


UNITED STATES BANKRUPTCY COURT SOUTHERN DISTRICT OF NEW YORK (MANHATTAN)		PROOF OF CLAIM	
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.		<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.	
Name of Creditor and Address: the person or other entity to whom the debtor owes money or property Irwin Sherry 818 North Doheny Drive, Unit 1002 W. Hollywood, CA 90069		<div style="border: 1px solid black; padding: 5px; display: inline-block;"> RECEIVED OCT 25 2010 BMC GROUP </div>	
Creditor Telephone Number (310) 276-1302 Name and address where payment should be sent (if different from above): See above.			
Payment Telephone Number ()		<input type="checkbox"/> Check this box to indicate that this claim amends a previously filed claim. Claim Number (if known): Filed on:	
1. AMOUNT OF CLAIM AS OF DATE CASE FILED \$ See attached addendum. 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: See attached addendum.		(See instructions #2 and #3a on reverse side.) 3. LAST FOUR DIGITS OF ANY NUMBER BY WHICH CREDITOR IDENTIFIES DEBTOR: See attached addendum. 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. Secured Claim Amount: \$ _____ Unsecured Claim Amount: \$ _____ 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: _____ 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. Unsecured Priority Claim 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.			
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 _____:00 pm, prevailing Eastern Time on _____, 2010 for Non-Governmental Claimants OR on or before _____, 2010 for Governmental Units. BY MAIL TO: BMC Group, Inc Attn: Jennifer Convertibles Claims Processing PO Box 3020 Chanhassen, MN 55317-3020		THIS SPACE FOR COURT USE ONLY Jennifer Convertibles  00300	
DATE 10/20/2010	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. Irwin Sherry		

Penalty for presenting fraudulent claim is a fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 AND 3571

ADDENDUM TO PROOF OF CLAIM¹

I, Irwin Sherry (the "Claimant"), hereby state as follows:

2. On or about July 15, 2001, Boston & Lake, LLC ("Boston & Lake"), as Landlord, and Jennifer Convertibles, Inc. ("Jennifer Convertibles"), as Tenant, entered into a Lease Agreement (hereinafter as may have been subsequently amended, supplemented or modified, the "Lease Agreement") pertaining to certain premises located at 80 North Lake, Pasadena, California, as described in the Lease Agreement (hereinafter, the "Premises"). A copy of the Lease Agreement is attached hereto as **Exhibit "A"**.

3. Claimant is the successor-in-interest to Boston & Lake under the Lease Agreement.

4. On or about June 28, 2006, Claimant and Jennifer Convertibles entered into an Extension Agreement (hereinafter as may have been subsequently amended, supplemented or modified, the "Extension Agreement") whereby Claimant and Jennifer Convertibles agreed to extend the term of the Lease Agreement to December 31, 2011 and otherwise modify the Lease Agreement as set forth therein. A copy of the Extension Agreement is attached hereto as **Exhibit "B"**.

5. On information and belief, on July 18, 2010 (the "Petition Date"), Jennifer Convertibles and certain of its debtor affiliates (collectively with Jennifer Convertibles, the "Debtors") filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). Upon information and belief, by order of the

¹ This Addendum to Proof of Claim is incorporated, in its entirety, to the proof of claim filed by Claimant as if fully set forth therein.

Bankruptcy Court dated July 22, 2010, the Debtors' bankruptcy cases are being jointly administered.

6. On information and belief, on September 16, 2010, the Bankruptcy Court entered an order (the "Bar Date Order") establishing October 25, 2010 at 5:00 p.m. (prevailing Eastern Time) (the "Bar Date") as the deadline to file claims against the Debtors, other than claims filed by governmental units, and approving the form and manner of notice of the Bar Date.

7. As of the Petition Date, Claimant was owed no less than approximately \$32,000 by Jennifer Convertibles pursuant to the Lease Agreement and/or the Extension Agreement. Accordingly, Claimant hereby asserts a claim (hereinafter, the "Claim") against Jennifer Convertibles for an unliquidated amount, not less than \$32,000, for any and all amounts due and owing pursuant to the Lease Agreement and/or the Extension Agreement, including, but not limited to, any and all damages, fees, costs and/or expenses incurred in connection with Claimant's efforts to collect the amounts due and owing under the Lease Agreement and/or the Extension Agreement.

8. As of the date of the signing of this Claim, Jennifer Convertibles is in possession of the Premises.

9. This Claim is being filed pursuant to the Bar Date Order. By virtue of the filing of Claimant's Claim, Claimant has complied with the procedures set forth in the Bar Date Order and Claimant reserves Claimant's rights accordingly with respect to any challenge to this Claim.

10. Upon information and belief, Claimant's Claim in relation to the Lease Agreement and/or Extension Agreement was scheduled in the Schedules of Assets and Liabilities

of Jennifer Convertibles under the creditor name of "I & D Sherry" and in the amount of \$28,645.16 . This Claim supercedes any such scheduled claim.

11. This Claim is not subject to any set-off or counterclaim asserted by the Debtors.

12. No judgment has been rendered on this Claim, and no part of this Claim has been paid.

13. Nothing stated in Claimant's Claim shall constitute: (i) a waiver or release of the rights of Claimant or any of Claimant's affiliates against any of the Debtors or their affiliates or any other person or property; (ii) a waiver or release of the rights of Claimant or any of Claimant's affiliates to contest the jurisdiction of the Bankruptcy Court with respect to the subject matter of the statements set forth herein, any objection or other proceeding commenced with respect thereto or any other proceeding commenced in the Debtors' bankruptcy cases against or otherwise involving Claimant or any of Claimant's affiliates; (iii) a waiver of any default, event of default or similar event, whether specified or not herein; (iv) an election of remedies or choice of law; or (v) an admission by Claimant or any of Claimant's affiliates as to any matter, including any liability with respect to any matter.

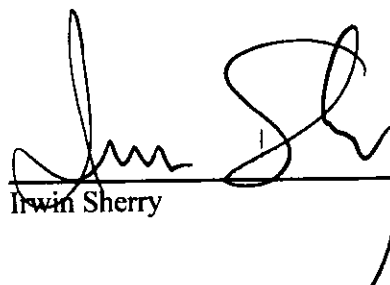
14. Claimant and Claimant's affiliates hereby expressly reserve: (i) all of their rights and remedies pursuant to the Lease Agreement, the Extension Agreement or any other agreement between Claimant and/or any of Claimant's affiliates and any of the Debtors or any of the Debtors' affiliates pursuant to applicable law; (ii) all of their rights to assert additional claims against any or all of the Debtors; (iii) all of their rights to assert claims against parties other than the Debtors; (iv) all of their rights to amend, modify, withdraw and/or supplement this Claim in any respect and/or to file additional claims from time to time as may be necessary or appropriate;

and (v) all of their rights to assert any right of set-off that they may now or in the future have against any or all of the Debtors. Any acceptance by Claimant or any of Claimant's affiliates of performance from any or all of the Debtors or any of their affiliates, or performance by Claimant or any of Claimant's affiliates under any agreement between Claimant or any of Claimant's affiliates and any or all of the Debtors or any of their respective affiliates, or otherwise (including without limitation the rollover of, or entry into any transactions under, or amendments, supplements or modifications to, any agreement or otherwise), or any delay in exercising any remedies Claimant or any of Claimant's affiliates may have, shall not constitute a waiver or forbearance of any rights or remedies Claimant or Claimant's affiliates may have.

15. In filing this Claim, Claimant does not submit itself to the jurisdiction of the Bankruptcy Court for any purpose other than with respect to such Claim.

Dated: Los Angeles, California
October 20, 2010

By:


Irwin Sherry

ALL NOTICES AND DISTRIBUTIONS WITH RESPECT TO THIS CLAIM SHOULD BE SENT TO:

Irwin Sherry
818 North Doheny Drive, Unit 1002
W. Hollywood, CA 90069
Telephone: (310) 276-1302
Email: dsherry118@yahoo.com

Lease Agreement

Between

BOSTON & LAKE, LLC, a California limited liability company

as Landlord

and

JENNIFER CONVERTIBLES, INC., a Delaware corporation

as Tenant

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"E"	Landlord's Work
"F"	Option to Renew
"G"	Conditions Precedent To Lease
"H"	Tenant's Construction

LEASE

In consideration of the rents and covenants set forth in this Lease, Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Premises described below, subject to all the provisions of this Lease.

FUNDAMENTAL LEASE PROVISIONS

EFFECTIVE DATE: July 15, 2001

LANDLORD: BOSTON & LAKE, LLC, a California limited liability company

TENANT: JENNIFER CONVERTIBLES, INC., a Delaware corporation

TENANT'S TRADE NAME (see Section 6.1): Jennifer Convertibles, Inc.

BUILDING (Section 1.1) ADDRESS: 80 North Lake, Pasadena, California

APPROXIMATE FLOOR AREA OF BUILDING: 6,000 square feet

APPROXIMATE FLOOR AREA OF PREMISES SUBJECT TO THE LEASE: 3,000 square feet

SIGNAGE: Pro-rata share of space to be provided on monument sign on Lake Ave., subject to Landlord and city approval, at Tenant's expense with a \$5,000 rent credit to Tenant.

COMMENCEMENT DATE: July 1, 2001

RENT COMMENCEMENT DATE: Earlier of February 1, 2002 or as soon thereafter as Landlord's Work is completed. Notwithstanding the foregoing, Tenant shall not be required to accept delivery in the month of November 2001.

LEASE TERM (Section 2.1): Five (5) years

EXPIRATION DATE (Sections 2.1; 2.2): Five (5) years and three (3) months after Rent Commencement

OPTION TO RENEW: Two options to renew of five (5) years each ("Exhibit F")

MONTHLY FIXED MINIMUM RENT (Section 3.1): \$7,500.

PERCENTAGE SHARE - PREMISES TAXES, INSURANCE and COMMON AREA OPERATING COSTS (Sections 5.2; 8.4; 11.2): Fifty Percent (50%)

USE OF PREMISES (Section 6.1): Retail sales of sofas and leather furniture

SECURITY DEPOSIT: None

PREPAID RENT: One month, \$7,500 due upon Lease execution

LANDLORD'S BROKER (Section 17.13): Harry Oliver, NAI Capital Commercial

TENANT'S BROKER (Section 17.13): Soboroff Partners

ADDRESS FOR NOTICES (Section 17.10):

To Landlord: Attn: Gene Scarcello
BOSTON & LAKE, LLC
1706B Newport Blvd.
Costa Mesa, CA 92627

To Tenant:

The Fundamental Lease Provisions are an integral part of this Lease and each reference in this Lease to any of the Fundamental Lease Provisions shall be construed to incorporate all of the terms provided under each such Fundamental Lease Provision. In the event of any conflict between any Fundamental Lease Provision and the balance of this Lease, the balance of this Lease shall control. References to specific Sections are for convenience only and designate some of the Sections where references to the particular Fundamental Lease Provisions appear.

Dated: July 15, 2001

Landlord's Initials

Tenant's Initials

ARTICLE I. THE PREMISES:

1.1 Description. Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the premises described in the Fundamental Lease Provisions (the "Premises") at the building. The building consists of a multi-user building (the "Building"), parking lot, and sidewalks attached to the Building, sometimes referred to herein as improvements of Improvements. The legal description of the Building is set forth in the attached "Exhibit A." The site plan showing the Premises is set forth in the attached "Exhibit B." Notwithstanding the foregoing and except as otherwise provided herein, this Lease is subject to, without limitation: (a) all covenants, conditions, restrictions, easements, mortgages, deeds of trust and rights of way to which Landlord is a party which affect the Premises and (b) all zoning laws, ordinances and building codes nor or hereafter affecting the Premises.

1.2 Right of Entry. Landlord shall have the right to enter the Premises to inspect the Premises to prevent waste, and to repair the Premises (if Tenant fails to do so) without abatement of rent, without interfering with the conduct of Tenant's business. Except in emergencies and in cases where Landlord is entering as a patron, Landlord shall give reasonable notice to Tenant of Landlord's intention to enter the Premises to inspect, repair, and to prevent waste.

1.3 Tenants of Building. There are or will be other tenants occupying space within the Building.

1.4 Description of Premises. Landlord believes the Premises consist of approximately 3,000 square feet; however, Landlord has not actually measured the Premises or the Building. It is understood and agreed that the square footage set forth herein is an approximation which Landlord and Tenant agree is reasonable and shall not be subject to revision or dispute except in connection with an actual change in the size of the Premises pursuant to an agreement in writing between Landlord and Tenant.

ARTICLE II. TERM AND POSSESSION:

2.1 Term. The term of this Lease shall begin on the Commencement Date and shall terminate on the Expiration Date (as specified in the "Commencement Date" and "Expiration Date" of the Fundamental Lease Provisions). Notwithstanding the foregoing sentence, Tenant acknowledges and agrees that certain obligations of Tenant under this Lease shall begin on the Commencement Date.

2.2 Commencement Date. The Commencement Date shall be the date certain specified in the Fundamental Lease Provisions as the Rent Commencement Date. The Commencement Date is contingent upon completion of Landlord's Work as set forth in "Exhibit E." In the event Landlord's Work is not completed by February 1, 2002, the Rent Commencement Date shall be adjusted to the date Landlord's Work is completed.

2.3 Acceptance of Premises: Tenant acknowledges that it has inspected the Premises and accepts the Premises "AS IS, WHERE IS" in its present condition. By taking possession of the Premises and commencing its improvements, Tenant shall be deemed to have (a) accepted the Premises, (b) acknowledged that the same are in the condition called for herein, and (c) agreed that the obligations of Landlord imposed herein have been fully performed. Notwithstanding the foregoing, Landlord shall install a demising wall, and restrooms will comply with all applicable codes. A description of Landlord's Work is shown in the attached "Exhibit E." Landlord shall provide to Tenant, metered separately to Tenant, the Building's utilities and HVAC systems in good working order and shall warrant that the HVAC system shall remain free of defects for the first year of the Lease commencing from the Commencement Date through the period ending on the one year anniversary of the Rent Commencement Date; provided, however, Tenant shall be required to obtain a HVAC maintenance contract from the Commencement Date as provided in Subsection 8.2(e) below. Further, Landlord shall be required to make the Premises ADA compliant as such actual and related codes, rules and regulations exist on the Commencement Date. Changes required by ADA or similar codes, rules or regulations which arise after the Commencement Date shall be the responsibility of Tenant. Landlord will deliver the Building to Tenant in "Vanilla Shell" condition, as that term is

commonly used in the leasing industry. Landlord shall remove all existing partition walls, the Building interior will have T-bar ceilings in good condition, and the walls will be textured and ready for paint.

2.4 Possession. Following Tenant and Landlord executing this Lease, after Tenant has paid Landlord the Security Deposit, if applicable, the first month's rent, and any other payments required under this Lease due before Landlord gives Tenant possession of the Premises, and following the existing tenant vacating the Premises and Landlord being able to make the Premises ready as required under Section 2.3 above, Tenant or its agents shall have access to the Premises to make structural investigations, architectural and engineering studies and any other investigations Tenant deems necessary to evaluate the Premises. Tenant shall be given possession of the Premises for the purpose of constructing Tenant Improvements. Tenant shall commence the installation of fixtures, equipment and all other "Tenant's Work," attached hereto as "Exhibit H," promptly and Tenant shall diligently pursue such installation and work to completion. All of Tenant's Work shall be at Tenant's cost and expense, and shall be pursuant to plans and specifications which shall have first received Landlord's written approval. All Tenant's Work shall be undertaken and completed in a good, workmanlike manner and Tenant shall obtain all necessary governmental permits, licenses and approvals with respect thereto and shall fully comply with all governmental statutes, ordinances, rules and regulations pertaining thereto. The Commencement Date shall be as set forth in the Fundamental Lease Provisions. Tenant shall open for business on the Premises under the trade name specified in the Fundamental Lease Provisions no later than thirty (30) days from the date Landlord completes the Premises.

