterations, repairs, improvements or additions to the Premises or to the building of which they are a part, as Lessor may reasonably deem necessary. Lessor may at any time place on or about the Premises or building any ordinary "For Sale" signs and Lessor may at any time during the last one hundred twenty (120) days of the term hereof place on or about the Premises any ordinary "For Lease" signs. All such activities of Lessor shall be without abatement of rent or liability to Lessee. display windows and doors excepted

33. Auctions. Lessee shall not conduct, nor permit to be conducted, either voluntarily or involuntarily, any auction upon the Premises without first having obtained Lessor's prior written consent. Notwithstanding anything to the contrary in this Lease, Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to grant such consent.

34. Signs. Lessee shall not place any sign upon the Premises, except that Lessee may, with Lessor's prior written consent, install (but not on the roof) such signs as are reasonably required to advertise Lessee's own business. The installation of any sign on the Premises by or for Lessee shall be subject to the provisions of Paragraph 7 (Maintenance, Repairs, Utility Installations, Trade Fixtures and Alterations). Unless otherwise expressly agreed herein, Lessor reserves all rights to the use of the roof and the right to install, and all revenues from the installation of, such advertising signs on the Premises, including the roof, as do not unreasonably interfere with the conduct of Lessee's business. See Article 59.

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

36. Consents.

Paragraph 6.2, Hazardous Substances

(a) Except for Paragraph 33 hereof (Auctions) or as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' or other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent pertaining to this Lease or the Premises, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, practice or storage tank, shall be paid by Lessee to Lessor upon receipt of an invoice and supporting documentation therefor. Subject to Paragraph 12.2(e) (applicable to assignment or subletting), Lessor may, as a condition to considering any such request by Lessee, require that Lessee deposit with Lessor an amount of money (in addition to the Security Deposit held under Paragraph 5) reasonably calculated by Lessor to represent the cost Lessor will incur in considering and responding to Lessee's request. Except as otherwise provided, any unused portion of said deposit shall be refunded to Lessee without interest. Lessor's consent to any act, assignment of this Lease or subletting of the Premises by Lessee shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent.

(b) All conditions to Lessor's consent authorized by this Lease are acknowledged by Lessee as being reasonable. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given.

37. Guarantor.

37.1 If there are to be any Guarantors of this Lease per Paragraph 1.11, ~~the form of the guaranty to be executed by each such Guarantor shall be in the form most recently published by the American Industrial Real Estate Association, and each said Guarantor shall have the same obligations as Lessee~~ under this Lease, including but not limited to the obligation to provide the Tenancy Statement and information called for by Paragraph 16.

37.2 It shall constitute a Default of the Lessee under this Lease if any such Guarantor fails or refuses, upon reasonable request by Lessor to give (a) evidence of the due execution of the guaranty called for by this Lease, including the authority of the Guarantor (and of the party signing on Guarantor's behalf) to obligate such Guarantor on said guaranty, and including in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, together with a certificate of incumbency showing the signatures of the persons authorized to sign on its behalf, (b) current financial statements of Guarantor as may from time to time be requested by Lessor, (c) a Tenancy Statement, or (d) written confirmation that the guaranty is still in effect.

38. Quiet Possession. Upon payment by Lessee of the rent for the Premises and the observance and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession of the Premises for the entire term hereof subject to all of the provisions of this Lease.

39. Options. See Article 69.

39.1 Definition. As used in this Paragraph 39 the word "Option" has the following meaning: (a) the right to extend the term of this Lease or to renew this Lease or to extend or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal to lease the Premises or the right of first offer to lease the Premises or the right of first refusal to lease other property of Lessor or the right of first offer to lease other property of Lessor; (c) the right to purchase the Premises, or the right of first refusal to purchase the Premises, or the right of first offer to purchase the Premises, or the right to purchase other property of Lessor, or the right of first refusal to purchase other property of Lessor, or the right of first offer to purchase other property of Lessor.

~~**39.2 Options Personal To Original Lessee.** Each Option granted to Lessee in this Lease is personal to the original Lessee named in Paragraph 1.1 hereof, and cannot be voluntarily or involuntarily assigned or exercised by any person or entity other than said original Lessee while the original Lessee is in full and actual possession of the Premises and without the intention of thereafter assigning or subletting. The Options, if any, herein granted to Lessee are not assignable, either as a part of an assignment of this Lease or separately or apart therefrom, and no Option may be separated from this Lease in any manner, by reservation or otherwise.~~

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

Initials 

39.4 Effect of Default on Options.

(a) Lessee shall have no right to exercise an Option, notwithstanding any provision in the grant of Option to the contrary: (i) during the period commencing with the giving of any notice of Default under Paragraph 13.1 and continuing until the noticed Default is cured, or (ii) during the period of time any monetary obligation due Lessor from Lessee is unpaid (without regard to whether notice thereof is given Lessee), or (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessor has given to Lessee three (3) or more notices of Default under Paragraph 13.1, whether or not the Defaults are cured, during the twelve (12) month period immediately preceding the exercise of the Option.

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

(c) All rights of Lessee under the provisions of an Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and during the term of this Lease, (i) Lessee fails to pay to Lessor a monetary obligation of Lessee for a period of thirty (30) days after such obligation becomes due (without any necessity of Lessor to give notice thereof to Lessee), or (ii) Lessor gives to Lessee three or more notices of Default under Paragraph 13.1 during any twelve month period, whether or not the Defaults are cured, or (iii) if Lessee commits a Breach of this Lease.

40. Multiple Buildings. If the Premises are part of a group of buildings controlled by Lessor, Lessee agrees that it will abide by, keep and observe all reasonable rules and regulations which Lessor may make from time to time for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of such other buildings and their invitees, and that Lessee will pay its fair share of common expenses incurred in connection therewith.

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

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

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

44. Authority. If either Party hereto is a corporation, trust, or general or limited partnership, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. If Lessee is a corporation, trust or partnership, Lessee shall, within thirty (30) days after request by Lessor, deliver to Lessor evidence satisfactory to Lessor of such authority.

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

46. Offer. Preparation of this Lease by Lessor or Lessor's agent and submission of same to Lessee shall not be deemed an offer to lease to Lessee. This Lease is not intended to be binding until executed by all Parties hereto.

47. Amendments. This Lease may be modified only in writing, signed by the parties in interest at the time of the modification. The parties shall amend this Lease from time to time to reflect any adjustments that are made to the Base Rent or other rent payable under this Lease. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by an institutional, insurance company, or pension plan Lender in connection with the obtaining of normal financing or refinancing of the property of which the Premises are a part.

48. Multiple Parties. Except as otherwise expressly provided herein, if more than one person or entity is named herein as either Lessor or Lessee, the obligations of such multiple parties shall be the joint and several responsibility of all persons or entities named herein as such Lessor or Lessee.

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

IF THIS LEASE HAS BEEN FILLED IN, IT HAS BEEN PREPARED FOR SUBMISSION TO YOUR ATTORNEY FOR HIS APPROVAL. FURTHER, EXPERTS SHOULD BE CONSULTED TO EVALUATE THE CONDITION OF THE PROPERTY AS TO THE POSSIBLE PRESENCE OF ASBESTOS, STORAGE TANKS OR HAZARDOUS SUBSTANCES. NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY THE REAL ESTATE BROKER(S) OR THEIR AGENTS OR EMPLOYEES AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES; THE PARTIES SHALL RELY SOLELY UPON THE ADVICE OF THEIR OWN COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE. IF THE SUBJECT PROPERTY IS LOCATED IN A STATE OTHER THAN CALIFORNIA, AN ATTORNEY FROM THE STATE WHERE THE PROPERTY IS LOCATED SHOULD BE CONSULTED.