On or before Tenant takes possession of the Premises, Tenant shall deliver certificates of insurance required by Article XI. Tenant's time to complete Tenant's Work commences on the date it is given possession of the Premises.

Tenant shall take possession of the Premises only after delivery of the certificates of insurance required hereunder.

As provided for in Section 2.3 above, Tenant agrees to take the Premises in its "as is, where is" condition, subject to the conditions imposed on Landlord under Section 2.3. Tenant waives any right or claim against the Landlord for any cause directly or indirectly arising out of the condition of the Premises appurtenances thereto, the improvements thereon and the equipment thereof. Tenant shall save and hold harmless Landlord from liability as provided in this Lease. Landlord shall not be liable for any patent defects therein.

Prior to commencement of Tenant's Work, Tenant shall notify Landlord in writing of the date Tenant will commence construction. Tenant's contractor shall commence the construction of Tenant's Work promptly upon possession of the Premises by Tenant and shall diligently pursue such construction to completion. From the date of the Delivery Notice, Tenant shall complete construction within the time period described in the Fundamental Lease Provisions under the Rent Commencement Date. Tenant shall comply with all conditions in "Exhibit H." Tenant shall record within ten (10) days of completion of Tenant's Work a valid Notice of Completion and thereafter deliver to Landlord prior to opening for business a certified copy of such Notice along with final lien releases for all contractors, subcontractors, materialmen and suppliers covering all improvements and work performed by Tenant and/or Tenant's contractor of the Premises.

Unless otherwise agreed to in writing by Landlord, any work performed to the Premises in connection with the heating, ventilation, air-conditioning equipment ("HVAC"), and any roof penetrations or work to automatic sprinklers shall be performed by Landlord and/or Landlord's contractor. If Tenant does not use Landlord's roofer and/or HVAC contractor or sprinkler contractor pursuant to a written agreement between Landlord and Tenant, Landlord reserves the right to have Landlord's contractor inspect Tenant's improvements at Tenant's expense and correct any defects at Tenant's expense. Until such time as Landlord's contractor has repaired any substandard work performed by Tenant or at Tenant's direction, Tenant shall be responsible for any reasonable and necessary repairs and/or service calls.

ARTICLE III. RENT:

3.1 Fixed Minimum Rent. Tenant shall pay to Landlord for each calendar month during the Lease term the Fixed Minimum Rent specified in the Fundamental Lease Provisions. With the exception of the first month's rent which shall be paid upon execution of this Lease, the Fixed Minimum Rent is payable in advance on the first day of each month. The Fixed Minimum Rent for any part of a calendar month at the beginning or end of the Lease term shall be prorated on a daily basis, based on a thirty (30) day month. The Fixed Minimum Rent will be adjusted in accordance with Section 3.4.

3.2 Percentage Rent. Tenant shall not be required to pay to Landlord any percentage rent.

Notwithstanding Landlord's waiver of such requirement, Tenant shall provide to Landlord within one hundred twenty (120) days after each calendar year following the Rent Commencement Date Tenant's "gross sales." The term "gross sales" as used in this Lease shall mean the total of the gross selling price of all merchandise, goods or services sold by Tenant, its subtenants, concessionaires and any other person in or from the Premises.

3.3 Additional Rent. Tenant shall also pay to Landlord monthly during the Lease term, as additional rent, Tenant's share of: (a) Common Areas Operating Cost, as provided at Section 8.5; which includes (b) Real Premises Taxes, as provided at Section 5.2; and (c) Insurance, as provided at Section 11.2.

3.4 Adjustment of Fixed Minimum Rent. The amount of Fixed Minimum Rent, as adjusted as provided below, shall, during each of the Initial and Option Terms, be increased as follows: At the end of each successive thirty-six (36) months following the Rent Commencement Date, including without limitation during the Option Terms, assuming Tenant has exercised and can exercise the Option Terms as provided in this Lease and the Exhibits hereto, the Fixed Minimum Rent shall be increased by ten percent (10%) over the previously established Fixed Minimum Rent. Therefore, the Monthly Fixed Minimum Rent shall be as follows:

<u>Period</u>	<u>Fixed Minimum Rent (Monthly)</u>
Months 1-36	\$7,500.00
Months 37-72	\$8,250.00
Months 73-108	\$9,075.00
Months 109-144	\$9,982.50
Months 145-180	\$10,980.75

3.5 Place of Payments. Tenant agrees to pay the rental and all other payments to be made to Landlord under this Lease at the address specified in the Fundamental Lease Provisions, or to such other person and/or at such other place as Landlord may from time to time designate to Tenant in writing.

3.6 Late Payments.

(a) Tenant hereby acknowledges that late payment by Tenant of any rent, additional rent or other sums due under this Lease will cause Landlord to incur costs not contemplated by this Lease, the exact amount of such costs being extremely difficult and impracticable to ascertain. Accordingly, if any rent, additional rent or any other sum due from Tenant is not actually received by Landlord within ten (10) calendar days after it is due, Tenant shall pay to Landlord an additional amount equal to five percent (5%) of such overdue payment, which amount shall immediately become due to Landlord. Notwithstanding the foregoing, or anything to the contrary in this Lease or Tenant's Addendum hereto, if Tenant fails to pay rent in a timely manner, then Landlord shall not be entitled to exercise any default remedies as provided herein until and unless Landlord gives ten (10) days written notice to Tenant to cure such default (the "Cure Period"). During the Cure Period, Tenant may cure the default by paying all rent then due, including without limitation, the late charge set forth in this Paragraph if rent is not paid by the seventeenth (17th) of any month. If Tenant fails to cure such default during the Cure Period,

then Landlord may immediately thereafter exercise all remedies available to it under this Lease and California law.

(b) All delinquent rent, additional rent or other sums due to Landlord, plus the late charge, shall bear interest as provided for in Section 17.6. This late charge shall be deemed "additional rent" within this Lease.

(c) Any payment returned for insufficient funds will be considered a late payment and subject to the late charge as provided in this Section 3.6.

3.7 Further Additional Rent; Set-Off. Tenant shall also pay to Landlord, as further additional rent, all sums required to be paid by Tenant to Landlord pursuant to this Lease in addition to Fixed Minimum Rent, and Additional Rent, whether or not the same is designated "additional rent." Further, all sums required to be paid in this Lease, including but not limited to Fixed Minimum Rent, Additional Rent, late charges and interest, shall be and are hereby deemed "rent." All rental payments due Landlord hereunder shall be paid on their specified due date, without demand, set-off or deduction.

ARTICLE IV. ARTICLE DELETED

ARTICLE V. TAXES.

5.1 Definitions.

(a) As used herein, the term "real Premises taxes" shall include any form of real estate tax or assessment, and any license fee, rental tax or assessment, improvement bond or other levy or tax (other than income tax) imposed on the Landlord or Tenant with respect to Premises, the Common Areas, or their underlying realty, by any authority having the direct or indirect power to tax, including, without limitation, any city, state or federal government, or any school, agricultural, sanitary, fire, street, drainage or other improvement district. Real Premises taxes shall also include all local parking and improvement district taxes or assessments attributable to the Premises.

(b) For the purpose of this Section, real Premises taxes, which are levied on a fiscal year basis, shall be deemed to apply one-twelfth (1/12) to each calendar month in such fiscal year.

5.2 Payment by Tenant.

(a) Tenant shall, beginning three (3) months after the Rent Commencement Date and for the balance of the term of this Lease, pay a portion of the real Premises taxes levied or assessed upon the Premises equal to the percentage set forth as the "Percentage Share - Premises Taxes; Insurance and Common Area Operating Costs" in the Fundamental Lease Provisions.

(b) From and after the Rent Commencement Date, but subject to adjustment and proration, as provided in Subsections (c) and (d) below, Tenant shall pay Landlord on the first day of each calendar month of the term of this Lease an amount estimated by Landlord to be one-twelfth (1/12) Tenant's share of the annual amount of the real Premises taxes on the Premises.

(c) Adjustments in Tenant's share of real Premises taxes shall be made annually, as described in Section 8.5(b).

(d) Any real Premises tax payable for a monthly period, a portion of which is either before or after the term of this Lease, shall be prorated between Landlord and Tenant.

5.3 Personal Premises Taxes. During the term of this Lease Tenant shall pay prior to delinquency all taxes, assessments, license fees and public charges levied, assessed or imposed upon Tenant's business operation, trade fixtures, furnishings, equipment, merchandise and all other personal Premises in, on or upon the Premises.

ARTICLE VI. USE:

6.1 Use of Premises. Tenant shall use the Premises solely for the purposes and under the trade name specified in the Fundamental Lease Provisions, and for no other purposes and under no other name without the prior written consent of Landlord.

6.2 Hours of Business. Tenant agrees that, during the entire term of this Lease, it will be open for business and will operate the Premises during all regular customary business days. Tenant shall cause its business to be conducted and operated in good faith and in such manner as shall assure the transaction of a maximum volume of business in and at the Premises.

6.3 Compliance With Laws, Rules and Regulations. Tenant, at Tenant's expense, shall promptly comply with all present and future laws, ordinances, orders, rules, regulations and requirements of all governmental authorities having jurisdiction, affecting or applicable to the Premises or the cleanliness, safety, occupancy and use of the same. Tenant shall not use or allow the Premises to be used for any improper, immoral or objectionable purpose. Tenant shall also comply with the "Rules and Regulations For Premises," attached as "Exhibit C" to this Lease, which may be changed from time to time by Landlord in its sole discretion. Tenant shall be responsible for its agents, employees and invitees complying with all such laws, ordinances, orders, rules, regulations and requirements applicable to the Premises.

6.4 Business Conduct. Tenant agrees that it will conduct its business at all times in a first class and reputable manner, so as not to injure the reputation of the Premises.

6.5 Displays. Tenant shall at all times maintain the display windows of the Building in a neat and attractive manner, and shall keep such display windows well lighted during the hours from sundown until closing Tenant's business to the public each night.

6.6 Building Name. Landlord reserves the right, in its sole discretion, to create or change the name and any logo for the Building at any time.

6.7 Storage and Office Areas. No area outside the Premises or the Building shall be used for storage without the written consent of Landlord.

ARTICLE VII. COMMON AREAS:

7.1 Definition of Common Areas. The term "Common Areas" means all areas, spaces, improvements and equipment of the Premises (as such areas, etc., may be expanded or decreased at Landlord's option), except those areas, etc., which from time to time are designated by Landlord as being outside the common area. The common area includes, without limitation, exterior walls, roofs, roof membranes, landscaped areas, pedestrian walkways and patios, parking lots ramps, restrooms, storage areas (including refuse enclosures), and all other areas, spaces, improvements, equipment and special services which are not included as part of the Premises.

7.2 Non-Exclusive Use. The Common Areas shall be available for Tenant's non-exclusive use for ingress, egress and other appropriate purposes during the full term of this Lease, subject to any maintenance or construction in the Premises. The rights of Tenant to the Common Areas shall at all times be subject to the rights of Landlord and subject to rules and regulations for the use of the Common Areas as prescribed from time to time by Landlord, in its sole discretion. Tenant shall keep the Common Areas free and clear of any obstructions created or permitted by Tenant or resulting from Tenant's business operation. Tenant shall not use the Common Areas in any way for the display or sale of merchandise, except with the written consent of Landlord.

7.3 Maintenance of Common Areas. Landlord shall operate, manage, equip, light, repair, clean and maintain the Common Areas in such manner as Landlord may in its sole discretion determine to be appropriate. All expenses incurred in connection with the maintenance of the Common Areas required under this Section shall be charged to and paid by Tenant in the manner set forth in Sections 8.4 and 8.5. Landlord shall have the right to use, and to close if necessary, portions of the common area while engaged in making additional improvements or repairs or alterations to the Premises. Landlord shall not be liable for any inconvenience or interruption of business or other consequences resulting from the maintenance

or making of repairs, replacements, improvements or alterations to or upon the Premises, including any of the Common Areas.

7.4 Control of Common Areas.

(a) Landlord shall at all times during the term of this Lease have the sole and exclusive control of all Common Areas. Landlord shall at all times have the right to make such changes to the Common Areas as the Landlord, in its sole discretion deems necessary or desirable, including, without limitation, the installation of prohibited areas, landscaped areas, and any other facilities. Landlord shall also have the unqualified right to expand or decrease the common area, for the sole benefit of Landlord, portions of what were previously considered common area. Landlord shall have the sole right to place public telephones on the common area.

(b) Landlord reserves the right to utilize any portions of the Premises for advertising purposes. Landlord may temporarily close any Common Areas for repairs or alterations, or for any other reason deemed sufficient by Landlord.

7.5 Parking. Tenant acknowledges that Landlord makes no representations about the rules, regulations and laws pertaining to the number of parking spaces required for Tenant's use of the Premises.

7.6 Prohibited Activities. The following activities and conduct are forbidden on the Premises except to the extent otherwise expressly allowed in writing by Landlord or by the provisions of this Lease (a) marches or processions consisting of people, animals or vehicles or a combination thereof without seeking and obtaining appropriate permits; (b) profanity, indecent or other conduct that constitutes a tort or civil wrong to any person, or a crime or other violent, tumultuous, offensive or disorderly conduct; (c) any activity which will mar, injure, destroy or deface, or aid in injuring, destroying or defacing, the Premises of the Premises (d) loitering, which is hereby defined as remaining idle in essentially one location without apparent purpose suited to the business being conducted on the Premises; and (e) any other conduct which Landlord, in its reasonable judgment, determines is not in the best interests of the Premises, its tenants or customers.

ARTICLE VIII. MAINTENANCE, REPAIR AND REPLACEMENT:

8.1 Landlord's Obligations. Landlord shall maintain in good condition the structural parts of the Building, which shall include only the foundations, bearing and exterior walls (excluding interior surfaces of exterior walls and excluding all windows, doors, door frames, door sills, door checks, plate glass and showcases), exterior roof and walls, those portions of the electrical, plumbing and sewage systems lying outside the Building, gutters and downspouts and the parking lot; provided, however, the cost of all such maintenance shall be prorated and paid as Common Areas Operating Cost, and Tenant shall reimburse Landlord for Tenant's share of such costs as set forth in Sections 8.4 and 8.5. In no event shall Tenant be entitled to undertake any such maintenance or repairs, whether at the expense of Tenant or Landlord, without Landlord's consent, in Landlord's reasonable judgment. Tenant hereby waives the provisions of California Civil Code §§ 1941 and 1942 and any other law permitting Tenant to make repairs at Landlord's expense. Landlord shall have no obligation to perform any maintenance under this Section 8.1 unless Landlord determines, in its reasonable judgment, that such maintenance is necessary and until a reasonable time after receipt of written notice of the need for such maintenance.

Notwithstanding anything to the contrary in this Lease, Landlord shall deliver the Premises to Tenant with the separately metered utilities, the HVAC system, and the electrical panels in good condition and repair and shall warrant their condition, or shall pass on to Tenant the warranties of the manufacturers or installers, for a period of twelve (12) months from the Commencement Date. Tenant, however, shall be required to bear the cost of any maintenance agreements pertaining to these items. To the extent Landlord has already paid for maintenance agreements which expire after the Commencement Date, then the costs for such agreements paid by Landlord shall be prorated between Landlord and Tenant and Tenant shall pay its prorated share to Landlord within ten (10) days following Landlord's notice of such to Tenant.

8.2 Tenant's Obligations.

(a) Tenant shall, at Tenant's expense, keep and maintain in first class appearance, and in a condition equal to or better than that which existed when Tenant initially opened for business, the Premises and every part thereof, including, without limitation, the interior surfaces of the exterior walls, all doors, door frames, door sills, door checks, other entrances, locks and closing devices, windows, window frames, outside window surfaces, showcases, mullions, window sash, casement of frames, plate glass, store fronts, signs, all plumbing, utility and sewage facilities within the Building (including, without limitation, free flow up to the main sewer line), fixtures, ventilation, heating and air conditioning and electrical systems (whether or not located in the Building), sprinkler systems, walls, floors, ceilings and all other equipment on the Premises.

(b) Tenant shall keep and maintain the Premises in a clean, sanitary and safe condition in accordance with the laws of the State of California and in accordance with all directions, rules and regulations of the health officer, fire marshal, building inspectors or other proper officials of the governmental agencies having jurisdiction, and Tenant shall comply with all requirements of laws, ordinances and other regulations affecting the Premises, all at the sole cost and expense of Tenant.

(c) Tenant shall keep the Premises free from any and all liens arising out of any work performed, materials furnished or obligations incurred by or for Tenant, and agrees to bond against or discharge any mechanic's or materialmen's lien within twenty (20) days after the lien has been filed or within twenty (20) days after receipt of written request from Landlord, whichever shall be the sooner. Tenant shall give Landlord at least fifteen (15) days written notice prior to commencing or causing to be commenced any work on the Premises regardless of whether the work is to be performed prior or subsequent to the commencement of the Lease term. Tenant shall reimburse Landlord for any and all costs and expenses (including attorneys' fees) which may be incurred by Landlord by reason of the filing of any such liens and/or removal of such liens, such reimbursement to be made within ten (10) days after receipt by Tenant from Landlord of a statement setting forth the amount of such costs and expenses.

(d) Tenant, at its own expense, shall install and maintain such fire extinguishers and other fire protection devices as may be required from time to time by any agency having jurisdiction and/or by the insurance underwriters insuring the Premises!

(e) Tenant agrees to procure and maintain in full force, with such company or companies as Landlord shall approve, a contract for the regular maintenance and repair of the heating, air conditioning or ventilating equipment serving the Premises, within fifteen (15) business days after the commencement of this Lease and thereafter during the entire term of this Lease.

(f) In the event Tenant fails, refuses or neglects to commence and complete repairs promptly and adequately, to remove any lien, to pay any cost or expense (except rent which shall be payable as otherwise provided herein), to reimburse Landlord, or otherwise to perform any act or fulfill any obligation required of Tenant pursuant to this Section 8.2 or Section 8.3 within ten (10) days after written demand by Landlord, Landlord may, but shall not be required to do so, make or complete any such repairs, remove such lien, pay such cost or perform such act or the like without prior notice to, but at the sole cost and expense of, Tenant. Tenant shall, within ten (10) days after receipt by Tenant from Landlord of a statement setting forth the amount of such costs and expenses, reimburse Landlord for all such costs and expenses incurred by Landlord plus an additional twenty percent (20%) of such costs and expenses as Landlord's additional overhead for performing the obligations.

8.3 Cleanliness, Waste and Nuisance. Tenant shall keep the Premises at all times in a neat, clean and sanitary condition, free from waste or debris and shall neither commit nor permit any waste or nuisance thereon. If Tenant's employees or customers deposit waste or debris, or leave any portion of the Premises, its parking lot or sidewalk in a dirty or messy condition, Tenant shall be responsible for providing or paying for services which will properly maintain such areas.

8.4 Common Areas Operating Cost.

(a) For each calendar year of the Lease term, Tenant will pay to Landlord Tenant's percentage share of the "Common Areas Operating Cost," as provided for in Sections 8.4 (b), 8.4(c) and 8.5.

(b) "Common Areas Operating Cost" means the total costs and expenses incurred by Landlord in operating, maintaining, repairing and replacing all or any part of any of the Common Areas of the Building. Specifically included, without limitation, are: (1) the costs of gardening, landscaping, window washing, sweeping and cleaning; (2) real Premises taxes and assessments; (3) governmental or other surcharges, if any; (4) the costs of public liability and Premises damage insurance for the Building; (5) the costs of "all risk" coverage insurance with respect to the Building, and earthquake and/or flood insurance, if carried by Landlord [notwithstanding the foregoing, Landlord shall use its best efforts to keep insurance costs low by obtaining new quotes when prudent to do so]; (6) the deductible portions of the insurance specified in this Section in the event of claims; (7) purchase, installation and maintenance of signs and markers, and of seasonal or promotional decorations, advertisements and related services, if any; (8) the costs of sanitary control, removal of trash, rubbish, garbage and other refuse; (9) the costs of repair, maintenance and replacement of all or any part of the Common Areas of the Building (including, without limitation, sign pylons, if any, gutters and downspouts, fountains and/or monuments, if any, and tenant identification signs located within the Common Areas and the Building; (10) the costs of lighting the Common Areas and the Premises; (11) the costs of lighting and electrical repair for signs, displays, fountains and/or monuments, if any, located within the Common Areas of the Building; (12) the costs of utilities which service the Common Areas; (13) Premises management fees of five percent (5%) for management services provided by or for Landlord; (14) the costs of bookkeeping; (15) reasonable costs and expenses incurred by Landlord in performing Landlord's Obligations as set forth in Section 8.1; (16) reasonable costs and expenses incurred by Landlord in providing any service, maintenance, repair and replacement with respect to any air conditioning, ventilating or heating facilities and equipment as set forth in Section 8.2(e); (17) reasonable costs incurred for any and all equipment, apparatus, services, personnel, repairs, maintenance, improvements, charges or alterations, for, on or in the Common Areas, required at any time, now or in the future, by any law, rules, regulations or governmental agency; and (18) reasonable other costs, fees, expenses and other charges, of any nature, incurred by Landlord in operating, maintaining, policing, repairing and replacing any portions of the Building, Common Areas, that have not already been expressly included as Common Areas Operating Cost by the provisions of this Lease and which Tenant or another tenant is not exclusively already obligated to pay for under this Lease. Landlord may elect to amortize any of the foregoing costs and expenses over a useful life determined in accordance with generally accepted accounting principles.

(c) Tenant's percentage share of the Common Areas Operating Cost shall be the percentage specified in the "Percentage Share - Premises Taxes, Insurance and Common Area Operating Costs" of the Fundamental Lease Provisions, which in this Lease is 50% (fifty percent). Notwithstanding any provision in this Lease or Tenant's Addendum to the contrary, Tenant shall not be required to pay Common Area Operating Costs to the extent such costs (excluding Taxes and Insurance) exceed one hundred and five percent (105%) of the immediately prior year's amount. For the purpose of interpreting only the following sentence, the "prior year" shall not be a calendar year but shall be determined from one anniversary date of the Rent Commencement Date to the succeeding anniversary date of the Rent Commencement Date.

8.5 Payment For Common Area Operating Costs.

(a) The Common Area Operating Costs to be paid pursuant to Section 8.4 shall be paid monthly, in advance, as estimated by Landlord, commencing three (3) months after the Rent Commencement Date. Landlord shall have the right at any time to adjust the estimated monthly advance charge for the Common Areas Operating Cost based on actual expenditures during the preceding or current period.

(b) Annually, within one hundred twenty (120) days after the end of each calendar year, an accounting shall be made by Landlord for the purpose of determining (1) the actual Common Areas Operating Cost for the immediately preceding calendar year; (2) Tenant's percentage share of such actual Common Areas Operating Cost for the immediately preceding calendar year; and (3) the amount actually paid by Tenant as his percentage share of

the estimated Common Areas Operating Cost for the immediately preceding calendar year. If Tenant's percentage share of the actual Common Areas Operating Cost for such calendar year exceeds the amount actually paid by Tenant on an estimated basis, then Landlord shall be entitled to a credit to the extent of such excess. If, on the other hand, the amount paid by Tenant on an estimated basis for such calendar year period exceeds Tenant's percentage share of the Common Areas Operating Cost for such calendar year, then Tenant shall be entitled to a credit to the extent of such excess. Any credit due Landlord as a result of such accounting shall be paid to Landlord by Tenant within ten (10) days after Tenant has received a billing from Landlord for the amount due. Any credit due Tenant as a result of such accounting may, at Landlord's option, be promptly paid to Tenant by Landlord, or may be offset by Landlord against any sums owed to Landlord by Tenant, or may be offset against payments next due from Tenant to Landlord. Any fractional calendar year in the first or last calendar year of this Lease shall be prorated on a 360-day year basis.

(c) Upon Tenant's requesting from Landlord not more than once each six (6) months from the Rent Commencement Date for Landlord to provide Tenant copies of invoices reflecting the Common Areas Operating Cost, Landlord shall provide them to Tenant within thirty (30) days of Tenant's written request. Under no circumstances shall Landlord be required to reply to any request for invoices dated more than two (2) years before such request by Tenant. Landlord may, in its sole discretion, charge Tenant for photocopying and assembling (at a rate not to exceed \$25.00 per hour, adjusted on an annual basis at the rate of four percent (4%) from the Rent Commencement Date) such invoices, which charge shall be paid by Tenant to Landlord before Landlord is required to deliver such documents to Tenant.

8.6 Increase in Costs Caused By Tenant. Tenant shall not carry any stock of goods, conduct any business or do anything in or about the Premises, nor will it allow its employees or customers to do so, which will in any way tend to increase the insurance rates on, or the other Common Areas Operating Cost of the Premises above those rates or costs which would normally be associated with a normal or average commercial usage of the Premises. Tenant shall be responsible for the payment of any additional premium or costs resulting from violation of this Section.

8.7 Trash Removal Service. At its option, Landlord may furnish (or authorize others to furnish) a service for the removal of trash from receptacles designated by Landlord for the daily deposit by Tenant of its garbage, trash, rubbish or other refuse, and, if it shall do so, then at the end of each year of the Term, at Landlord's election, Tenant shall either (a) reimburse Landlord monthly, as Additional Rent, for all costs incurred by Landlord in furnishing such service, or (b) pay directly such person, firm or corporation authorized by Landlord to provide such trash removal service; provided, however, that all amounts which Tenant is obligated to pay to Landlord pursuant to clause (a) above shall not exceed the amounts which Tenant would otherwise be obligated to pay directly to the same independent contractor utilized by Landlord for the removal of Tenant's trash, if Tenant were dealing with such contractor at arm's length for trash removal services for the Premises.

8.8 Hazardous Materials.

(a) For purposes of this Lease, "Hazardous Materials" shall mean, collectively, hazardous substances, hazardous wastes, hazardous materials, or toxic substances under any Hazardous Materials Laws.

(b) For purposes of this Lease, "Hazardous Materials Laws" shall mean all federal, state and local laws, ordinances and regulations relating to industrial hygiene, environmental protection or the use, analysis, generation, manufacture, storage, disposal or transportation of any oil, flammable explosives, asbestos, urea formaldehyde, radioactive materials or waste, or other hazardous, toxic, contaminated or polluting materials, substances or wastes, including, without limitation, any Hazardous Materials.

(c) To the best of Landlord's knowledge, the Premises is in full compliance with all Hazardous Materials Laws and there has been no prior release or presence of Hazardous Materials on, about or under them. Tenant acknowledges, however, that Landlord has no knowledge of the substance of the furniture, fixtures, trade fixtures, and equipment presently existing in the Building, and whether or not such items contain any Hazardous Materials or violate any Hazardous Materials Laws. Landlord shall remove all Hazardous Materials present at the Commencement Date; under no condition is Landlord required to

remedy or bear the costs of Tenant's Hazardous Materials at its expense, of which Landlord has knowledge.

(d) Tenant shall not allow any activity to be conducted on the Premises for storing any hazardous material on the Premises that will increase premiums for or violate the terms of any insurance policy maintained by or for the benefit of Landlord or the Premises. Further, Tenant shall not cause or create any hazardous condition on or from the Premises, the Common Areas, or the adjoining properties and Tenant shall comply with all applicable Hazardous Materials Laws in all material respects and will take all appropriate action to prevent the release of any Hazardous Materials from the Premises which would violate Hazardous Materials Laws in any material respect.

ARTICLE IX. ALTERATIONS, ADDITIONS, IMPROVEMENTS, FIXTURES AND PERSONAL PREMISES:

9.1 Alterations, Additions, and Improvements.

(a) No alterations, additions, improvements or changes exceeding the amount of ten thousand dollars (\$10,000) shall be made to the Premises unless and until the written approval of Landlord is first obtained, which approval shall not be unreasonably withheld. Tenant shall be directly responsible for any and all damages resulting from any of said alterations, additions, improvements and changes. Landlord may require, as a condition to granting such approval, that Tenant demonstrate and secure its ability to complete and pay for the alterations, additions, improvements and changes.

(b) Should Tenant desire to make or construct any such alterations, additions or improvements within the Premises ("Tenant's Work"), Tenant shall first submit to Landlord two (2) sets of scale drawings prepared by a licensed architect or building designer at Tenant's expense. The drawings shall indicate Tenant's specific requirements for the Premises, clearly outlining in detail the Premises and the planned improvements within the Building, including, without limitation, types of materials and colors, interior partitions, reflected ceiling plan if applicable, plumbing fixtures, and electrical plans. These drawings shall be subject to Landlord's approval, in its reasonable discretion. If Landlord approves Tenant's Work, then the following subsections shall apply.

(c) Tenant agrees, at Tenant's expense, to obtain and maintain public liability and worker's compensation insurance adequate to fully protect Tenant as well as Landlord from and against any and all liability for death of or injury to person, or damage to Premises, arising out of or in connection with the construction of Tenant's Work. Prior to commencement of construction, Tenant shall submit evidence of such proper insurance to Landlord.

(d) All of Tenant's Work shall be at Tenant's expense and shall not damage the Premises or any part thereof.

(e) Tenant shall be responsible for the repair, replacement and clean-up of any damage done by Tenant's contractor, including, without limitation, repair, replacement and clean-up of vehicular or pedestrian thoroughfares to the Premises which may be concurrently used by others other than Tenant.

(f) Tenant's contractor shall keep the storage of materials and its operations within the Premises and such other space as it may be assigned by Landlord.

(g) All trash and surplus construction materials shall be stored within the Building.

(h) Tenant is responsible for compliance with all applicable codes and regulations of duly constituted authorities having jurisdiction over the performance of Tenant's Work. Tenant further agrees to indemnify, defend and save Landlord harmless from and against any and all claims, demands, actions, damages, liability, costs and expenses (including, without limitation, attorneys' fees) arising from or in connection with Tenant's Work.

(i) Tenant's contractor shall not post signs on any part of the construction project or the Premises.

(j) If Tenant materially breaches any of its obligations under this Section 9.1, Landlord, at its option, shall have the right to commence and complete performance of all of Tenant's Work and charge Tenant with all costs and expenses incurred which shall be due upon Landlord's demand.