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

2121 Century Woods Way
Executed at Los Angeles, California 90067
on 4/6/93
by LESSOR:
Klein-Miller Investment Co.,
a general partnership

By [Signature]
Name Printed: _____
Title: _____

By _____
Name Printed: Mr. Leo Miller
Title: General Partner
Address: 2121 Century Woods Way
Los Angeles, California 90067
Tel. No. (310) 551-1908 Fax No. (310) 551-0584

245 Roger Avenue
Executed at Inwood, New York 11696
on _____
by LESSEE:
J.C. West Hollywood CA IV, Inc.,
a California corporation

By _____
Name Printed: _____
Title: _____

By [Signature]
Name Printed: Mr. Harley Greenfield
Title: President
Address: c/o Jennifer Convertibles, Inc.
245 Roger Ave., Inwood, NY 11696
Tel. No. (516) 371-2200 Fax No. (516) 371-3264

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NOTICE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: American Industrial Real Estate Association, 345 South Figueroa Street, Suite M-1, Los Angeles, CA 90071. (213) 687-6777. Fax No. (213) 687-8616.

ADDENDUM

Addendum to Standard Industrial/Commercial Lease-Net by and between Klein-Miller Investment Co., a general partnership, Lessor, and J.C. West Hollywood CA IV, Inc., a California corporation, Lessee, dated for reference purposes only June 28, 1993 for the property located at 8751 Beverly Blvd., Los Angeles, California (the "Premises"). The terms herein shall have the definitions as set forth in the Lease. The parties intend and agree that the provisions of this Addendum shall supersede any inconsistent or conflicting provisions of the Lease, and are as follows:

49. RENTAL SCHEDULE:

The Base Rent set forth in Paragraph 1.5 of the Lease shall be increased as follows:

- (a) Commencing month 25 of the Original Term through month 48 of the Original Term, the Base Rent shall be \$8,652.80 per month;
- (b) Commencing month 49 of the Original Term through month 60 of the Original Term, the Base Rent shall be \$8,998.91 per month;
- (c) Commencing month 61 of the Original Term through month 72 of the Original Term, the Base Rent shall be \$9,898.80 per month; and,
- (d) Commencing month 73 of the Original Term through month 84 of the Original Term, the Base Rent shall be \$10,393.74 per month.

Notwithstanding the foregoing, but subject to the provisions of Paragraph 13.3 of this Lease, one-half of the Base Rent, the amount of \$4,000, shall be abated for months 2 through 5 of this Lease so that the Base Rent payable for said months, absent a default by Lessee under this Lease, shall be \$4,000 per month. Additionally, subject to the provisions of paragraph 13.3 of the Lease, the Base Rent shall be abated for months 9, 21 and 33 of the Lease so that there shall be no Base Rent payable by Lessee for said months, absent a default by Lessee under the Lease. It is expressly understood by Lessee that each abatement of Base Rent shall be considered an Inducement Provision as defined in this Lease.

50. CONDITION OF PREMISES:

Except for Lessor's obligations as specified herein or in Paragraphs, 2.2, 2.3, 60 and 70 of this Lease, the Premises shall be delivered to Lessee in an "as is" condition. Any further Alterations, Trade Fixtures or Utility Installations shall be at Lessee's sole cost and expense and subject to the provisions below and to Paragraph 7.3 and 7.4 of the Lease.

Lessor shall reimburse Lessee up to \$30,000.00 for actual reasonable costs incurred due to Lessee's Alterations and/or Utility Installations to the Premises during the first year of the Original Term of the Lease per Lessor approved improvement plans, provided, however, all contracts for Alterations and/or Utility Installations shall be based on competitive bids, which bids shall be submitted to Lessor, and Lessor shall consent to it. Lessor reserves the right to review all bids and to place bid(s) through Lessor's contractor(s). Said reimbursement is subject to submission by Lessee to Lessor of documentation satisfactory to Lessor of actual costs incurred by Lessee and to Lessee's compliance with Articles 7.3 and 7.4 of the Lease. Lessor shall also grant in addition a dollar-for-dollar rent credit of up to \$20,000.00 for Alterations and/or Utility Installations expenses during the first year of the Original Term in excess of said \$30,000.00, provided that the foregoing procedure is adhered to. Said rent credit shall be divided into four (4) equal amounts and credited against a portion of the Base Rent due in months 67, 68, 79 and 80 of the Original Term and is subject to all of the same terms and conditions as set forth for the reimbursement of the aforesaid \$30,000.00, and shall also constitute an Inducement Provision under paragraph 13.3 of the Lease.

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INITIAL

51. LESSEE'S COOPERATION:

Lessee agrees to cooperate with Lessor to facilitate Lessor's compliance with its obligations under this Lease, including by way of example, removal by Lessee of all items of personal property, fixtures and trade fixtures from those portions of the Premises designated by Lessor. If Lessee fails to remove such items from those portions of the Premises designated by Lessor within ten (10) calendar days after written notice is delivered to Lessee to do so, Lessor shall have the right to enter upon the Premises to effect such removal, at Lessee's expense, and Lessor shall not be liable to Lessor in any manner whatsoever as a result of such removal or the manner of effecting same. In connection therewith, Lessor shall make all repairs and/or replacements in a manner which, to the extent reasonable and practicable, does not interfere with the conduct of Lessee's business. Lessor shall be able to undertake such repairs during normal business hours. The monthly rental shall be abated during the period of such modification or reconstruction to the same extent as the portion of the floor area bears to the Premises as a whole. Except for the abatement of rent set forth herein, Lessor shall not be liable in any manner whatsoever to Lessee for damage, loss or injury resulting from the work performed on the Premises by Lessor or Lessor's contractors provided that Lessor uses due care to avoid damage to Lessee's personal property. In no event shall Lessor be liable for Lessee's loss of business or reduction of income by reason of such modification or reconstruction by Lessor.

52. FAILURE TO GIVE POSSESSION AND POSSESSION DATE:

Notwithstanding anything in this Lease to the contrary including any Force Majeure clause, if Lessor is unable to give Lessee possession of the Premises as required hereunder by September 30, 1993, Lessee shall have the option of terminating this Lease within thirty (30) days thereof by notice to Lessor.

53. LESSEE'S RIGHT TO CURE WITHOUT PENALTY:

Notwithstanding anything to the contrary contained herein, Lessee shall not be obligated to pay a late charge, costs, expenses or interest as provided in the Lease if Lessee cures any monetary Default within ten (10) days after written notice thereof, or cures a non-monetary Default within thirty (30) days after said notice or if a non-monetary Default is not curable within said thirty (30) day period, Lessee commences to cure the Default within the thirty (30) day period and diligently proceeds to cure said Default thereafter. This notice may also constitute any required notice of Default to place Lessee in Breach of the Lease under paragraph 13 of the Lease. The failure of Lessee to cure a Default within the aforementioned periods of time shall entitle Lessor to receive from Lessee any and all late charges, costs, expenses and/or interest as otherwise provided in the Lease. The hereinabove set forth provisions modifying Lessee's obligations to pay late charges, costs, expenses and/or interest shall be null and void and have no further force and effect after the delivery by Lessor of three (3) such separate notices.

54. LIMIT TO SUBROGATION WAIVER:

The release and waiver provided for in Paragraph 8.6 applies only if it is permitted by the insurance policies called for in this Lease, or by endorsement thereon which can be obtained at no extra cost and without invalidation of the insurance policies.

55. REAL PROPERTY TAXES:

Paragraph 10 of the Lease is augmented as follows:

(a) In the event Lessee pays the Real Property Taxes directly to the collecting entity or agency, Lessor agrees to deliver to Lessee the appropriate Real Property Taxes' bill not less than twenty (20) days prior to the due date of any installment. In the event Lessor pays an installment of Real Property Taxes either from funds already collected from Lessee or from its own funds subject to reimbursement by Lessee, Lessor covenants and agrees that it shall timely and fully pay the real estate taxes and assessments levied against the Building, including the Premises and all improvements therein, provided, however, Lessor shall not have this obligation in the event Lessee has requested advance

payment from Lessee under paragraph 10.1(b) of the Lease which payment(s) have not been timely and fully made by Lessee.

(b) Abatements. If Lessor shall obtain any abatement, refund or rebate in Real Property Taxes paid by Lessee, Lessor shall promptly forward to Lessee its share of such abatement, refund or rebate (less the reasonable cost and reasonable expense of obtaining them).