(k) All alterations, additions, improvements or changes to be made to the Premises shall be under the supervision of a competent architect or competent licensed structural engineer and made in accordance with plans and specifications with respect thereto. All work with respect to any alterations, additions, improvements and changes must be done in a good and workmanlike manner and diligently prosecuted to completion. Prior to commencement of any such work, Tenant shall post and file, on behalf of Landlord, a notice of non-responsibility or other similar notice permitted under applicable law and shall deliver to Landlord a lien and completion bond in the amount of one hundred fifty percent (150%) of the cost of such work. Tenant will, upon completion, deliver to Landlord a copy of a recorded Notice of Completion and appropriate lien releases relative to improvements made by Tenant. None of Tenant's Work shall result in any mechanic's lien being recorded against the Premises or the Building.

(l) All such alterations, additions, improvements and changes shall be considered improvements to the Premises and shall not be removed by Tenant, but shall be deemed attached to the realty and become a part of the Premises upon installation and shall become the Premises of Landlord upon expiration of the Lease term or upon sooner termination of this Lease, except for those alterations, additions, improvements and changes which Landlord demands be removed pursuant to Section 9.2. All alterations, additions, improvements, and changes shall be performed and done strictly in accordance with the laws and ordinances relating thereto.

(m) Landlord shall have the right but not the obligation to perform, on behalf of and for the account of Tenant, subject to reimbursement of the cost thereof by Tenant, any and all of the Tenant's Work which Landlord determines, in its sole discretion, should be performed immediately and on an emergency basis for the best interest of the Premises, including without limitation, work which pertains to structural components, mechanical, sprinkler and general utility systems, roofing and removal of unduly accumulated construction material and debris.

(n) Tenant shall provide and pay for all temporary utility facilities, and the removal of debris, as necessary and required in connection with the construction of the Premises. Storage of Tenant's contractors' construction material, tools, equipment and debris shall be confined to the Building and in areas which may be designated for such purposes by Landlord. In no event shall any material or debris be stored on the parking lot, sidewalks or service and exit corridors. During construction, Tenant shall maintain such barricades, fences or other measures as may be necessary to insure the security of the Premises and to prevent unauthorized persons from entering the Premises or any persons suffering any injury.

(o) Tenant shall cause reproducible "As-Built Drawings" to be delivered to Landlord and/or Landlord's representative no later than thirty (30) days after the completion of the Tenant's Work or any alterations, additions or improvements permitted by Landlord in accordance with the terms of this Lease. In the event these drawings are not received by such date, Landlord may, at its election, cause said drawings to be obtained and Tenant shall pay to Landlord, as additional rental, the cost of producing these drawings.

9.2 Title To and Removal Of Alterations, Additions, Improvements, Fixtures and Personal Premises. Upon the expiration or earlier termination of the Lease term, Tenant may remove from the Premises all of Tenant's Premises located therein including, without limitation, Tenant's trade fixtures, furniture, equipment and signs, so long as Tenant repairs any damage to the Premises caused by such removal. If Tenant elects not to remove any of the foregoing items, Landlord can require Tenant to do so at Tenant's sole cost and expense and to repair any damage to the Premises by reason of such removal. Upon the expiration or earlier termination of the Lease term, Tenant shall return the Premises to Landlord in a neat and clean condition equal to that which existed when Tenant initially opened the Premises for business.

9.3 Changes and Additions by Landlord. Landlord reserves the right at any time to (a) make or permit changes or revisions in the plan for the Premises including additions to, subtractions from, rearrangements of, alterations of, modifications of, or supplements to, the Premises areas or other Common Areas, (b) construct improvements on the Premises and to make alterations thereof, including (without limitation) displays in the Common Areas, and (c) make or permit changes or revisions to the Premises.

Any changes or additions by Landlord to the Premises shall be performed in such a manner so as not to change, in a material, adverse and permanent way, the access to the Premises. If Landlord deems it necessary for construction personnel to enter the Premises to construct any improvements, Landlord shall give Tenant no less than fifteen (15) days prior notice, and Tenant shall allow such entry. Tenant shall not be entitled to any damages or to reduction to Monthly Fixed Minimum Rent, Percentage Rent or Additional Rent for any interference or interruption of Tenant's use of the Premises or for any inconvenience caused by such construction work, unless such interference or interruption causes Tenant's business to cease, in which case Landlord will abate Tenant's rent for the period which such interference or interruption causes Tenant's business to cease.

ARTICLE X. MECHANIC'S LIENS:

10.1 Indemnification. Tenant agrees that it will cause to be paid all costs of work done or caused to be done by it on the Premises, and Tenant will keep the Premises free and clear of all mechanic's liens and other liens on account of work done for the Tenant. Tenant agrees to and shall indemnify, defend and save Landlord free and harmless against any and all liability, loss, damages, costs, claims, demands, suits, actions, reasonable attorneys' fees, and all other expenses on account of claims of lien of laborers or materialmen or others for work performed or materials or supplies furnished for Tenant.

10.2 Contest. If Tenant shall desire to contest any claim of lien, it shall promptly furnish Landlord adequate security for the amount of the claim, plus estimated costs and interest, or a bond of a responsible corporate surety in such amount, conditioned on the discharge of the lien. If a final judgment establishing the validity or existence of a lien for any amount is entered, Tenant shall pay and satisfy the same at once. Tenant may, however, if applicable, appeal such final judgment at its sole cost and shall indemnify and hold harmless Landlord from and against any and all claims, demands, actions, damages, liability, costs and expenses (including, without limitation attorneys' fees), arising out of or in connection with the results of such appeal.

ARTICLE XI. INSURANCE; INDEMNITY:

11.1 Tenant's Insurance.

Types. Tenant, at its sole cost and expense, shall, commencing on the date Tenant is given access to the Premises for any purpose, and during the Lease term, procure, pay for and keep in full force:

(1) comprehensive liability insurance with respect to the Premises and the operations, maintenance, use or occupancy of or on behalf of Tenant in, on or about the Premises in an amount, as reasonably determined by Landlord, but not less than Two Million Dollars (\$2,000,000.00) combined single limit bodily injury, personal injury, death and Premises damage liability per occurrence, subject to such increases in the amount of coverage as Landlord may reasonably require from time to time. The policy or policies shall include a provision that (i) coverage shall be primary as it respects any loss or claim arising directly or indirectly out of the operations of Tenant, and that any policies carried by Landlord shall be excess and non-contributing with such policy or policies, and (ii) that Landlord and any other parties in interest shall be an additional insured under such policy or policies;

(2) worker's compensation coverage as required by law, together with employer's liability coverage;

(3) with respect to Tenant's leasehold improvements, merchandise, stock, trade fixtures, furnishings, equipment and other items of personal Premises

of Tenant or Tenant's customers located on or in the Premises, insurance against fire, extended coverage, vandalism, and malicious mischief, and such other additional perils as now are or may be included in standard "all risk" forms, for an amount not less than ninety percent (90%) of the actual replacement cost thereof;

(4) plate glass insurance at full replacement value;

(5) business interruption insurance; and

(6) any and all other insurance required by law or governmental regulation.

11.2 Landlord's Insurance.

(a) Landlord shall at all times during the term of this Lease maintain in effect a policy or policies of insurance covering the Premises, providing protection against the perils included from time to time in the designation "all risk of physical loss," also providing protection against the perils of earthquake and flood if deemed necessary by Landlord in Landlord's sole judgment, and including up to one year's rent abatement insurance ("casualty insurance"). Landlord reserves the right to periodically review the replacement cost of the Premises, Common Areas, improvements and remaining portions of the Building and to maintain insurance, as selected by Landlord in its sole discretion, covering said areas in an amount equal to replacement cost. If such replacement costs are not readily available to Landlord, then Landlord's reasonable determination of such replacement costs, in good faith, made from the best information reasonably available, shall be conclusive for the purposes of this Section.

(b) Beginning three (3) months after the Rent Commencement Date and for the balance of the term of this Lease, Tenant shall pay to Landlord as additional rent a percentage (as specified in the "Percentage Share — Premises Taxes, Insurance and Common Area Operating Costs" in the Fundamental Lease Provisions) of the insurance premiums paid by Landlord for (1) insurance coverage for the Premises, and (2) the deductible portions of such insurance coverage in the event of claims. Tenant shall make such payments monthly in advance based upon Landlord's reasonable estimate of the insurance costs. Adjustments in Tenant's share of such insurance costs shall be made annually, as described in Section 8.5(b).

(c) If Tenant fails to procure, maintain and/or pay for, at the times and for the durations specified, any insurance required by Section 11.1, or fails to carry insurance required by law or governmental regulation, Landlord may (but without obligation to do so) at any time, procure such insurance and pay the premiums, in which event Tenant shall repay Landlord all such sums paid by Landlord together with any costs or expenses incurred by Landlord in connection therewith, plus interest as provided for in Section 17.6, within ten (10) days following Landlord's written demand to Tenant for such payment.

11.3 Insurance Policies.

(a) All policies of insurance required to be carried by Tenant under this Lease shall be issued by responsible and solvent insurance companies authorized to do business in the State of California, which shall have ratings of not less than A and a financial rating of not less than Class X, as rated in the most current available "Best's Key Rating Guide." All such policies, except for the Worker's Compensation coverage, shall name and shall be for the mutual and joint benefit and protection of Landlord, Tenant and Landlord's agents and mortgagee(s) or beneficiary(ies) as additional insureds. The policies of insurance shall also name Landlord and mortgagee(s) or beneficiary(ies) as loss payee. A copy of each paid-up policy evidencing such insurance, or a certificate of the insurer certifying that such policy has been issued which provides the coverage required by this Section, shall be delivered to Landlord prior to the date Tenant is given the right of possession of the Premises, and upon renewals, not less than thirty (30) days prior to the expiration of such coverage. Landlord may, at any time, and from time to time, inspect and/or copy any and all insurance policies required to be procured by Tenant. In no event shall the limits of any policy be considered as limiting the liability of Tenant under this Lease. No policy required to be maintained by Tenant shall have a deductible greater than Twenty-five Thousand Dollars (\$25,000) unless approved in writing by Landlord, except for earthquake insurance, if applicable.

(b) Each policy evidencing insurance required to be carried by Tenant pursuant to this Article shall contain a provision that the insurer will not cancel or materially change the coverage provided by such policy without first giving Landlord thirty (30) days prior written notice. All policies required of Tenant herein shall be endorsed to read such policies are primary policies and any insurance carried by Landlord or Landlord's Premises manager shall be noncontributing with such policies.

11.4 Blanket Policies. Notwithstanding anything to the contrary contained in this Article XI, Tenant's obligations to carry insurance may be satisfied by coverage under a so-called blanket policy of insurance; provided, however, Landlord and Landlord's mortgagee shall be named as additional insureds as their interests may appear, the coverage afforded Landlord will not be reduced or diminished and the requirements set forth in this Lease are otherwise satisfied.

11.5 Increase in Insurance Premiums. Tenant will not do or suffer to be done, or keep or suffer to be kept, anything in, upon or about the Premises which will violate Landlord's policies of hazard or liability insurance or which will prevent Landlord from procuring such policies in companies acceptable to Landlord. If anything done, omitted to be done or suffered by Tenant to be kept in, upon or about the Premises shall cause the rate of fire or other insurance on the Premises to be increased beyond the minimum rate from time to time applicable to the Premises or to any such Premises for the use or uses made thereof, Tenant will pay, as Additional Rent, the amount of any such increase upon Landlord's demand.

Tenant shall not do any act in or about the Premises that will tend to increase the insurance rates upon the Premises. Tenant agrees to pay to Landlord, upon demand, the amount of any increase in premium for insurance resulting from Tenant's use of the Premises, whether or not Landlord shall have consented to the act on the part of Tenant. If Tenant installs upon the Premises any electrical equipment which constitutes an overload of the electrical lines servicing the Premises, Tenant, at its own expense, shall make whatever changes are necessary to comply with the requirements of the insurance underwriters and any appropriate governmental authority.

11.6 Waiver of Subrogation. Except to the extent Tenant's insurance covers loss to Landlord, Landlord and Tenant each waive any rights each may have against the other on account of any loss or damage occasioned to Landlord or Tenant, as the case may be, their respective Premises, the Premises or its contents, or to other portions of the Premises arising from any liability, loss, damage or injury caused by fire or other casualty for which Premises insurance is carried or required to be carried pursuant to this Lease. The insurance policies obtained by Landlord and Tenant pursuant to this Lease shall contain endorsements or other provisions, waiving any right of subrogation which the insurer may otherwise have against the noninsuring party. If Landlord has contracted with a third party for the management of the Premises, the waiver of subrogation by Tenant herein shall also run in favor of such third party. The provisions of this Section shall not limit the indemnification for liability to third parties pursuant to Section 11.8.

11.7 Sufficiency of Coverage. Neither Landlord nor any of Landlord's agents make any representation that the types of insurance and limits specified to be carried by Tenant under this Lease are adequate to protect Tenant. If Tenant believes that any such insurance coverage is insufficient, Tenant shall provide, at its own expense, such additional insurance as Tenant deems adequate. Nothing contained herein shall limit Tenant's liability under this Lease.

11.8 Indemnity. Tenant agrees to and shall indemnify, defend and hold Landlord free and harmless from and against any and all claims, demands, actions, damages, liability, costs and expenses (including, without limitation attorneys' fees), (collectively, "Liability") arising out of or in connection with loss of life, bodily injury and/or damage to Premises arising out of or in connection with any occurrence in, upon, or at the Premises, or the occupancy or use by Tenant of the Premises or any part thereof, or arising out of or in connection with Tenant's failure to comply with any provision of this Lease or otherwise occasioned wholly or in part by any act or omission of Tenant, its agents, representatives, contractors, employees, servants or customers, unless such Liability results from Landlord's gross negligence or willful acts. In case Landlord shall, without fault on its part, be made a party to any litigation commenced by or against Tenant, then Tenant shall protect and hold Landlord harmless and shall pay all costs, expenses and attorneys' fees incurred or paid by Landlord in connection with such litigation. Landlord may, at its option, require Tenant to assume Landlord's defense in any action covered by this Section through counsel satisfactory to Landlord.

11.9 Exemption of Landlord from Liability. Landlord shall not be liable for injury, loss of business or damage which may be sustained by the person, goods, wares, merchandise or Premises of Tenant, its employees, invitees or customers, or any other person in or about the Premises from any cause including, without limitation, fire, steam, electricity, gas, water or rain, which may leak or flow from or into any part of the Premises, or from the breakage, leakage, obstruction or other defects of the pipes, sprinklers, wires, appliances, plumbing, heating, air conditioning or light fixtures of the same, whether the said damage, loss of business, or injury results from conditions arising upon the Premises or upon other portions of the Premises, or from other sources, willful negligence excluded.

ARTICLE XII. DAMAGE OR DESTRUCTION; REPAIRS AND RESTORATION:

12.1 Reconstruction Of Premises.

(a) If the Premises shall be partially or totally destroyed by fire or other casualty insured by Landlord such that they are partially or totally untenable, Landlord, at its cost, shall reconstruct or repair the Premises. However, Landlord shall not be obligated to cause such reconstruction or repairs if Landlord elects, at its sole option, not to rebuild or repair the Premises as herein provided.

(b) In no event shall Landlord be required to repair or replace Tenant's merchandise, trade fixtures, furnishings, equipment or leasehold improvements.

12.2 Landlord's Option To Terminate. If (a) more than thirty-five percent (35%) of the Building shall be damaged or destroyed by fire or other casualty, or (b) during the last year of the Lease term, more than ten percent (10%) of the Floor Area of the Building (as defined in Section 17.3) or more than twenty percent (20%) of the Building including its Common Areas, shall be damaged or destroyed by fire or other casualty, or (c) all or any part of the Building are damaged or destroyed at any time by the occurrence of any risk not fully insured, then Landlord may elect either to repair or rebuild the Building and/or the Premises, as the case may be, or, in its sole option, to terminate this Lease by giving written notice to Tenant of Landlord's election to so terminate, such notice to be given within forty-five (45) days after the occurrence of such damage or destruction.

12.3 Replacement of Tenant's Improvements, Fixtures and Personal Premises. If the Building or Premises is repaired or rebuilt by Landlord, Tenant, at its sole cost and expense, shall repair and/or replace Tenant's leasehold improvements, merchandise, trade fixtures, furnishings and equipment in a manner and to at least a condition equal in quality to that which existed prior to the damage or destruction, and shall promptly reopen for business if closed by the casualty.

12.4 Abatement of Rent

(a) If the Premises is destroyed or damaged, and Landlord repairs or restores them pursuant to the provisions of this Article, Tenant shall continue the operation of its business on the Premises to the extent reasonably practicable from the standpoint of prudent business management, and the Fixed Minimum Rent payable under this Lease for the period during which such damage, repair or restoration continues shall be abated equitably in proportion to the degree to which the Premises is rendered untenable and only to the extent Landlord actually receives proceeds from rental loss or business interruption insurance. Tenant shall have no claim against Landlord for any damage suffered by Tenant by reason of such damage, destruction, repair or restoration.

(b) With respect to any damage or destruction that Landlord is obligated to repair or may elect to repair under terms of this Article, Tenant hereby waives the provisions of Section 1932, Subdivision 2, and of Section 1933, Subdivision 4 of the Civil Code of the State of California and any amendments thereto and any law, regulation or ordinance authorizing a termination of a lease upon the complete or partial destruction of the leased Premises.

ARTICLE XIII. ASSIGNMENT AND SUBLETTING:

13.1 Assignment and Subletting.

(a) Tenant shall not assign, sublet, sell, mortgage, encumber, pledge, hypothecate or otherwise transfer all or any part of Tenant's interest in this Lease, or permit the Premises to be occupied by anyone other than Tenant or Tenant's employees, without first obtaining the written consent of Landlord, which consent shall not be unreasonably withheld. All of the acts described in the preceding sentence are collectively referred to in this Section as a "Transfer." Any attempted Transfer made without the prior written consent of Landlord shall be void and, at the option of Landlord, shall constitute a material default under this Lease by Tenant without any cure period under Section 15 being applicable.

(b) Tenant shall have the absolute right to sublet, assign or otherwise transfer its interest in this Lease to a Licensee, Franchisee or any parent or operating subsidiary of Tenant, or subsidiary of Tenant, or subsidiary of Tenant's parent, or to a corporation with which it may merge or consolidate (collectively "Permitted Transfer" and the transferee under this Section shall be called "Permitted Transferee"), without Landlord's approval, written or otherwise, as long as: (i) Tenant remains fully liable for full performance of all its obligations under this Lease, (ii) the business conducted at the Premises continues to be conducted under the name "Jennifer Convertibles, Inc." or a similar name, (iii) such transferee agrees in writing, for the express benefit of Landlord, to perform and be bound by all of the covenants of this Lease required to be performed by Tenant, (iv) Landlord is given written notice of the transfer, and (v) Tenant furnishes to Landlord the items requested under Sections 13.2(a)(1), (3), (5), (6) and (7) below, at least ninety (90) days before the effective date of the Permitted Transfer.

(c) Landlord's consent to a Transfer shall not relieve Tenant from the obligation to obtain Landlord's express written consent to any other Transfer. The provisions of any Transfer consented to by Landlord cannot be modified without the prior written consent of Landlord. The acceptance by Landlord of the payment of Rent following any assignment or other transfer prohibited by this Article shall not be deemed to be a consent by Landlord to any such assignment or other transfer nor shall the same be deemed to be a waiver of any right or remedy of Landlord hereunder.

13.2 Procedures.

(a) Should Tenant desire to enter into a Transfer, Tenant shall in writing request Landlord's consent to the Transfer at least sixty (60) days before the effective date of the Transfer and shall provide to Landlord the following: (1) the name and address of the proposed subtenant, transferee, or assignee (collectively, "Transferee"); (2) the full particulars of the proposed Transfer, including its nature, effective date, terms and conditions, and copies of any offers, draft agreements, subleases, letters of commitment or intent, escrow instructions and other documents pertaining to the proposed Transfer; (3) a description of the net worth and previous business experience of the proposed Transferee, including, without limitation, copies of the proposed Transferee's financial statements; (4) all of the proposed Transferee's federal and state tax returns for the past three (3) years; (5) financial statements and documents of Tenant of the type set forth in Article IV; (6) a detailed description of the proposed use of the Premises by the proposed Transferee, together with the trade name of the proposed Transferee; and (7) any further information relevant to the proposed Transfer which Landlord may request.

(b) Within thirty (30) days after receipt of Tenant's request for consent, together with all of the above required information, Landlord shall respond as follows: (1) consent to the proposed Transfer, subject to Sections 13.3 through 13.6 below; or (2) refuse to consent on any reasonable grounds, which Landlord and Tenant agree include, without limitation, the following: (i) The proposed Transferee's use of the Premises conflicts with the trade name as set forth in Section 6.1; (ii) in Landlord's reasonable business judgment, the proposed Transferee lacks sufficient business reputation or experience to operate a successful business of the type and quality permitted under this Lease; (iii) Tenant is in default of this Lease; (iv) in Landlord's reasonable business judgment, the net worth of the proposed Transferee is inadequate to operate the proposed business in the Premises; and/or (v) the Transfer would breach any covenant of Landlord respecting radius, location, use or exclusivity in any other lease, financing agreement or other agreement relating to the Premises. Tenant acknowledges and agrees that each of the rights of Landlord set forth above, in the event of a request for

Landlord's consent to an Assignment, is a reasonable restriction for purposes of California Civil Code, Section 1951.4.

13.3 No Release; Assumption of Obligations.

(a) If Landlord consents to Tenant's proposed Transfer, Tenant shall remain directly, primarily and fully liable for the prompt and complete performance of all of Tenant's obligations under this Lease. Furthermore, each Transferee, other than Landlord, shall assume and covenant to perform all obligations of Tenant under this Lease. No Transfer shall be binding on Landlord unless such Transferee and Tenant shall deliver to Landlord an instrument in writing, fully signed by all parties to the agreement, which contains a covenant of assumption of the Transferee, satisfactory in substance and form to Landlord. If any default occurs under this Lease, Landlord may proceed directly against Tenant without first exhausting any remedies for that default which Landlord may have against any person or entity, including, but not limited to, any Transferee occupying the Premises with or without Landlord's consent.

(b) If any default occurs under this Lease, Landlord may, in addition to proceeding against Tenant and/or exercising any other remedies provided for in this Lease or by law, collect directly from any proposed Transferee, assignee, subtenant or other person or entity occupying the Premises (with or without Landlord's consent) all rents and other payments and consideration becoming due to Tenant in connection with a Transfer, and may apply those collections against any sums due to Landlord from Tenant under this Lease. No such collection shall be construed as a novation or a release of Tenant from the further performance of Tenant's obligations under this Lease. Landlord's acceptance of rent or other payments or consideration from a proposed Transferee shall not constitute consent to the proposed Transfer.

13.4 Form. Any Transfer shall be evidenced by an instrument in writing satisfactory to Landlord and shall be executed by the Tenant and the Transferee in each instance.

13.5 Excess Rent. Landlord and Tenant, having freely negotiated the matter, agree that if Landlord does consent to any proposed Transfer, then in addition to the payment of all rent, additional rent and sums due to Landlord under this Lease, there shall be paid or assigned to Landlord by Tenant fifty percent (50%) of any and all rent or other form of consideration attributable to rent, whether or not called such, received by Tenant from a Transferee as part of the Transfer by Tenant to Transferee of the Premises and Tenant's business therein. Tenant shall be entitled to all consideration relating to the purchase price paid by a Transferee for Tenant's business.

ARTICLE XIV. UTILITY SERVICES:

14.1 Payment by Tenant. Tenant agrees, at its own expense, to pay for all gas, electric, telephone, sewer hook-up fees, and all other utilities and services used by Tenant on the Premises from and after the delivery of possession thereof by Landlord. If any such charges are not paid when due, Landlord may pay the same, and any amount so paid by Landlord shall thereupon become due to Landlord from Tenant, as additional rent, immediately upon demand by Landlord.

14.2 Interruption of Service. Landlord shall not be liable in damages or otherwise for any failure or interruption of any utility service being furnished to the Premises, and no such failure or interruption shall entitle Tenant to termination of this Lease or abatement or diminution of any rent or other sums to be paid by Tenant to Landlord, willful negligence excluded.

14.3 Other Conditions of Utility Services. Tenant shall not at any time overburden or exceed the capacity of the mains, feeders, ducts, conduits or other facilities, including but not limited to the fire protection systems, by which such utilities are supplied to, distributed in or serve the Premises. If Tenant desires to install any equipment which shall require additional utility facilities or utility facilities of a greater capacity than the facilities provided by Landlord, such installation shall be subject to Landlord's prior approval of Tenant's plans and specifications therefor. If such installation is approved by Landlord and if Landlord provides such additional facilities to accommodate Tenant's installation, Tenant agrees to pay Landlord, on demand, the cost for providing such additional utility facilities or utility facilities of greater capacity.

Landlord, in its sole discretion, shall have the right, from time to time, to alter the heating, ventilating and air-conditioning systems and equipment serving the Premises, or any part thereof, and Tenant agrees to execute and deliver to Landlord such documentation as may be required to effect such alteration; provided, however, that Tenant shall not be required to bear any portion of the cost of such alteration or to incur any additional financial obligation as a result of such alteration.

ARTICLE XV. DEFAULTS:

15.1 Default.

(a) Each of the following events shall be a default by Tenant and a material breach of this Lease:

(1) Failure or refusal (i) to pay when due any installment of rent, additional rent or any other amount required by this Lease to be paid by Tenant or (ii) to observe or perform any other covenant or condition of this Lease.

(2) The abandonment of the Premises by Tenant.

(3) Tenant's (i) application for, consent to, or suffering of, the appointment of a receiver, trustee or liquidator for all or for a substantial portion of its assets; (ii) making a general assignment for the benefit of creditors; (iii) admitting in writing its inability to pay its debts or its willingness to be adjudged a bankrupt; (iv) becoming unable to or failing to pay its debts as they mature; (v) being adjudged bankrupt; (vi) filing a voluntary petition or suffering an involuntary petition under any bankruptcy, arrangement, reorganization or insolvency law (unless in the case of an involuntary petition, which is dismissed within thirty (30) days of such filing); (vii) convening a meeting of its creditors or any class thereof for purposes of effecting a moratorium, extension or composition of its debts; (viii) suffering or permitting to continue unstayed and in effect for ten (10) consecutive days any attachment, levy, execution or seizure of all or a substantial portion of Tenant's assets or of Tenant's interest in this Lease; or (ix) meeting with the intent to file any petition for protection under bankruptcy law. Except to the extent expressly provided otherwise in clauses (vi) and (viii) of this Section, the events in this Section shall constitute an immediate default by Tenant and no notice or cure period under this Lease shall be applicable.

(b) As a condition to pursuing any remedy for an alleged default by Tenant within Section 15.1, Landlord shall, unless expressly relieved of the duty to provide notice for the default under a provision of this Lease, give notice of the default to Tenant. If Landlord serves Tenant with a Notice To Pay Rent or Quit pursuant to applicable unlawful detainer statutes, that Notice To Pay Rent or Quit shall also constitute the notice of default required by this Section. If the alleged default is for nonpayment of rent, additional rent, taxes or other monetary sums to be paid by Tenant to Landlord or any third party under this Lease, Tenant shall have three (3) days after notice is given to cure the default. For the cure of any other default, except where provided otherwise in this Lease, Tenant shall promptly and diligently, after notice, commence curing the default and shall have thirty (30) days after notice is given to complete the cure or, in the case of a failure or omission that cannot be cured by the payment of money and cannot be cured within thirty (30) days, such additional time as is reasonably required for the curing of the default.

(c) Landlord and Tenant agree that if an attorney is consulted by Landlord in connection with a default or breach, \$250.00 is a reasonable minimum sum per such occurrence for legal services and costs in preparing and serving a notice of default, and that Landlord may include the cost of such services and costs in said notice as rent due and payable to cure said default.

15.2 Landlord's Remedies. If any default by Tenant is not cured within the applicable period permitted by this Lease, Landlord has the following remedies in addition to all other rights and remedies provided by law or equity or specifically granted by other provisions of this Lease, to which Landlord may resort cumulatively or in the alternative:

(a) Landlord may, at Landlord's election, terminate this Lease by giving Tenant written notice of termination. On the giving of the notice, all Tenant's rights in

the Premises and, subject to any of Tenant's lender's narrowly defined and reasonable rights, in all fixtures, furniture, equipment, signs, other personal Premises, improvements, alterations, additions and changes (collectively referred to, for purposes of this Section 15.2 only, as "Improvements") shall terminate. Promptly after notice of termination, Tenant shall surrender and vacate the Premises and all Improvements, in a clean condition equal to that or better than that which existed when Tenant initially opened the Premises for business, as determined by Landlord, and Landlord may re-enter and take possession of the Premises and all remaining Improvements and eject all parties in possession or eject some and not others or eject none. Termination of this Lease under this Section 15.2 shall not relieve Tenant from the payment of any sum then due to Landlord or from any claim for damages previously accrued or then accruing against Tenant.

(b) Landlord may elect to have this Lease continue in effect for as long as Landlord does not terminate Tenant's right to possession, and Landlord may enforce all rights and remedies under this Lease, including the right to recover the rent as it becomes due. None of the following shall constitute a termination of Tenant's right to possession:

- (1) Acts of maintenance or preservation of the Premises or Improvements thereon;
- (2) Efforts to relet the Premises, including entry upon the Premises for such purpose; and
- (3) The appointment of a receiver to protect Landlord's interest under this Lease.

(c) Landlord shall, upon Landlord's election to terminate this Lease in accordance with Section 15.2 (a), be entitled to damages in the following sums:

- (1) The unpaid rent and additional rent, which had been earned at the time of termination, plus interest as, provided for in Section 17.6.
- (2) The amount by which the unpaid rent and additional rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Tenant proves could have been reasonably avoided, plus interest as provided for in Section 17.6.
- (3) The worth at the time of award of the amount by which the unpaid rent and additional rent for the balance of the term after the time of the award exceeds the amount of such rental loss that the Tenant proves could be reasonably avoided; and
- (4) Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under the Lease, including, without limitation, the cost of recovering possession of the Premises, expenses of reletting, costs of necessary repair, renovation and alteration of the Premises, real estate commissions previously paid by Landlord for the then unexpired portion of the Lease term, real estate commissions paid by Landlord for finding another tenant, reasonable attorneys' fees, and any other reasonable costs.