56. ASSIGNMENT OR SUBLETTING:

(a) Notwithstanding anything to the contrary contained in paragraphs 12.1 (a) - (c), no consent shall be required for, and Lessee shall have the right to make, any assignment, transfer or subletting of the Premises, or any part thereof, (i) to a parent, subsidiary or affiliated company, (ii) directly or indirectly, in any manner, in connection with a merger, or a consolidation or a combination, or a sale of substantially all of the assets constituting a portion and/or all of the retail chain of which the business in the Premises is a part in the state in which the Premises is located; and/or (iii) to a Licensee, Franchisee or operating subsidiary of Lessee as long as in any of the foregoing instances Lessee remains fully liable for the full performance of all its obligations under this Lease. Notwithstanding the foregoing, no such assignment, transfer or sublease shall be valid, but rather treated as an assignment which requires consent which was not obtained, unless Lessee delivers to Lessor, not less than fifteen (15) calendar days prior to the commencement date of the assignment, transfer or sublease each of the following: (i) a copy of the assignment, transfer document or sublease; (ii) a document for Lessee which represents and warrants that the transfer falls within the provisions of this paragraph 56(a) and identifying the specific type of transfer and what category it falls within; (iii) the address and fax number to which notices are to be sent to the assignee, transferee or sublessee; and, (iv) a check in the amount of Five Hundred Dollars (\$500.00) to offset costs and expenses of Lessor in connection with the assignment, transfer and or sublease. Any such assignment, transfer or sublease shall remain subject to the provisions of paragraphs 12.2 and 12.3, excluding subparagraph 12.2(e).

(b) The following paragraph is added as paragraphs 12.2(i) to the Lease:

12.2(i) Any rental or other consideration agreed to by an assignee, Sublessee, or transferee of Lessee's interest, whether or not Lessor has given its consent, in excess of the maximum rentals provided for in this Lease shall be for the benefit of and shall be immediately paid to Lessor by Lessee and shall be deemed additional rent due under this Lease.

57. USE OF THE PREMISES:

Lessee shall use the Premises for the purpose of conducting the business of the sale of sofas, furniture, home furnishings and related items and ancillary items. Lessor represents and warrants that to its actual knowledge (i) there is presently issued and shall remain outstanding a certificate of occupancy for the Premises pursuant to which Lessee may occupy the Premises for the purpose permitted hereunder; (ii) there is presently issued and shall remain outstanding all required permits for the equipment utilized as part of or by which services are provided to the Premises; and, (iii) Lessee's use and occupancy of the Premises for the purpose permitted hereunder will not be in violation of any covenant, restriction, agreement or other instrument now affecting the Premises. Lessor further agrees that during the term of the Lease it will not voluntarily cause to be issued a certificate of occupancy nor voluntarily place a covenant, restriction, agreement or other instrument on the Premises which would not allow the use provided for herein.

58. VEHICLE PARKING:

Lessee acknowledges and understands that it is entitled to nine (9) parking spaces in the parking area as set forth in Exhibit "A". Lessee, at its sole costs and expense, shall keep its parking area clean and free of debris. Lessee acknowledges and understands that there are parking spaces for other tenants adjacent to Lessee's designated parking spaces. Lessee, its guest, invitees, agents, employees

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and/or customers shall not use or otherwise interfere with the access to or use of the other parking spaces.

59. SIGNS AND AWNINGS:

The placement of any sign, lettering, marquee or awning in, on or about the Premises shall be at Lessee's sole cost and expense. Lessee shall be entitled to place and maintain, without Lessor's consent, appropriate dignified displays of customary type for its display windows on the interior of the window areas, or elsewhere on the Premises so as to be visible to the public. Lessee shall not place or permit to be placed any other type of sign, lettering, marquee or awning in, on or about the Premises, without the prior written consent of Lessor. Any sign, lettering, marquee, awning or display approved by Lessor or allowed herein without Lessor to approve shall only be installed upon the Lessee obtaining any and all appropriate and necessary permits from the appropriate governmental entity and/or agency and shall be otherwise in compliance with all applicable government codes, ordinances, statutes, and regulations and subject to the provisions of Paragraph 7.3 and 7.4 of this Lease.

60. MAINTENANCE:

Paragraphs 7.1 and 7.2 of the Lease are amplified as follows:

Lessor agrees to transfer or enforce for the benefit of Lessee the unexpired portions, if any, of any warranties relating to the Premises, the equipment that is a part thereof, the HVAC system and the like. Lessor covenants and agrees that, except for damage, modifications, maintenance or repairs relating to, arising out of or caused by any negligent or intentional act or omission of Lessee, or any repairs or modifications required as a result of Lessee's Default under this Lease, in which event Lessee at Lessee's sole cost and expenses shall undertake the maintenance, repair the damage and/or make the repairs or modifications, it will, at all times during the Lease Term, reasonably maintain and keep in good order and repair the structural integrity of the foundation, floorslab, exterior walls, steel frame, and underground utility lines of the Premises. Lessor further agrees to replace the entire roof if replacement is necessary due to ordinary wear and tear. Lessee shall remain obligated to repair and maintain the roof pursuant to paragraph 7.1 of the Lease. Except as specifically provided herein or elsewhere in the Lease, Lessor's obligations do not include any maintenance or repair other than structural, specifically it does not include any obligations of a cosmetic or decor nature, including painting of exterior walls which remain the obligation of Lessee. Lessor shall diligently proceed to make the repairs set forth in this paragraph after receipt of written notice thereof from Lessee. Except as hereinabove or elsewhere specifically provided as the obligation of Lessor, all other maintenance and repair of the Premises shall be the obligation of Lessee at its sole cost and expense. Lessee specifically acknowledges that it, at its sole cost and expense, shall maintain in good order, condition and repair the doors, windows, plate glass, roof, including gutters and downspouts, and the exterior of the Premises. Lessee shall also non-structurally and aesthetically maintain these items for which Lessor is structurally responsible for. In connection therewith, it remains Lessee's obligation to paint the exterior walls of the Premises so that they are in good condition and repair during the Lease term and upon surrender of the Premises.

61. FORCE MAJEURE:

Except as otherwise specifically provided herein, in any case where either party hereto is required to do any act, delays caused by or resulting from acts of God, war, civil commotion, fire or other casualty, labor difficulties, shortages of labor, materials or equipment, government regulations, or other caused beyond such party's reasonable control shall not be counted in determining the time during which work shall be completed, whether such time be designated by a fixed date, a fixed time, or a "reasonable time".

62. DAMAGES:

In determining any damages hereunder, Lessor shall use its reasonable efforts to mitigate its damages.

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63. MUTUALITY OF LEASE PROVISIONS:

All provisions of said Lease relating to (i) payment of attorney's fees, (ii) effect of waivers (or lack of waivers), and (iii) delays ("force majeure"), shall be deemed mutual, Lessee having the same rights with respect thereto as Lessor.

64. CONSENT:

Where pursuant to the terms of this Lease, or in connection with the administration of the Lease, the consent, approval, judgment, satisfaction or similar exercise of discretion of or by one party shall be required, requested or appropriate, such party covenants and agrees that its consent, approval, judgment, satisfaction or similar exercise of discretion shall not be unreasonably withheld, delayed or conditioned.

65. PLATE GLASS:

Lessee is permitted to self-insure plate glass.

66. CONDEMNATION:

Paragraph 14 of the Lease is augmented as follows:

Lessee will not have any claim or be entitled to any award for diminution in value of its rights under this Lease or for the value of any unexpired term of this Lease; however, Lessee may make its own claim for any separate award that may be made by the condemnor for Lessee's loss of business or for the taking of or injury to Lessee's improvements, or on account of any cost or loss Lessee may sustain in the removal of Lessee's trade fixtures, equipment and furnishings or as a result of any alterations, modifications or repairs that may be reasonably required by Lessee in order to place the remaining portion of the Premises not taken in a suitable condition for the continuance of Lessee's occupancy.

If this Lease is terminated pursuant to the provisions of paragraph 14 of the Lease, then all rentals and other charges payable by Lessee to Lessor under this Lease will be paid to the date of the taking or the date Lessee ceases operating at the Premises, whichever is later, and any rentals and other charges paid in advance and allocable to the period after the date of the taking or the date Lessee ceases operating at the Premises, whichever is later, will be repaid to Lessee by Lessor.

67. IMPUTATION:

For purposes of this Lease, the negligence, affirmative act or violation of the provisions of this Lease by an officer, director, partner, employee, agent, customer, contractor, guest or invitee of Lessor or Lessee shall be the negligence, affirmative act or violation of the provisions of this Lease of Lessor or Lessee, as the case may be.

68. NOTICES:

Paragraph 23 of the Lease is modified as follows:

Any notice given by Lessor to cure a default without penalty as allowed by paragraph 53, above, shall be given as provided in paragraph 23 of the Lease to Lessee at the following addresses:

To Lessee: J.C. West Hollywood CA IV, Inc.
c/o Jennifer Warehouse
245 Rogers Avenue
Inwood, New York 11696

With a copy to: Law office of Bernard Wincig
Attn: Bernard Wincig, Esq.
574 Fifth Avenue
New York, New York 10036

Any notice required to be given to Lessee to place Lessee in Breach of the Lease or as may be required by law to commence legal action shall be given to Lessee at the following address: **RELEASE**

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proceedings to allow Lessor to enforce its remedies hereunder may, at the sole option of Lessor, be given to Lessee either at the addresses set forth above or to Lessee at the Premises. Notwithstanding the forgoing, in the event that Lessee has not been sent notice of a default pursuant to paragraph 53, above, to the addresses set forth above prior to the delivery of a notice as described in this subparagraph, Lessor shall also send a copy of said notice to Lessee at the addresses set forth above. Provided, however, Lessee acknowledges that only the notice delivered to the Premises must be served in a manner which complies with the requirements of applicable law and such service shall duly constitute service upon Lessee. All process may also be served on Lessee at the Premises.

69. OPTION TO EXTEND:

Lessor hereby grants to Lessee one (1) Option to extend the Original Term for a period of thirty-six (36) months commencing on the expiration of the Original 84 month Lease Term. The option to extend shall be on the same terms and conditions as the last 36 months of the Original Term with the exception of the monthly Base Rent. Said monthly Base Rent shall be adjusted to the then fair rental value of the Premises and shall be increased by five percent (5%) annually thereafter throughout the Option period. Provided Lessee is not then in material default, nor in material default at any time during the exercise period, such option shall be exercised only by written notice delivered to Lessor not sooner than two hundred seventy (270) days and no later than one hundred eighty (180) days before the expiration of the Original Term.

In the event Lessee elects to exercise the Option to extend the Original Term of this Lease, Lessor and Lessee shall enter into negotiations to determine the then fair rental value of the Premises. If Lessor and Lessee agree upon the then fair rental value of the Premises, the Base Rent shall then be the agreed upon fair rental value of the Premises. In no event, however, shall the Base Rent during the Option period be less than one hundred five percent (105%) of the Base Rent for the last month of the Original Term of the Lease. In addition, any Base Rent shall increase by five percent (5%) annually as hereinabove set forth.

If Lessor and Lessee cannot, after reasonable effort and within thirty (30) days after Lessee elects to exercise its option, agree upon the fair rental value of the Premises, Lessor and Lessee shall engage an appraiser to determine the fair rental value of the Premises. In determining fair rental value, such appraiser shall take into consideration (i) the highest and best use of the Premises; (ii) the rental value of similar rental property in the immediate area; and (iii) any other conditions or factors such appraiser deems necessary to accurately determine fair rental value of the Premises. Said appraiser shall be a member of the Appraisal Institute, or if it is no longer in existence, a successor organization of similar reputation or status.

If Lessor and Lessee cannot, within sixty (60) days after Lessee has elected to exercise its option, agree on an appraiser, the President or Chief Executive Officer of the Appraisal Institute Los Angeles chapter or a successor organization having jurisdiction over the Premises, which is the subject of this Lease, will present to Lessor and Lessee a list of five names of appraisers and Lessor and Lessee shall agree on one of those appraisers. Either Lessor or Lessee may request the list from the President or Chief Executive Officer of the Appraisal Institute Los Angeles chapter. If Lessor and Lessee shall not agree on one of the five appraisers within thirty (30) days after submission of the list, the said President or Chief Executive Officer of the Appraisal Institute shall choose an appraiser who shall determine the fair rental value of the Premises. Either Lessor or Lessee may request the President or Chief Executive Officer of the Appraisal Institute Los Angeles chapter to appoint the appraiser. If, for any reason, the procedure set forth above does not result in the selection of an appraiser, either party may petition the Superior Court of Los Angeles to appoint an appraiser who satisfied the requirements of this section.

Lessor and Lessee shall share equally all costs and expenses incurred in obtaining an appraiser of the fair rental value of the Premises, provided, however, if after said appraisal is obtained

Lessee elects not to extend the term of this Lease, Lessee shall pay all of the costs and expenses of obtaining said appraisal.

In the event the fair rental value of the Premises is not determined prior to the commencement date of the Option Term, Lessee shall pay Lessor the minimum monthly Base Rent for the Option Term as set forth above, until said Base Rent is so determined. Any difference in the Base Rent as determined by the appraiser from the amount actually paid by Lessee for preceding months of the Option Term shall be paid to Lessor within ten (10) days of notice of the determination of the Base Rent.

70. GOVERNMENT REQUIREMENTS:

(a) With regard to any provision regarding work to be performed as required by government or other authorities, Lessee shall not be obligated to make any repairs, changes, alterations or additions that are otherwise the obligation of Lessor under this Lease. Notwithstanding anything to the contrary in this Lease, Lessor shall be responsible for complying, and the cost of complying, with any and all government regulation of the environmental matters relating to substances in or about the Premises or the Building except for those substances in, on, under or emanating from the Premises placed there by the Lessee. Specifically, but without limiting the generality of the foregoing, Lessor shall be responsible for abating any and all hazards relating to lead paint or asbestos in or about the Premises or the Building (except if placed there by Lessee), as may be required by governmental regulation, including such abatement as may be required in connection with the issuance of any building permits or otherwise. Any reports or investigations concerning any of the aforementioned matters shall be the responsibility of Lessee, and payable by Lessee as its sole cost and expense.

(b) Laws and Ordinances. Lessor shall, at Lessor's sole cost and expense, promptly observe and comply with all present or future laws, rules, requirements, recommendations, orders, directors, ordinances, and regulations of the United States of America, the State, county, and any other municipal, governmental or lawful authority whatsoever affecting the Premises, and of any and all of its or their departments, bureaus and officials, except when such observance or compliance is required by reason of the particular nature of Lessee's business, required of Lessee in relation to its operation of its business or required by reason of, as a result of or in connection with the Alterations, Utility Installations or installation or location of Trade Fixtures or partitions by Lessee, in which event Lessee, at its sole cost and expense, shall observe and comply with same.

71. SECTION/ARTICLE HEADINGS:

The Section/Article headings herein are inserted for conveyance only and form no part of this Agreement.