The "worth at the time of award" of the amount referred to in subsection (c)(3) of this Section 15.2 is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

(d) Without terminating or affecting a forfeiture of this Lease, or constituting Landlord's acceptance of a surrender of the Premises, or otherwise relieving Tenant of any obligation hereunder, Landlord may, but need not, relet the Premises, or any portion thereof, at any time and for such terms and upon such conditions and rental as Landlord, in its sole discretion, may deem proper. Whether or not the Premises is relet, Tenant shall pay to Landlord all amounts required by Tenant under this Lease up to the date that Landlord terminates Tenant's right to possession of the Premises. Such payments by Tenant shall be due at the times provided in this Lease, and Landlord need not wait until the termination of this Lease to recover them by legal action or in any other manner. If Landlord relets the Premises, such reletting shall not relieve Tenant of any obligation under this Lease, except that Landlord shall apply the rent or other proceeds actually collected by it for such reletting against amounts due from Tenant under

this Lease, to the extent such proceeds compensate Landlord for non-performance of any obligation of Tenant under this Lease. Landlord may execute any lease made pursuant to this Section in its own name, and the new tenant shall be under no obligation to pay any proceeds to Tenant named in this Lease, nor shall Tenant have any right to collect any such proceeds.

(e) In the event of any default by Tenant in the payment of money, other than rent, or in the performance of obligations required of Tenant under this Lease, then in addition to the other remedies herein granted to Landlord, Landlord (without waiving or releasing Tenant from any obligations of this Lease) may make, but shall not be obligated to make, any such payment and perform any other act on Tenant's part to be made or performed under this Lease. All sums so paid by Landlord and all necessary incidental costs, together with interest as provided for in Section 17.6, from the date of such payment by Landlord, shall be payable by Tenant to Landlord.

(f) Nothing in this Section 15.2 affects the rights of Landlord to any indemnification or protection provided for under this Lease.

(g) No delay or omission of Landlord to exercise any right or remedy shall be construed as a waiver of any right or remedy or of any default by Tenant under this Lease. The election of one remedy by Landlord for any one item shall not foreclose an election of any other remedy for another item or for the same item at a later time. The acceptance by Landlord of rent, additional rent, or any other sums under this Lease shall not be a waiver of any preceding breach or default by Tenant of any provision of this Lease or a waiver of Landlord's right to exercise any remedy available to Landlord by virtue of such breach or default, other than the failure of Tenant to pay the particular rent, additional rent or other sum accepted, regardless of Landlord's knowledge of such preceding breach or default at the time of acceptance of such rent, additional rent or other sum.

(h) Tenant hereby irrevocably consents to Landlord's peaceable re-entry onto the Premises and into the Building, if Landlord so elects, upon the occurrence of any of the events specified in Section 15.1 above, provided Landlord gives not less than twenty-four (24) hours prior notice to Tenant.

(i) Landlord shall not by any re-entry or other act be deemed to have accepted any surrender by Tenant of the Premises or Tenant's interest in the Premises, or be deemed to have terminated this Lease, or to have relieved Tenant of any obligation under this Lease.

15.3 Default by Landlord.

(a) Landlord shall not be deemed to be in default in the performance of any obligation required to be performed under this Lease unless and until Landlord has failed to perform such obligation within thirty (30) days after Tenant has given written notice to Landlord, specifying that Landlord has failed to perform such obligation; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for its performance, then Landlord shall not be deemed to be in default if it shall commence such performance within such thirty (30) day period and thereafter diligently prosecute the same to completion. Further, nothing in this Section shall prohibit Tenant from giving Landlord a shorter notice in the case of an emergency.

(b) If Landlord is deemed or found to be in default of this Lease, Tenant's remedy for such default shall be limited to only those damages sustained by Tenant as a direct result of Landlord's default, and Tenant shall not be entitled to terminate this Lease as a result thereof; provided, however, it is expressly understood and agreed that any money judgment resulting from any default or other claim arising under this Lease shall be satisfied only out of net rents, issues, profits and other income, actually received by Landlord from the operation of the Premises.

ARTICLE XVI. EMINENT DOMAIN:

16.1 Entire or Substantial Taking. If the entire Premises is taken under the power of eminent domain or if more than twenty-five percent (25%) of the Floor Area of the Building is taken and the balance of the Premises is not reasonably adequate for the conduct of

Tenant's business notwithstanding restoration by Landlord as hereinafter provided ("substantial taking"), this Lease shall automatically terminate as of the date on which the condemning authority takes title or possession, whichever first occurs.

16.2 Parking Area. Not applicable.

16.3 Common Areas. If any portion of the Common Areas, other than parking areas, shall be taken under the power of eminent domain, this Lease shall nevertheless continue in full force without abatement of rent.

16.4 Awards. Any award for any taking under the power of eminent domain of all or any part of the Building or Premises, including, without limitation, the Common Areas, shall be the Premises of Landlord, regardless of whether such award shall be made as compensation for diminution in value of the leasehold or for the taking of the fee.

16.5 Sale Under Threat of Condemnation. A sale by Landlord to any authority having the power of eminent domain, either under threat of condemnation or while condemnation proceedings are pending, shall be deemed a taking under the power of eminent domain for all purposes under this Lease.

16.6 Landlord's Option. A taking of twenty-five percent (25%) or more of the Floor area of the Building shall confer upon Landlord the option, to be exercised within ninety (90) days after the condemning authority takes or threatens to take title or possession (whichever is earlier) of such portions of the Building, to terminate this Lease, upon written notice to Tenant, effective as of the date of such takings.

ARTICLE XVII MISCELLANEOUS:

17.1 Estoppel Certificate.

(a) Tenant shall, upon not less than fifteen (15) days prior written notice from Landlord execute, acknowledge and deliver to Landlord a statement in writing (1) certifying that this Lease is unmodified and in full force (or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force) and the dates to which the Fixed Minimum Rent and other charges are paid in advance, if any, and (2) acknowledging that there are not any uncured defaults under this Lease on the part of Landlord or specifying such defaults if any are claimed. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Premises.

(b) Tenant's failure to deliver such statement within such time shall at Landlord's option constitute a material default under this Lease without any further notice or cure period under this Lease being applicable to this default, and shall be a conclusive presumption that (1) this Lease is in full force, without modification except as may be represented by Landlord, (2) there are no uncured defaults in Landlord's performance; and (3) no more than one month's Fixed Minimum Rent has been paid in advance. However, the foregoing presumption shall not relieve Tenant of its continuing obligation to deliver the certificate and Landlord will be permitted to exercise all of its rights and remedies granted under this Lease.

17.2 Landlord's Liability. The term "Landlord" as used in this Lease so far as covenants or obligations on the part of Landlord are concerned shall be limited to mean and include only the owner or owners at the time in question of the fee title of the Premises, and in the event of any transfer or transfers of such title or interest, Landlord herein named (and in case of any subsequent transfers or conveyances the then grantor) shall be automatically freed and relieved, from and after such transfer or conveyance, of all liability as respects the performance of any covenants or obligations on the part of Landlord contained in this Lease thereafter to be performed, provided that any funds in the hands of Landlord or the then grantor at the time of such transfer shall be subject as provided for in the Lease, and be binding on Landlord, its successors and assigns, only during and in respect to their respective periods of ownership.

17.3 Floor Area. "Floor Area" as used in this Lease means, with respect to the Building, the aggregate of the number of square feet of floor space of the Building, measured from the exterior faces of exterior walls. No deduction or exclusion from Floor Area shall be made for columns or other interior construction.

17.4 Signs and Outdoor Improvements.

(a) Tenant will not place on any exterior door, wall or windows of the Premises, any sign, awning or canopy, or advertising matter or other thing of any kind, and will not place or maintain any decoration, lettering or advertising matter on the glass of any window or door of the Premises without first obtaining both (i) applicable governmental approvals, and (ii) Landlord's written approval and consent, which consent shall be given in Landlord's reasonable judgment. Tenant further agrees to maintain such sign, awning, canopy, decoration, lettering, advertising matter or other thing, as may be approved, in good condition and repair at all times. Notwithstanding anything to the contrary in this Lease, Tenant may use the windows for advertising purpose provided it makes all repairs to the windows to maintain and restore them to the condition they were in at the Commencement Date.

(b) Tenant agrees, at Tenant's sole cost, to obtain all signs required by Landlord in strict conformance with Landlord's sign criteria as to design, material, color, location, size and letter style. Tenant's sign or signs shall be installed prior to Tenant's opening for business, or when otherwise permitted by Landlord. Tenant further agrees to maintain the signs. If Tenant does not install or maintain the signs, Landlord may do so. In this event, Tenant agrees to reimburse Landlord for the charges of such purchase, installation and maintenance of the signs, plus twenty percent (20%) of such charges as overhead. If Tenant installs a sign that does not conform to Landlord's specifications without Landlord's prior written approval, Landlord may have Tenant's sign removed and stored at Tenant's expense. The above-stated maintenance, removal and storage costs incurred by and payable to Landlord shall bear interest as set forth in Section 17.6. A copy of Landlord's sign criteria in effect at the time of execution of this Lease is attached to this Lease as "Exhibit D".

(c) Landlords shall provide Tenant with its prorate share of signage based on the total space occupied at the Building on the monument sign installed by Landlord, at Tenant's cost and subject to approval by Landlord and the City. Landlord will give Tenant a \$5,000 rental credit for Tenant's exterior sign.

(d) Landlord reserves the right from time to time to revise the sign criteria.

(e) Landlord's failure to enforce any of the provisions of this Section against Tenant at any time, shall not constitute a waiver of Landlord's rights to enforce any of the provisions of this Section against Tenant at a later time.

17.5 Severability. Any provision of this Lease which shall be proven to be invalid, void or illegal shall in no way affect, impair or invalidate any other provisions of this Lease, and such remaining provisions shall remain in full force.

17.6 Security Deposit. This section has been intentionally deleted.

17.7 Interest on Past-Due Obligations. Any amount due from Tenant to Landlord under this Lease which is not paid when due (including, without limitation, amounts due as reimbursement to Landlord for costs incurred by Landlord in performing obligations of Tenant under this Lease) shall bear interest at the lesser of Wall Street Journal Prime plus one percent (1%) per annum or the maximum lawful interest rate (the "Agreed Rate"), from the date due until paid, unless otherwise specifically provided herein, but the payment of such interest shall not excuse or cure any default by Tenant under this Lease.

17.8 Time of Essence. Time is of the essence with respect to the performance of every provision of this Lease.

17.9 Captions and Sections. The Articles and Section captions contained in this Lease are for convenience only and shall not limit, amplify or otherwise constitute a part of this Lease and are not to be considered in the construction or interpretation of any provision of this Lease. All references to numbered Sections are to Sections as numbered in this Lease.

17.10 Incorporation of Prior Agreements; Amendments. This Lease contains all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Lease, and no prior agreement or understanding pertaining to any such matter shall be effective for any purpose. No provision of this Lease may be amended or added to except by an

agreement in writing signed by the parties hereto or their respective successors in interest, expressing by its terms an intention to modify this Lease.

17.11 Notices. Any notice required or permitted to be given under this Lease shall be in writing and may be served personally or by mail; if served by mail it shall be addressed as specified in the applicable Fundamental Lease Provision and sent certified mail, return receipt requested, postage prepaid. Any notice so given by mail shall be deemed effectively given and received forty-eight (48) hours after being deposited in the United States Mail. Either party may by written notice to the other specify a different address for notice purposes.

17.12 Quitclaim Deed. At the expiration or earlier termination of this Lease, Tenant shall, upon the request of Landlord, execute, acknowledge, and deliver to Landlord, within five (5) days after such request, a quitclaim deed or other document acceptable to Landlord to remove the cloud of this Lease from the Premises.

17.13 Joint and Several Obligations. If more than one person executes this Lease as Tenant, their obligation hereunder is joint and several, and any act or notice of or to, or refund to, or the signature of, any one or more of them in relation to renewal or termination of this Lease, or under or with respect to any of the terms of this Lease, shall be fully binding upon each and all persons executing this Lease as a Tenant.

17.14 Brokers. Except as otherwise noted in the applicable Fundamental Lease Provision, Tenant warrants that it has had no dealings with any real estate broker or agent in connection with the negotiation of this Lease and agrees to indemnify, defend and save Landlord free and harmless from and against any and all claims, liabilities, demands, damages and costs for commissions, fees or expenses (including, without limitation, attorneys' fees) asserted by others on the basis that they were acting as Tenant's broker or agent. Such agreement will survive the termination of this Lease.

17.15 Waivers. No waiver by Landlord of any provision of this Lease shall be deemed to be a waiver of any other provision hereof or of any subsequent breach by Tenant of the same or any other provision. Landlord's consent to or approval of any act shall not be deemed to render unnecessary the obtaining of Landlord's consent to or approval of any subsequent act by Tenant, whether or not similar to the act so consented to or approved.

17.16 Recording. Tenant shall not record this Lease or any short form Memorandum of Lease without the prior written consent of Landlord.

17.17 Holding Over. The term of this Lease shall expire without further notice upon the Expiration Date as specified in the Fundamental Lease Provisions and any holding over by Tenant after such expiration shall not constitute a renewal or extension of this Lease or give Tenant any rights under this Lease, except when in writing signed by both parties of this Lease. If Tenant shall hold over for any period after the Expiration Date, Landlord may, at its option, treat Tenant as a Tenant "at will" commencing on the first (1st) day following the expiration of this Lease and subject to all of the terms and conditions contained in this Lease, except that the Fixed Minimum Rent shall be one hundred fifty percent (150%) of the Fixed Minimum Rent applicable at the Expiration Date. If Tenant fails to surrender the Premises upon the expiration of this Lease, Tenant shall indemnify, defend and save Landlord free and harmless from any and all loss, liability, demands, damages, costs, expenses, fees (including, without limitation, attorneys' fees) and claims, including, without limitation, any claims made by any succeeding tenant, arising out of or in connection with such failure to surrender. Acceptance by Landlord of rent or additional rent, after such expiration or earlier termination shall not constitute consent to a holdover hereunder or result in a renewal of this Lease. The foregoing provisions of this Section are in addition to and do not affect Landlord's right of re-entry or any other rights of Landlord under this Lease or as otherwise provided by law.

17.18 Relationship of the Parties. Nothing herein contained shall create between the parties to this Lease, or be relied upon by others as creating, any relationship of partnership, association, joint venture, or otherwise. The sole relationship of the parties to this Lease shall be that of Landlord and Tenant.

17.19 Cumulative Remedies. No remedy or election given by any provision of this Lease shall be deemed exclusive unless so indicated, but it shall, whenever possible, be

cumulative with all other remedies in law or equity and as otherwise herein specifically provided.

17.20 Covenants and Conditions. Each term and each provision of this Lease performable by Tenant shall be deemed both a covenant and a condition.

17.21 Binding Effect. Subject to any provisions hereof restricting Transfers (as defined in Section 13.1(a)) by Tenant, this Lease binds, applies and inures to the benefit of, as the case may require, the respective successors and assigns of Landlord and Tenant.

17.22 Tenant Defined; Use of Pronoun. The word "Tenant" shall be deemed and taken to mean each and every person or party mentioned as a Tenant herein. The word "person" as used in this Lease includes any individual, partnership, corporation, association, trust, or a group of two or more of any of them or any combination. The necessary grammatical changes required to make the provisions of this Lease apply in the plural sense where there is more than one Tenant and to either corporations, associations, partnerships, or individuals, males or females, shall in all instances be assumed as though in each case fully expressed.

17.23 Venue; Construction. This Lease shall be governed by and construed pursuant to the laws of the State of California. Any litigation or arbitration arising out of this Lease shall be filed and maintained in Los Angeles County, California. Although Landlord primarily wrote the provisions of this Lease, the provisions were negotiated by both Landlord and Tenant and shall not be construed either for or against Landlord or Tenant, but shall be interpreted in accordance with the general tenor of the language.