LESSEE:
J.C. WEST HOLLYWOOD IV, INC.,
a California corporation

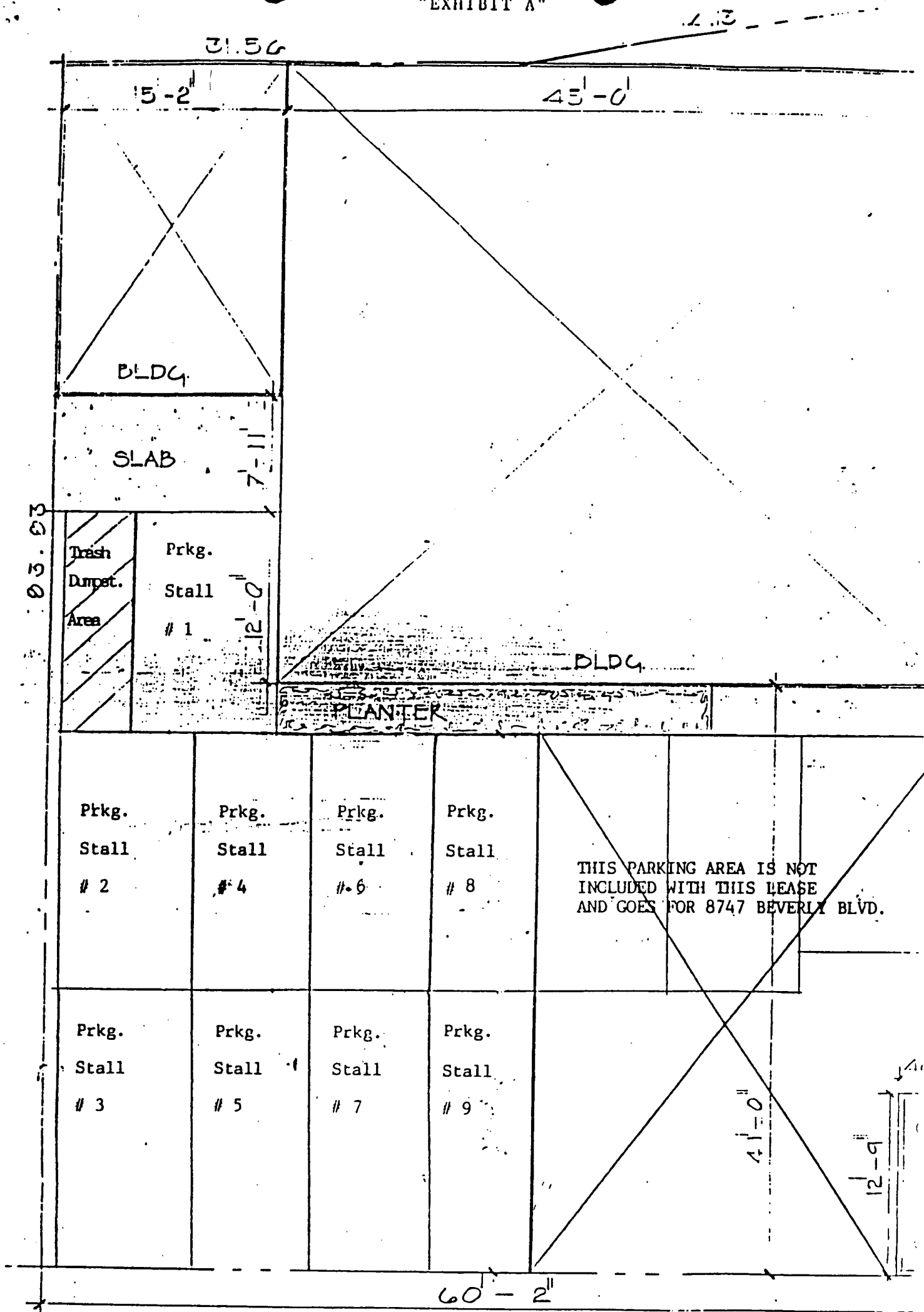
By: _____

Harley Greenfield
Its: President

LESSOR:
KLEIN-MILLER INVESTMENT CO.,
a general partnership

By: _____

Leo Miller, general partner.



PARKING DIAGRAM FOR
8751 BEVERLY BLVD.
as per Article # 57

P-1 SCALE: 1/8" = 1'-0"

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LIMITED GUARANTY

WHEREAS, Klein-Miller Investment Co., a general partnership, hereinafter referred to as "Lessor" and J.C. West Hollywood CA IV, Inc., a California corporation, hereinafter referred to as "Lessee" are about to execute a document entitled Standard Industrial/Commercial Single-Tenant Lease-Net dated, for reference purposes only, June 28, 1993, concerning the premises commonly known as 8751 Beverly Blvd., Los Angeles, California; and

WHEREAS, Jennifer Convertibles, Inc., a Delaware corporation ("Guarantor"), has a financial interest in Lessee;

WHEREAS, the Lease contains provisions for the payment by Lessor and a rental credit to Lessee for tenant improvements of Lessee of a sum of up to Fifty Thousand Dollars (\$50,000), and for total or partial Base Rent abatement during the first twenty-four (24) months of the Original Term of the Lease for months 2 through 5, 9 and 21 of the Original Term (all of the foregoing are collectively referred to as "Credits"); and,

WHEREAS, Lessor would not execute the Lease if Guarantor did not execute and deliver to Lessor this Limited Guaranty requiring the payment to Lessor of the all or a portion of the Credits in the event of a default by Lessee within the first twenty-four (24) months of the Original Term of the Lease.

NOW, THEREFORE, for and in consideration of the execution of the Lease by Lessor and as a material inducement to Lessor to execute said Lease, Guarantor covenants and agrees to and with Lessor and the Lessor's legal representatives, that in the event of a default by Lessee under the Lease which occurs on or before the day which is twenty-four months from the Commencement Date of the Lease, and provided Lessee is given written notice pursuant to paragraph 53 of the Lease (said notice may be give after the expiration of the twenty-four (24) month period) and fails to cure such default before the expiration of the applicable grace period, Guarantor agrees to immediately and forthwith pay to Lessee the sum of \$82,000, provided, however, the sum of \$82,000.00 shall diminish and be reduced by the sum of \$3,416.66 for each and every calendar month during the Original Term of the Lease after the Commencement Date so that the sum shall be \$0 at the end of the twenty-fourth (24th) month of the Lease and this Limited Guaranty of Lease shall lapse, terminate and be without any force or effect after the expiration of the twenty-fourth (24th) month of the Original Term, unless a law suit is instituted within ninety (90) days after the expiration of this Limited Guaranty which relates back to a default prior to the expiration of month twenty-four (24) of the Lease Term. It is expressly understood by Guarantor that the sum it shall be obligated to pay under this Limited Guaranty shall be determined as of the date of the default. By way of example if the default occurs in month 13 of the Original Term, Guarantor shall pay the sum of \$41,000.00 to Lessor, regardless of when the notice referenced above is sent or law suit commenced, subject to the ninety (90) day limitation set forth above.

It is specifically agreed and understood that the terms of the foregoing Lease may be altered, affected, modified or changed by agreement between Lessor and Lessee, or an assignee or sublessee of Lessee, or by a course of conduct and said Lease may be assigned by Lessor or any assignee of Lessor without the consent of or notice to Guarantor and that this Guaranty shall thereupon and thereafter continue to guarantee the amounts set forth above regardless of how the Lease is changed, modified, altered or assigned.

This Guaranty shall not be released, modified or affected by failure or delay on the part of Lessor to enforce any of the rights or remedies of the Lessor under said Lease, whether pursuant to the terms thereof or at law or in equity.

No notice of default or breach need be given to Guarantor, it being specifically agreed and understood that the guarantee of the undersigned is a continuing guarantee under which Lessor may proceed forthwith and immediately against Lessee or against Guarantor.

tor (subject to the notice requirement to Lessee set forth above) following any default by Lessee and there shall be no requirement to proceed first against Lessee.

Guarantor hereby waives (a) notice of acceptance of this Guaranty, (b) all presentments, demands for performance, notices of nonperformance, protests, notices of protest, notices of dishonor, (c) any right to require the Lessor to proceed against the Lessee or any other Guarantor or any other person or entity liable to Lessor, (d) any right to require Lessor to apply to any default any security deposit or other security it may hold under the Lease, (e) any right to require Lessor to proceed under any other remedy Lessor may have before proceeding against Guarantor, (f) any right of subrogation. Guarantor waives its right to participate in any security now or later held by Lessor and waives its right to enforce any remedies that Lessor now has, or later may have, against Lessee.

Guarantor does hereby subrogate all existing or future indebtedness of Lessee to Guarantor to the obligations owed to Lessor under the Lease and this Guaranty.

The term "Lessor" whenever hereinabove used refers to and means the Lessor in the foregoing Lease specifically named and also any assignee of said Lessor, whether by outright assignment or by assignment for security, and also any successor to the interest of said Lessor or of any assignee in such Lease or any part thereof, whether by assignment or otherwise. So long as the Lessor's interest in or to the leased premises or the rents, issues and profits therefrom, or in, to or under said Lease, are subject to any mortgage or deed of trust or assignment for security, no acquisition by Guarantor of the Lessor's interest in the leased premises or under said Lease shall affect the continuing obligation of Guarantor under this Guaranty which shall nevertheless continue in full force and effect for the benefit of the mortgagee, beneficiary, trustee or assignee under such mortgage, deed of trust or assignment, of any purchase at sale by judicial foreclosure or under private power of sale, and of the successors and assigns of any such mortgagee, beneficiary, trustee, assignee or purchaser.

The term "Lessee" whenever hereinabove used refers to and means the Lessee in the foregoing Lease specifically named and also any assignee or sublessee of said Lease and also any successor to the interests of said Lessee, assignee or sublessee of such Lease or any part thereof, whether by assignment, sublease or otherwise.

In the event any action be brought by said Lessor against Guarantor hereunder to enforce the obligations of Guarantor hereunder, the unsuccessful party in such action shall pay to the prevailing party therein all costs incurred, including reasonable attorney's fees, both at trial and on appeal.

Each person executing this Guaranty on behalf of Guarantor represents and warrants that he is duly authorized and has full authority to execute this Guaranty and that this Guaranty is binding upon Guarantor in accordance with its terms.

Executed at New York City on August 7 1997.

GUARANTOR

Address:
245 Roger Avenue
Inwood, New York 11696

Jennifer Convertibles, Inc.,
a Delaware corporation

By: Harley Greenfield
Its: PRESIDENT
By: [Signature]
Its: [Signature]

payment from Lessee under paragraph 10.1(b) of the Lease which payment(s) have not been timely and fully made by Lessee.

(b) Abatements. If Lessor shall obtain any abatement, refund or rebate in Real Property Taxes paid by Lessee, Lessor shall promptly forward to Lessee its share of such abatement, refund or rebate (less the reasonable cost and reasonable expense of obtaining them).

56. ASSIGNMENT OR SUBLETTING:

(a) Notwithstanding anything to the contrary contained in paragraphs 12.1 (a) - (c), no consent shall be required for, and Lessee shall have the right to make, any assignment, transfer or subletting of the Premises, or any part thereof, (i) to a parent, subsidiary or affiliated company, (ii) directly or indirectly, in any manner, in connection with a merger, or a consolidation or a combination, or a sale of substantially all of the assets constituting a portion and/or all of the retail chain of which the business in the Premises is a part in the state in which the Premises is located; and/or (iii) to a Licensee, Franchisee or operating subsidiary of Lessee as long as in any of the foregoing instances Lessee remains fully liable for the full performance of all its obligations under this Lease. Notwithstanding the foregoing, no such assignment, transfer or sublease shall be valid, but rather treated as an assignment which requires consent which was not obtained, unless Lessee delivers to Lessor, not less than fifteen (15) calendar days prior to the commencement date of the assignment, transfer or sublease each of the following: (i) a copy of the assignment, transfer document or sublease; (ii) a document for Lessee which represents and warrants that the transfer falls within the provisions of this paragraph 56(a) and identifying the specific type of transfer and what category it falls within; (iii) the address and fax number to which notices are to be sent to the assignee, transferee or sublessee; and, (iv) a check in the amount of Five Hundred Dollars (\$500.00) to offset costs and expenses of Lessor in connection with the assignment, transfer and or sublease. Any such assignment, transfer or sublease shall remain subject to the provisions of paragraphs 12.2 and 12.3, excluding subparagraph 12.2(e).

(b) The following paragraph is added as paragraphs 12.2(i) to the Lease:

12.2(i) Any rental or other consideration agreed to by an assignee, Sublessee, or transferee of Lessee's interest, whether or not Lessor has given its consent, in excess of the maximum rentals provided for in this Lease shall be for the benefit of and shall be immediately paid to Lessor by Lessee and shall be deemed additional rent due under this Lease.

57. USE OF THE PREMISES:

Lessee shall use the Premises for the purpose of conducting the business of the sale of sofas, furniture, home furnishings and related items and ancillary items. Lessor represents and warrants that to its actual knowledge (i) there is presently issued and shall remain outstanding a certificate of occupancy for the Premises pursuant to which Lessee may occupy the Premises for the purpose permitted hereunder; (ii) there is presently issued and shall remain outstanding all required permits for the equipment utilized as part of or by which services are provided to the Premises; and, (iii) Lessee's use and occupancy of the Premises for the purpose permitted hereunder will not be in violation of any covenant, restriction, agreement or other instrument now affecting the Premises. Lessor further agrees that during the term of the Lease it will not voluntarily cause to be issued a certificate of occupancy nor voluntarily place a covenant, restriction, agreement or other instrument on the Premises which would not allow the use provided for herein.

58. VEHICLE PARKING:

Lessee acknowledges and understands that it is entitled to nine (9) parking spaces in the parking area as set forth in Exhibit "A". Lessee, at its sole costs and expense, shall keep its parking area clean and free of debris. Lessee acknowledges and understands that there are parking spaces for other tenants adjacent to Lessee's designated parking spaces. Lessee, its guest, invitees, agents, employees

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GUARANTY OF LEASE

WHEREAS, Klein-Miller Investment Co., a general partnership, hereinafter referred to as "Lessor" and J.C. West Hollywood CA IV, Inc., a California corporation, hereinafter referred to as "Lessee" are about to execute a document entitled Standard Industrial/Commercial Single-Tenant Lease-Net dated, for reference purposes only, June 28, 1993, concerning the premises commonly known as 8751 Beverly Blvd., Los Angeles, California; and

WHEREAS, Jennifer L.P. IV, a Delaware Limited Partnership (Guarantor"), has a financial interest in Lessee;

WHEREAS, Lessor would not execute the Lease if Guarantor did not execute and deliver to Lessor this Guaranty of Lease.

NOW, THEREFORE, for and in consideration of the execution of the Lease by Lessor and as a material inducement to Lessor to execute said Lease, Guarantor unconditionally and irrevocably guarantees the prompt payment by Lessee of all rentals and all other sums payable by Lessee under said Lease and the faithful and prompt performance by Lessee of each and every one of the terms, conditions and covenants of said Lease to be kept and performed by Lessee.

It is specifically agreed and understood that the terms of the foregoing Lease may be altered, affected, modified or changed by agreement between Lessor and Lessee, or an assignee or sublessee of Lessee, or by a course of conduct and said Lease may be assigned by Lessor or any assignee of Lessor without the consent of or notice to Guarantor and that this Guaranty shall thereupon and thereafter guarantee the performance of said Lease as so changed, modified, altered or assigned.

This Guaranty shall not be released, modified or affected by failure or delay on the part of Lessor to enforce any of the rights or remedies of the Lessor under said Lease, whether pursuant to the terms thereof or at law or in equity.

No notice of default or breach need be given to Guarantor, it being specifically agreed and understood that the guarantee of the undersigned is a continuing guarantee under which Lessor may proceed forthwith and immediately against Lessees or against Guarantor following any breach or default by Lessee or for the enforcement of any rights which Lessor may have as against Lessee pursuant to or under the terms of the within Lease or at law or in equity.

Lessor shall have the right to proceed immediately against Guarantor hereunder following any breach or default by Lessee without first proceeding against Lessee and without previous notice to or demand upon either Lessee or Guarantor. If the Lease terminates and Lessor has any right it can enforce against Lessee after termination, Lessor can enforce these rights against Guarantor without giving previous notice to Lessee or Guarantor or without making demand on either of them.