17.24 No Offer. The submission of this document for examination and negotiation does not constitute an offer to lease, or a reservation of, or option for, the Premises; and this document becomes effective and binding only upon execution and delivery hereof by Tenant and by Landlord (or, when duly authorized, by Landlord's agent or employee). No act or omission of any employer or agent of Landlord or of Landlord's broker, if any, shall alter, change or modify any of the provisions of this Lease.

17.25 Subordination and Attornment.

(a) This Lease, at Landlord's option, shall be subordinate to any mortgage, deed of trust or any other hypothecation for security now or hereafter placed upon the Premises and to any and all advances made on the security thereof and to all renewals, modifications, consolidations, replacements and extensions thereof.

(b) Tenant agrees to execute any documents in addition to this Lease which may be required to effectuate such subordination, and failing to do so within ten (10) days after written demand, does hereby make, constitute and irrevocably appoint Landlord as Tenant's attorney-in-fact and in Tenant's name, place and stead, to do so. Furthermore, Tenant's failure to execute such documents within such ten (10) day period shall, at Landlord's option, constitute a material default under this Lease, without further notice or cure period under this Lease being applicable to this default, and be a conclusive presumption that the Lease has been subordinated to the lien of any mortgage or deed of trust. * However, the foregoing presumption shall not relieve Tenant of its continuing obligation to execute the documents, and Landlord will be permitted to exercise all of its rights and remedies granted under this Lease.

(c) In the event of a sale of the real Premises of the Premises or any part thereof (pursuant to foreclosure or the exercise of a power of sale under any such mortgage, deed of trust or other security instrument), Tenant shall attorn to the purchaser, and recognize such person as the Landlord under this Lease.

17.26 Attorneys' Fees. Tenant agrees to pay Landlord, upon three (3) days prior written notice, any fees or costs incurred by Landlord in effecting the collection of past due rent, additional rent or other sums due to Landlord under this Lease or assuring Tenant's compliance with any of the other terms and conditions of this Lease including, without limitation, fees and costs of an attorney or collection agency. Nothing contained in this Lease shall limit any other remedy by Landlord. Landlord and Tenant agree that in the event of any litigation arising out of or in connection with this Lease, to collect any indebtedness hereunder, or to enforce any other right or remedy hereunder, the prevailing party shall be entitled to recover from the losing party, in addition to any money judgment or other relief, such reasonable

attorneys' fees as may have been incurred by the prevailing party in instituting or defending such litigation, or any appeal thereon, together with such reasonable costs and expenses of litigation as may be allowed by the court, all of which attorneys' fees, costs and expenses the losing party hereby covenants to pay. For purposes of this Section, in any unlawful detainer or other action or proceeding instituted by Landlord based upon any default or alleged default by Tenant, Landlord shall be deemed the prevailing party if (a) judgment is entered in favor of Landlord or (b) prior to trial or judgment Tenant shall pay all or any portion of the rent and charges claimed by Landlord, eliminate the condition(s), cease the act(s) or otherwise cure the omission(s) claimed by Landlord to constitute a default by Tenant under this Lease.

17.27 Exhibits. All Exhibits described in this Lease are attached hereto and incorporated herein by reference.

17.28 Rules and Regulations. Tenant covenants and agrees to comply with and observe all rules and regulations established by Landlord from time to time, including, without limitation, the "Rules And Regulations For Premises" attached hereto as "Exhibit C." Tenant's failure to observe any rules and regulations established by Landlord shall be considered a default under this Lease. In the case of any conflict between any rules and regulations and this Lease, this Lease shall be controlling.

17.29 Surrender of Premises. On the last day of the Lease term, or on any sooner termination, Tenant shall surrender the Premises to Landlord in the same condition as when received, broom clean, ordinary wear and tear excepted. Prior to the expiration or sooner termination of this Lease (subject to Section 9.2), Tenant shall repair any damages to the Premises occasioned by any removal of its trade fixtures, alterations, additions, changes, improvements, furnishings and equipment.

17.30 Accord and Satisfaction. No payment by Tenant or receipt by Landlord of a lesser amount than the rent, additional rent or other sum (as the case may be) herein stipulated shall be deemed to be other than on account of the earliest stipulated rent, additional rent or other sum due to Landlord under this Lease, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as rent, additional rent or other sum be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such rent, additional rent or other sum or pursue any other remedy provided for in this Lease.

17.31 Changes Requested By Lender. Tenant shall not unreasonably withhold its consent to changes or amendments to this Lease requested by a lender on Landlord's fee interest, so long as such changes do not materially alter the basic business terms of this Lease.

17.32 Substitute Operator. Landlord reserves the right to appoint a substitute operator to carry out any or all of Landlord's rights, obligations and duties under this Lease. Landlord may enter into a contract with the substitute operator either by a separate document or in a lease agreement with such operator on such terms and for such period of time as Landlord elects.

17.33 Survival of Indemnities and Warranties. The obligations of the indemnifying party under each and every indemnification and hold harmless provision contained in this Lease shall survive the expiration or earlier termination of this Lease. The representations, warranties, and covenants of the parties contained herein shall survive the expiration or earlier termination of this Lease. However, Tenant acknowledges that it has not relied on any representations or warranties in executing and entering into this Lease.

17.34 Warranty Of Authority. If Tenant is a corporation or partnership, each individual executing this Lease on behalf of the corporation or partnership represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of the corporation or partnership, and that this Lease is binding upon the corporation or partnership. If Tenant is a corporation, the persons executing this Lease on behalf of Tenant hereby covenant and warrant that (a) Tenant is a duly qualified corporation and all steps have been taken prior to the date hereof to qualify Tenant to do business in the State of California, (b) all franchise and corporate taxes have been paid to date, and (c) all future forms, reports, fees and other documents necessary to comply with applicable laws will be filed when due.

17.35 Force Majeure. In the event either party hereto shall be delayed or hindered in or prevented from the performance required hereunder by reason of strikes, lockouts, labor troubles, failure of power, riots, insurrection, war, acts of nature, or other reason of like nature not the fault of the party delayed in performing work or doing acts, such party shall be excused for the period of delay. The period of performance of any such act shall then be extended for the period of such delay. Notwithstanding the foregoing, however, force majeure shall not serve to excuse or postpone Tenant's obligations to pay rent unless expressly provided in this Lease.

SEE RIDER ATTACHED HERETO THAT IS HEREBY INCORPORATED AND MADE A PART OF THIS LEASE.

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the date above first written.

LANDLORD:

BOSTON & LAKE, LLC, a California limited liability company

By:


Eugene Scarcello
Managing Member

TENANT:

JENNIFER CONVERTIBLES, INC., a Delaware corporation

By:

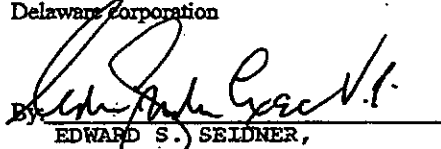

EDWARD S. SEIDNER,
Executive Vice President
of Real Estate

EXHIBIT A

SITE LEGAL DESCRIPTION

DESCRIPTION:

The Building includes the real property described below, together with the Premises and all other improvements located thereon.

LEGAL DESCRIPTION OF LAND:

Lot 2 of Farris and Lyman's Subdivision of Lots 32 and 33 of the Lands of the Mutual Orchard Company, in the City of Pasadena, as per map recorded in Book 13, Page 31 of Miscellaneous Records in the office of the Los Angeles County Recorder.

EXCEPTING therefrom that portion thereof included within Lake Avenue widened to 80 feet.

(Commonly known as 80 North Lake Avenue, Pasadena, California)

Rider attached to Lease dated: July , 2001

Landlord: BOSTON & LAKE, LLC, a California limited liability company

Tenant: JENNIFER CONVERTIBLES, INC.

Relating to property known as: 80 North Lake, Pasadena, California

Consisting of provisions numbered: 18 through 52

18. Rider Controls - The printed part of this lease is hereby modified and supplemented as follows, it being agreed that wherever there is any conflict between this Rider and the printed part of this Lease and/or other riders to this lease (if any), the provisions of this Rider are paramount and shall govern, and this lease shall be construed accordingly.

19. Terms Used - The use of the following terms shall be interchangeable: Premises, demised premises, Demised Premises, and Leased Premises.

20. Measurement of Demised Premises - The Demised Premises shall be measured to the center line of all walls common to other Tenant premises, to the exterior faces of all other walls, and to the building line. To the extent that the actual square footage of the Demised Premises is more or less than that indicated elsewhere in this Lease agreement, then the rental obligation of the Tenant shall be proportionally reduced or increased.

21. Purposely Omitted.

22. Commencement of Term and Rent Commencement Date - (a) The commencement date set forth in the body of the lease shall be adjusted to coincide with the completion of the facility by the Landlord of the work to be performed by the Landlord in the Tenant's space. In the event the demised premises, or any portion of the overall facility, has not been completed by the stated commencement date of this lease and the Landlord cannot deliver possession of the demised premises to the Tenant, then the commencement date shall be adjusted to reflect a date coincidental with the Landlord's ability to deliver possession of the demised premises to the Tenant. The termination date of the lease shall be similarly adjusted and any anniversary dates for rental increases or for renewals by the Tenant shall be adjusted to reflect the new commencement date. The first "lease year" during the term hereof shall be the period commencing on the rent commencement date if it occurs on the first day of a calendar month, or the first day of the next succeeding calendar month if the rent commencement date occurs on any date other than the first day of a calendar month, and shall terminate twelve (12) full calendar months thereafter.

(b) Purposely Omitted.

(c) Within five (5) days of the date of the tendered possession of the leased premises to the Tenant, both Landlord and Tenant agree to execute a certificate in form annexed herewith marked as Possession Agreement.

23. Access to Building - Landlord covenants and agrees, and this Lease is conditioned upon there being at all times during the Lease Term (i) direct and unencumbered access between the public ways and the sidewalk on either side thereof on the one hand and the Premises on the other hand and (ii) no additional buildings, structures, obstructions, barriers and the like constructed upon, attached or placed adjacent to the Building and/or the Premises, which in any event shall not adversely affect the access to or visibility of the Building and/or the Premises and/or Tenant's sign(s). In addition, Landlord covenants and agrees that it will not reduce the space nor the dimension of the Demised Premises.

24. Delivery of Possession - Delivery of possession of the Building and the Premises to Tenant shall in no event be deemed to have occurred until actual and exclusive physical possession of the Building and the Premises shall have been delivered to Tenant in a broom-clean condition, free and clear of all violations, prior leases, Tenants and/or occupants and free and clear of all fixtures and other property of all prior Tenants and/or occupants, and with any warranties and representations contained in this Lease being true and fulfilled as of such date, and with the construction and condition of the Building and the Premises being such as to allow the issuance of a building permit for work to be performed by Tenant.

25. Failure to Give Possession - Notwithstanding anything in this Lease to the contrary including any Force Majeure clause, if Landlord is unable to give Tenant possession of the Premises as required hereunder by February 1, 2002, Tenant shall have the option of terminating this Lease within thirty (30) days thereof by notice to Landlord. Landlord may not deliver the premises during the month of November, 2001 unless Tenant agrees to accept possession in that month.
26. Real Estate Taxes - (a) Landlord 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 subject to Tenant's timely reimbursement of the same.
- (b) Abatements - If Landlord shall obtain any abatement, refund or rebate in Real Estate Taxes, Landlord shall promptly forward to Tenant its share of such abatement, refund or rebate (less Tenant's share of the reasonable cost and reasonable expense of obtaining them).
- (c) New Construction - In the event that any additions to the Building or improvements (collectively the "New Construction") are constructed (for reasons other than to replace portions of the Building damaged or destroyed by a Casualty) after the assessment day for Real Estate Taxes for the first tax year ending during the Lease Term, Tenant's share of the Real Estate Taxes shall be calculated to exclude the real estate taxes and the square footage that are attributable to the New Construction. Landlord shall use its best efforts to cause any New Construction to be separately assessed.
27. Alterations - Tenant shall have the right, without consent of Landlord, to make non-structural repairs and alterations provided disbursements do not exceed \$50,000.00 per annum for the first lease year and \$25,000.00 per annum per lease year thereafter.
28. Use of the Premises - Tenant shall use the Premises for the purpose of conducting the business of the sale of sofas, furniture, home furnishings, mattresses and related items and ancillary items. The use of the premises shall include the exclusive right to sell sofas and convertible sofas. Landlord and Tenant will work together to obtain necessary permits for Tenant's intended use.
29. Hazardous Materials - Landlord represents that to the best of Landlord's knowledge, the Demised Premises, on the commencement date of this Lease, will contain no Hazardous Materials.
30. Yield Up - Tenant agrees, at no later than the Expiration Date, to remove all trade fixtures and personal property, to repair any damage caused by such removal, to remove all Tenant's signs wherever located and to surrender all keys to the Premises and yield up the Premises, in the same good order and repair in which Tenant is obliged to keep and maintain the Premises by the provisions of this Lease, reasonable wear and tear and damage by fire, casualty or taking excepted. Any property not so removed shall be deemed abandoned and may be removed and disposed of by Landlord in such manner as Landlord shall determine, without any obligation on the part of Landlord to account to Tenant for any proceeds therefrom, all of which shall become the property of Landlord.
31. Rules and Regulations - All rules and regulations that Landlord may make shall be uniform, reasonable, and applied equally on a non-discriminatory basis to all of the Tenants, complied with by all Tenants, and shall not conflict with any provisions of this Lease.
32. Maintenance - (a) Landlord agrees to transfer or enforce for the benefit of Tenant 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. Landlord covenants and agrees that it will, at all times during the Lease Term, maintain and keep in good order and repair the foundation, floorslab, exterior, exterior walls, steel frame, roof, structural portions, gutters, downspouts, if any, and underground utility lines of the Premises and the Building, and all utility lines serving the Premises. Landlord shall make all repairs and replacements without, to the extent practicable, interfering with the conduct of Tenant's business. If during such repairs and replacements the Building or the Premises are wholly or partially unsuitable for their use as provided in this Lease, there shall be an equitable abatement of Minimum Annual Rent and all other additional rent until such time as such repairs and replacements have been completed.
- (b) The air conditioning unit which is to be installed by the Landlord at its expense including obtaining all the necessary permits, etc. in the demised premises is the property of the Landlord. Tenant is hereby granted the right to use said equipment. It is understood, commencing from the rent commencement date of the Lease, Landlord will pay for any and all repairs and replacements of the air conditioning equipment and for all costs of maintenance throughout the term of the Lease and the Option Periods.

33. Total or Partial Destruction - If the Premises shall be damaged by fire, the elements, accident, or other cause or casualty, but are not thereby rendered untenable or unusable for its intended purpose, Landlord shall at its own expense, cause such damage to be promptly repaired and the Premises restored. If the Premises shall be damaged by fire, the elements, accident, or other cause or casualty, such that the Premises shall be rendered untenable or unusable for its intended purpose only in part, Landlord shall at its own expense cause the damage to be repaired and all rent payments shall abate proportionately as to the portion of the Premises rendered untenable or unusable. If the Premises shall be rendered wholly untenable or unusable for its intended purpose, Landlord shall, at its own expense, cause such damage to be repaired and all rent shall abate until the Premises have been restored and rendered tenable and usable for its intended purpose, or Landlord may, at its election, terminate this Lease and the tenancy hereby created by giving to Tenant, within sixty (60) days following the date of said occurrence, written notice of Landlord's election to do so, and in the event of such termination, rent shall be adjusted as of the date of said occurrence; provided, however, if within four (4) months after the occurrence, Landlord shall not have fully restored the Premises and enabled Tenant to lawfully occupy the Premises for the purposes permitted under this Lease; then, at Tenant's election, Tenant may terminate this Lease by written notice to that effect and in the event of such termination, rent shall be adjusted as of the date of said occurrence.