Guarantor hereby waives (a) notice of acceptance of this Guaranty, (b) all presentments, demands for performance, notices of nonperformance, protests, notices of protest, notices of dishonor, (c) all right to assert or plead any statute of limitations as to or relating to this Guaranty and the Lease, (d) any right to require the Lessor to proceed against the Lessee or any other Guarantor or any other person or entity liable to Lessor, (e) any right to require Lessor to apply to any default any security deposit or other security it may hold under the Lease, (f) any right to require Lessor to proceed under any other remedy Lessor may have before proceeding against Guarantor, (g) any right of subrogation. Guarantor waives its right to participate in any security now or later held by Lessor and waives its right to enforce any remedies that Lessor now has, or later may have, against Lessee.

Guarantor does hereby subrogate all existing or future indebtedness of Lessee to Guarantor to the obligations owed to Lessor under the Lease and this Guaranty.

The obligations of Lessee under the Lease to execute and deliver estoppel statements and financial statements, as therein provided, shall be deemed to also require the Guarantor hereunder to do and provide the same relative to Guarantor.

The term "Lessor" whenever hereinabove used refers to and means the Lessor in the foregoing Lease specifically named and also any assignee of said Lessor, whether by outright assignment or by assignment for security, and also any successor to the interest of said Lessor or of any assignee in such Lease or any part thereof, whether by assignment or otherwise. So long as the Lessor's interest in or to the leased premises or the rents, issues and profits therefrom, or in, to or under said Lease, are subject to any mortgage or deed of trust or assignment for security, no acquisition by Guarantor of the Lessor's interest in the leased premises or under said Lease shall affect the continuing obligation of Guarantor under this Guaranty which shall nevertheless continue in full force and effect for the benefit of the mortgagee, beneficiary, trustee or assignee under such mortgage, deed of trust or assignment, of any purchase at sale by judicial foreclosure or under private power of sale, and of the successors and assigns of any such mortgagee, beneficiary, trustee, assignee or purchaser.

The terms "Lessee" whenever hereinabove used refers to and means the Lessee in the foregoing Lease specifically named and also any assignee or sublessee of said Lease and also any successor to the interests of said Lessee, assignee or sublessee of such Lease or any part thereof, whether by assignment, sublease or otherwise.

In the event any action be brought by said Lessor against Guarantor hereunder to enforce the obligations of Guarantor hereunder, the unsuccessful party in such action shall pay to the prevailing party therein all costs incurred, including reasonable attorney's fees, both at trial and on appeal.

Each person executing this Guaranty on behalf of Guarantor represents and warrants that he is duly authorized and has full authority to execute this Guaranty and that this Guaranty is binding upon Guarantor in accordance with its terms.

Executed at NEW YORK CITY, on AUGUST 2nd, 1997.

Address:

C/O WAREHOUSE
245 ROGERS AVE
INWOOD N.Y 11696

GUARANTOR

Jennifer L.P. IV, a
Delaware Limited Partnership
BY JENNIFER MANAGEMENT IV, LTD
GENERAL PARTNER

By: HARLEY GREENFIELD
Its: PRESIDENT

By: [Signature]
Its: [Signature]

CITIES, COUNTY, SCHOOLS AND ALL OTHER TAXING AGENCIES IN LOS ANGELES COUNTY
SECURED PROPERTY TAX FOR FISCAL YEAR JULY 1, 2010 - JUNE 30, 2011
 MARK J. SALADINO, TREASURER AND TAX COLLECTOR
 FOR ASSISTANCE CALL 1 (213) 974-2111 OR 1 (888) 807-2111, ON THE WEB AT www.lacountypropertytax.com

PROPERTY IDENTIFICATION
 ASSESSOR'S ID. NO.: 4336 001 028 10 000
 NUMBER OF RECORD AS OF JANUARY 1, 2010
 NAME AS BELOW
 MAILING ADDRESS

KLEIN MILLER INVESTMENT CO
 2121 CENTURY WOODS WAY
 LOS ANGELES CA 90067-6303

ELECTRONIC FUND TRANSFER (EFT) NUMBER

DATE: 19 4336 001 028 2 YEAR: 10 SEQUENCE: 000 8
 IN: 064764

American Express, Mastercard and Visa payments call 1 (888) 473-0835
 have available the EFT number listed above. Service fees will be charged.
 SPECIAL INFORMATION

DETAIL OF TAXES DUE FOR 4336 001 028 10 000 38

AGENCY	AGENCY PHONE NO.	RATE	AMOUNT
GENERAL TAX LEVY			
ALL AGENCIES		1.000000	\$ 4,489.71
VOTED INDEBTEDNESS			
METRO WATER DIST		.003700	\$ 16.61
COMMUNITY COLLEGE		.040310	180.98
UNIFIED SCHOOLS		.186954	839.37
DIRECT ASSESSMENTS			
WEHO SEWER MNTC (323) 848-6539		\$	193.32
WEHO STREET MNTC (323) 848-6539			45.96
COUNTY LIBRARY (562) 940-6954			27.84
FLOOD CONTROL (626) 458-5165			70.16
SAN DIST #4 (562) 908-4288			429.00
WB MWD STOBV CHG (866) 807-6864			120.00
COUNTY PARK DIST (213) 738-2983			37.74
LA WEST MOSO AB (310) 915-7370			11.40
TRAUMA/EMERG SRV (866) 587-2862			244.18
LA CO FIRE DEPT (323) 801-8151			277.05

PROPERTY LOCATION AND/OR PROPERTY DESCRIPTION

8751 BEVERLY BLVD W HOLLYWOOD
 EX OF MINING RIGHTS
 TRACT # 5939 LOTS 28 AND
 LOT 29 BLK 10

ASSESSOR'S REGIONAL OFFICE

REGION #25 INDEX:
 WEST DISTRICT OFFICE
 6120 BRISTOL PARKWAY
 CULVER CITY CA 90230
 (310) 665-5300

TRA: 01319

ACCT. NO.: PRINT NO.: 477727 BILL ID.:

TOTAL TAXES DUE

FIRST INSTALLMENT TAXES DUE NOV. 1, 2010 \$6,983.32
 SECOND INSTALLMENT TAXES DUE FEB. 1, 2011 \$3,491.67
 \$3,491.65

VALUATION INFORMATION

ROLL YEAR 10-11	CURRENT ASSESSED VALUE	TAXABLE VALUE
LAND	267,787	267,787
IMPROVEMENTS	181,184	181,184

TOTAL LESS EXEMPTION: 448,971
 NET TAXABLE VALUE 448,971

ANY RETURNED PAYMENT MAY BE SUBJECT TO A FEE UP TO \$50.00.
 KEEP THIS UPPER PORTION FOR YOUR RECORDS. YOUR CANCELLED CHECK IS YOUR RECEIPT.

DETACH AND MAIL THIS STUB WITH YOUR 2ND INSTALLMENT PAYMENT
 DO NOT INCLUDE NOTES WITH YOUR PAYMENT
 DO NOT STAPLE, TAPE OR CLIP PAYMENT STUB OR CHECK

ANNUAL 2010

IF MAILING ADDRESS CHANGE
 PLEASE MARK BOX BELOW AND
 COMPLETE FORM ON REVERSE SIDE
 OF THIS PAYMENT COUPON.

KLEIN MILLER INVESTMENT CO
 2121 CENTURY WOODS WAY
 LOS ANGELES CA 90067-6303

ASSESSOR'S ID. NO. CK PK
 4336 001 028 10 000 38 2
 INDICATE AMOUNT PAID

PAYMENT DUE 02/01/11
 IF NOT RECEIVED OR POSTMARKED BY 04/10/11
 REMIT AMOUNT OF \$3,850.81

2ND INSTALLMENT DUE
 \$3,491.65

MAKE PAYMENT PAYABLE TO:
 Please write the ASSESSOR'S ID. NO.
 on the lower left corner of your check.

LOS ANGELES COUNTY TAX COLLECTOR
 P.O. BOX 54018
 LOS ANGELES, CA 90054-0018

08383

2ND

11010000843360010280000349165000038508138320411

DETACH AND MAIL THIS STUB WITH YOUR 1ST INSTALLMENT PAYMENT
 DO NOT INCLUDE NOTES WITH YOUR PAYMENT
 DO NOT STAPLE, TAPE OR CLIP PAYMENT STUB OR CHECK

ANNUAL 2010

IF MAILING ADDRESS CHANGE
 PLEASE MARK BOX BELOW AND
 COMPLETE FORM ON REVERSE SIDE
 OF THIS PAYMENT COUPON.

KLEIN MILLER INVESTMENT CO
 2121 CENTURY WOODS WAY
 LOS ANGELES CA 90067-6303

ASSESSOR'S ID. NO. CK PK
 4336 001 028 10 000 38 1
 INDICATE AMOUNT PAID

PAYMENT DUE 11/01/10
 IF NOT RECEIVED OR POSTMARKED BY 12/10/10
 REMIT AMOUNT OF \$3,840.83

1ST INSTALLMENT DUE
 \$3,491.67

MAKE PAYMENT PAYABLE TO:
 Please write the ASSESSOR'S ID. NO.
 on the lower left corner of your check.

LOS ANGELES COUNTY TAX COLLECTOR
 P.O. BOX 54018
 LOS ANGELES, CA 90054-0018

28386

1ST

10210000843360010280000349167000038408338611210

3:12 PM

10/21/10

Accrual Basis

Klein Miller
Balance Details for Jennifer Convertibles
All Transactions

Type	Num	Date	Due Date	Aging	Amount	Open Balance
Stmt Charge		11/1/10	11/1/10		14,000.00	14,000.00
Payment	6062	10/6/10			-14,000.00	
Stmt Charge		10/1/10	10/1/10		14,000.00	
Payment	5543	9/7/10			-14,000.00	
Stmt Charge		9/1/10	9/1/10		14,000.00	
Stmt Charge		9/1/10	9/1/10		0.00	
Payment	74955	8/6/10			-14,302.00	
Stmt Charge		8/1/10	8/1/10		14,302.00	
Stmt Charge		7/1/10	7/1/10	112	14,302.00	14,302.00
Payment	3994	6/11/10			-14,302.00	
Stmt Charge		6/1/10	6/1/10		14,302.00	
Stmt Charge	PMT	5/27/10			-17,652.00	
Credit Memo	31	5/27/10	5/27/10		-0.95	
Payment	3367	5/10/10			-14,302.00	
Stmt Charge		5/1/10	5/1/10		14,302.00	
Stmt Charge		4/1/10	4/1/10		14,302.00	
Payment	2094	3/8/10			-18,786.95	
Payment	2091	3/8/10			-14,302.00	
Payment	2093	3/8/10			-14,302.00	
Payment	2092	3/8/10			-14,302.00	
Stmt Charge		3/1/10	3/1/10		14,302.00	
Payment	1456	2/16/10			-14,302.00	
Stmt Charge		2/1/10	2/1/10		14,302.00	
Stmt Charge		1/1/10	1/1/10		14,302.00	
Invoice	25	12/21/09	1/1/10		3,350.95	
Stmt Charge		12/1/09	12/1/09		14,302.00	
Payment	9000	11/25/09			-14,302.00	
Invoice	20	11/13/09	11/13/09		1,134.00	
Invoice	23	11/13/09	11/13/09		3,350.95	
Stmt Charge		11/1/09	11/1/09		14,302.00	
Payment	8314	10/2/09			-14,302.00	
Stmt Charge		10/1/09	10/1/09		14,302.00	
Payment	7798	9/14/09			-14,302.00	
Payment	6714	9/4/09			-14,302.00	
Stmt Charge		9/1/09	9/1/09		14,302.00	
Payment	6607	8/6/09			-14,302.00	
Stmt Charge		8/1/09	8/1/09		14,302.00	
Stmt Charge		7/1/09	7/1/09		14,302.00	
Payment	5759	7/1/09			-14,302.00	
Stmt Charge		6/1/09	6/1/09		14,302.00	
Payment	4445	5/14/09			-14,302.00	
Stmt Charge		5/1/09	5/1/09		14,302.00	
Credit Memo	19	4/7/09	4/7/09		-5,048.00	
Payment	63323	4/7/09			-14,302.00	
Payment	63327	4/7/09			-14,302.00	
Stmt Charge		4/1/09	4/1/09		14,302.00	
Stmt Charge		3/1/09	3/1/09		16,826.00	
Payment	061250	2/25/09			-20,044.76	
Stmt Charge		2/1/09	2/1/09		16,826.00	
Stmt Charge		1/1/09	1/1/09		16,826.00	
Invoice	17	12/18/08	1/1/09		3,218.76	
Payment	0577	12/9/08			-21,234.76	
Stmt Charge		12/1/08	12/1/08		16,826.00	
Invoice	12	11/19/08	11/19/08		1,190.00	
Invoice	13	11/19/08	11/19/08		3,218.76	
Payment	9855	11/10/08			-16,826.00	
Stmt Charge		11/1/08	11/1/08		16,826.00	
Payment	8982	10/6/08			-16,826.00	
Stmt Charge		10/1/08	10/1/08		16,826.00	
Payment	8220	9/11/08			-16,826.00	
Stmt Charge		9/1/08	9/1/08		16,826.00	
Stmt Charge		9/1/08	9/1/08		0.00	
Payment	7450	8/6/08			-16,336.00	
Stmt Charge		8/1/08	8/1/08		16,336.00	
Payment	6692	7/7/08			-16,336.00	
Stmt Charge		7/1/08	7/1/08		16,336.00	
Payment	5590	6/9/08			-16,336.00	

3:12 PM

10/21/10

Accrual Basis

Klein Miller
Balance Details for Jennifer Convertibles
All Transactions

Type	Num	Date	Due Date	Aging	Amount	Open Balance
Stmt Charge		6/1/08	6/1/08		16,336.00	
Payment	5246	5/6/08			-16,336.00	
Stmt Charge		5/1/08	5/1/08		16,336.00	
Payment	4501	4/9/08			-16,336.00	
Stmt Charge		4/1/08	4/1/08		16,336.00	
Payment	3711	3/7/08			-16,336.00	
Stmt Charge		3/1/08	3/1/08		16,336.00	
Payment	3039	2/11/08			-16,336.00	
Stmt Charge		2/1/08	2/1/08		16,336.00	
Payment	2195	1/7/08			-21,935.93	
Stmt Charge		1/1/08	1/1/08		16,336.00	
Stmt Charge		1/1/08	1/1/08		3,112.93	
Stmt Charge		1/1/08	1/1/08		2,487.00	
Payment	51426	12/7/07			-20,642.93	
Stmt Charge		12/1/07	12/1/07		16,336.00	
Stmt Charge		12/1/07	12/1/07		3,112.93	
Stmt Charge		12/1/07	12/1/07		1,194.00	
Total					28,302.00	28,302.00

LEVEN & SELIGMAN, LLP
1801 CENTURY PARK EAST
SUITE 2200
LOS ANGELES, CALIFORNIA 90067
(310) 279-5900

GARY E. LEVEN*
ROBERT Z. SELIGMAN
LINDA S. MASADA

*A LAW CORPORATION

FACSIMILE
(310) 279-5901

SENDER'S DIRECT DIAL
(310) 279-5910

SENDER'S EMAIL
rseligman@leven-
seligman.com

October 21, 2010

VIA FEDERAL EXPRESS

BMC Group, Inc.
Attn: Jennifer Convertibles Claims Processing
18750 Lake Drive East
Chanhassen, MN 55317

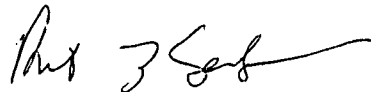
Re: Jennifer Convertibles, Inc.
Case Number: 10-13779

Dear Sir or Madam:

Enclosed herewith is the Proof Of Claim for Klein-Miller Investment Co. I also enclose a copy of the Proof Of Claim form and a self-addressed stamped envelope for return of a conformed copy indicating receipt thereof.

Thank you

Very truly yours,



Robert Z. Seligman
of Leven & Seligman, LLP

RZS/mhc
Encl.