34. Condemnation - Tenant may terminate this lease if there is any substantial impairment of ingress or egress from or to the shopping center through condemnation or if the following property, or any interest in it, is condemned for public or quasi-public use:

- (a) Any part of the demised premises; or
- (b) More than fifteen percent (15%) of the common area of the shopping center.

Tenant 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, tenant may make its own claim for any separate award that may be made by the condemnor for tenant's loss of business or for the taking of or injury to tenant's improvements, or on account of any cost or loss tenant may sustain in the removal of tenant's trade fixtures, equipment, and furnishings, or as a result of any alterations, modifications, or repairs that may be reasonably required by tenant in order to place the remaining portion of the premises not taken in a suitable condition for the continuance of tenant's occupancy.

If this lease is terminated pursuant to the provisions of this paragraph, then all rentals and other charges payable by tenant to landlord under this lease will be paid to the date of the taking, and any rentals and other charges paid in advance and allocable to the period after the date of the taking will be repaid to tenant by landlord. Landlord and tenant will then be released from all further liability under this lease.

35. Signs - Tenant shall be entitled to place, maintain, and Landlord shall allow to be permitted, placed and maintained appropriate dignified displays of customary type for its display windows on the interior of the window area, or elsewhere on the premises so as to be visible to the public as may be allowed by law. Tenant shall be permitted a "relocating sign" during the last sixty (60) days. In addition, Landlord is to contribute Five Thousand Dollars (\$5,000.00) towards Tenant's sign installation; payment to be made upon completion of sign installation.

36. Right to Cure Defaults - (a) Tenant shall have a right to cure any default of Landlord including, but not limited to, any failure of Landlord to perform and/or complete Landlord's Work in accordance with and in the manner required by the provisions of this Lease provided Tenant shall give Landlord fifteen (15) days notice, except in the case of emergency, and Tenant may reimburse itself for the reasonable cost thereof out of succeeding rental payments.

(b) With regard to any monetary default, Tenant shall have the right to cure said default by making basic and additional rental payments by the 17th of each and every month and Landlord will not impose any late fees penalties nor any interest on said amount or any other charges.

(c) With regard to non-monetary default, Tenant shall have a right to commence to cure said default or perform within thirty (30) days after notice.

37. Effect of Waivers on Default - No consent or waiver, express or implied, by either party to or of any breach of any covenants, conditions or duty of the other shall be construed as a consent or waiver to or of any other breach of the same or any other covenant, condition or duty.

38. Assignment, Subletting, etc. - (a) No consent shall be required for, and Tenant 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. Upon any assignment in accordance with the foregoing, the Tenant named herein shall be relieved of any further liability hereunder.

(b) Tenant shall have the absolute right to assign, sublet or otherwise transfer its interest in this Lease to a Licensee, Franchisee or operating subsidiary of Tenant, without Landlord's approval, written or otherwise, as long as Tenant remains fully liable for full performance of all its obligations under this Lease.

39. Notice from One Party to the Other - Any notice from Landlord to Tenant or from Tenant to Landlord shall be sent by certified mail, return receipt requested. All notices shall be addressed or delivered, if to:

To Landlord:

Boston & Lake, LLC
1706B Newport Blvd.
Costa Mesa, CA 92627
Attn: Gene Scarcello

To Tenant:

Jennifer Convertibles, Inc.
419 Crossways Park Drive
Woodbury, New York 11797
Attn: Edward S. Seidner

With A Copy To:

Law Offices of Wincig & Wincig
Attn: Bernard Wincig, Esq.
574 Fifth Avenue
New York, New York 10036

40. Subordination and Rights of Mortgage - Tenant agrees at the request of Landlord to subordinate this Lease to any institutional first mortgage or deed of trust placed or to be placed upon the Premises by Landlord, provided that the holder of such mortgage enters into an agreement with Tenant in recordable form, binding upon the successors and assigns of the parties thereto, by the terms of which such holder agrees not to disturb the possession and other rights of Tenant under or pursuant to this Lease during the Lease Term, so long as Tenant continues to perform its obligations hereunder and in the event of acquisition of title, or coming into possession, by said holder through foreclosure proceedings or otherwise, to accept Tenant as Tenant of the Premises under the terms and conditions hereunder and to assume and perform all of Landlord's obligations hereunder.

41. Laws and Ordinances - Landlord shall, at Landlord's sole cost and expense, promptly observe and comply with all present or future laws, rules, requirements, recommendations, orders, directions, ordinances, and regulations of the United State 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 Tenant's business, or the location by Tenant of partitions or trade fixtures in which event Tenant, at its sole cost and expense, shall observe and comply with same.

42. Damages - In determining any damages hereunder, Landlord shall use its best efforts to mitigate its damages.

43. Mutuality of Lease Provisions - All provisions of said Lease relating to (i) payment of attorneys' fees, (ii) effect of waivers (or lack of waivers), (iii) delays ("force majeure"), and (iv) indemnification and/or exculpation of Landlord, shall be deemed mutual, Tenant having the same rights with respect thereto as Landlord.

44. Powers of Attorney - Any and all powers of attorney or other such rights granted by Tenant to Landlord, and any penalties, liquidated damages or other such obligations upon Tenant as a result of a breach by Tenant of any provision(s) of said Lease together with all self-help provisions granted to the Landlord, are hereby deleted therefrom.

45. Plate Glass - Tenant is permitted to self-insure plate glass.

46. Insurance - Tenant shall procure and continue in force during the term of this Lease (including any period prior to the commencement date of the term of this Lease in which Tenant is engaged in any alterations or repairs to the Leased Premises):

(a) Comprehensive general liability insurance covering bodily injury, personal injury and death, and property damage, sprinkler leakage and legal liability, in an amount not less than One Million Dollars (\$1,000,000.00) for bodily injury, personal injury or death to any one person, Two Million Dollars (\$2,000,000.00) for bodily injury, personal injury or death to more than one person and Fifty Thousand Dollars (\$50,000.00) with respect to damage to property or otherwise. Tenant's policy shall provide excess liability coverage of Ten Million Dollars (\$10,000,000.00).

47. Payment for Services - In no event shall Tenant be required to pay with respect to any utility service or any other service provided or designated by Landlord, an amount in excess of the amount that Tenant would be required to pay if purchasing directly from such utility or other company.

48. Option To Extend - Tenant shall have an option if it is not then in material default under this lease, to extend the term of this lease for two (2) additional five (5)-year terms (the "extension terms"). The options to renew shall be self-executing unless the Tenant notifies the Landlord in writing of its intent not to exercise no less than one hundred eighty (180) days prior to the expiration of the initial lease term.

49. Warranties - (a) Landlord represents and warrants that the bathrooms, HVAC system, plumbing system and electrical system will be in good working order at date of delivery of the premises and that the roof will be free of leaks and the sidewalk free of repair and that the Landlord has not received any notices of any violations of the applicable building code.

50. Imputation - For purposes of this Lease, the negligence, affirmative act or violation of the provisions of this Lease by an employee or agent of Landlord or Tenant, or by a contractor, employed by Landlord or Tenant, shall be the negligence, affirmative act or violation of the provisions of this Lease of Landlord or Tenant, as the case may be.

51. Common Area Operating Costs - (a) It shall not include (i) expenses for any capital improvements made to Land or Building, (except that capital expenses for improvements which result in savings of labor or other costs shall be included at the cost or such improvements amortized over the useful life of the improvements); (ii) expenses for repairs or other work occasioned by fire, windstorm or other insured casualty; (iii) expenses incurred in leasing or procuring new Tenants (i.e. lease commissions, Tenant inducements, advertising expenses and expenses of renovating space for new Tenant); (iv) legal expenses in enforcing the terms of any lease; (v) interest or amortization payments on any mortgage or mortgages and/or capital improvements; (vi) reserve funds; (vii) administrative expenses of Landlord; (viii) expenses in connection with maintaining and operating any garage operated by Landlord incident to the operation of the shopping center; (ix) removal of hazardous material; (x) earthquake insurance—unless such coverage is reasonably available at a commercially reasonable cost; and (xi) direct settlement payments by Landlord in personal injury or property claims; (xii) reserves of any nature.

(b) All common area costs shall be based upon competitive charges for similar services and/or materials that are available in the general vicinity of the premises.

(c) Notwithstanding anything to the contrary contained herein, the Landlord confirms that the cost for Insurance, Real Estate Taxes and Operating Costs for common area maintenance for the first lease year shall be approximately fifty percent (50%) of the below figures:

	<u>Per Annum</u>
Insurance	\$ 2,500.00
Real Estate Taxes	\$16,000.00
<u>Common Area Operating Costs:</u>	
Gardner	\$1,500.00
Roof Maintenance	750.00
Overhead	113.00

(d) However, in no event will Landlord be entitled to collect in excess of 100% of the

total expense from all the Tenants in the center. Generally accepted accounting principles, consistently applied will be used to determine expenses.

52. Early Termination - At any time after the expiration of the first five (5) Lease Years during the Term or the Renewal Term of this Lease, Tenant may vacate the Premises and terminate the Lease upon six (6) months prior written notice to Landlord after the first six (6) months of the Option Period ("Early Termination"), conditional upon Tenant(i) paying all Basic and Additional Rent to Landlord up until the date that Tenant vacates the Premises; and (ii) leaving the Premises in a broom clean condition free and clear of any Tenants, or other occupants. Notwithstanding anything to the contrary hereinabove, Tenant's exercise of its right of Early Termination pursuant to the terms delineated herein, shall not be deemed an event of default under this Lease.

LANDLORD:

BOSTON & LAKE, LLC, a California
limited liability company

By: 

Eugene Scarcello
Managing Member

TENANT:

JENNIFER CONVERTIBLES, INC.

By: 

Edward S. Seidner
Executive Vice President
of Real Estate

Date: July , 2001

LETTER OF POSSESSION

PURSUANT TO AGREEMENT dated August , 2001 between:

Landlord: BOSTON & LAKE, LLC, a California limited liability company

Tenant: JENNIFER CONVERTIBLES, INC.

WHEREAS, the parties hereto entered into a Lease of the premises at:

80 North Lake, Pasadena, California

WHEREAS, the Landlord has complied with all the terms and conditions of such Lease on the Landlord's part to be performed, and

THEREFORE, in consideration of the mutual covenants herein contained, and for the sum of \$1.00 each to the other in hand paid, receipt of which is hereby acknowledged, it is agreed as follows:

1) The Tenant acknowledges that the Landlord has complied with all the terms, covenants, and the conditions of said Lease on Landlord's part to be performed. The Tenant agrees that he has taken possession of the premises on , 2001.

2) Tenant is to commence rental payments on , 2001 as provided for in the Lease. The termination of said Lease shall be , 200_.

LANDLORD:

BOSTON & LAKE, LLC, a California
limited liability company

By: _____
Eugene Scarcello
Managing Member

TENANT:

JENNIFER CONVERTIBLES, INC.

By: _____
Edward S. Seidner
Executive Vice President
of Real Estate

Dated: _____, 2001

K:\FROM\WP\DOC\JENNIFER\PasadenaCA.rtf

EXHIBIT B

SITE PLAN OF PREMISES

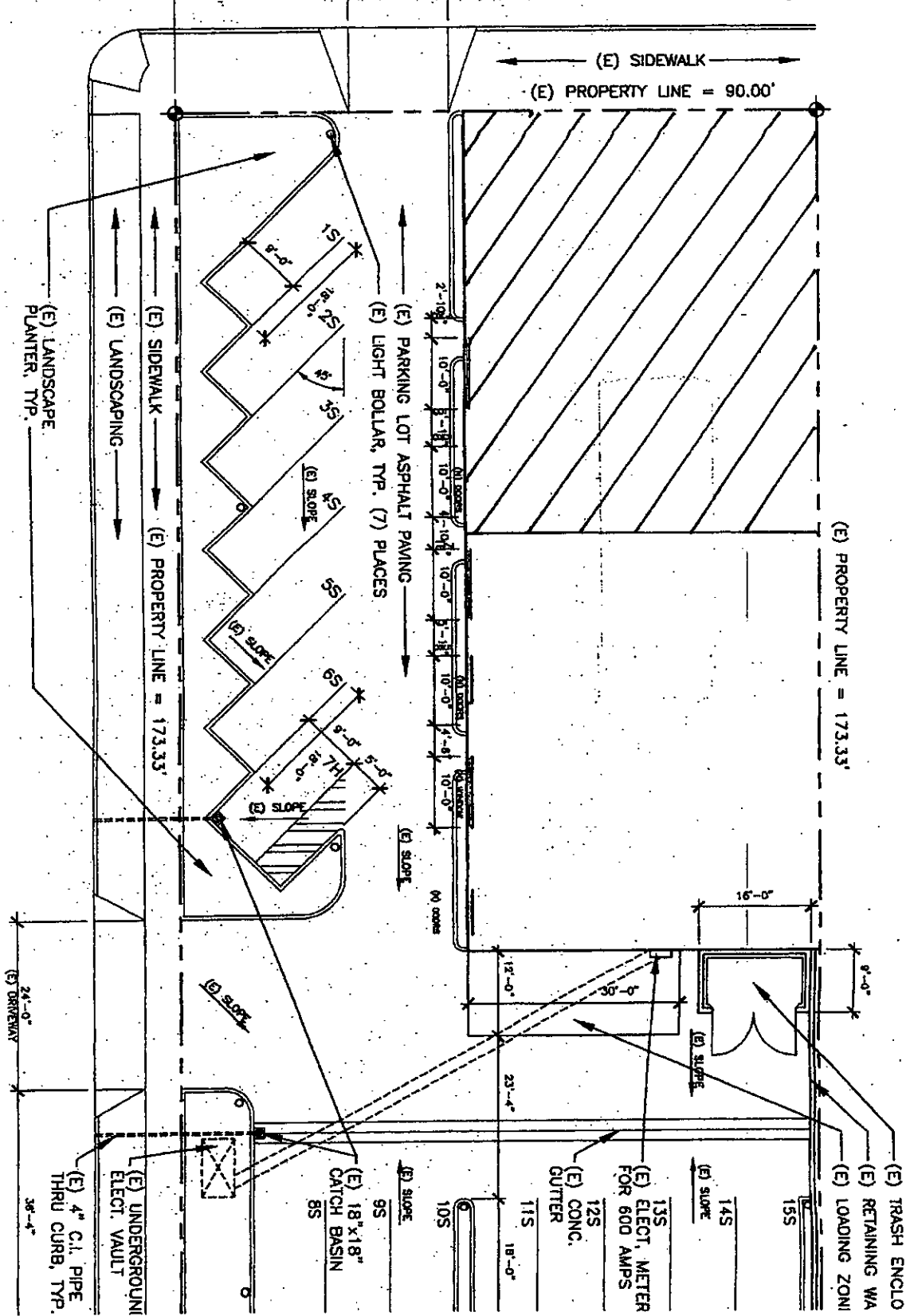


EXHIBIT C

RULES AND REGULATIONS FOR THE PREMISES WHICH CONSTITUTE A PART OF THE LEASE

(1) Tenant and Tenant's employees shall not loiter on the Building nor shall they in any way obstruct the parking lot, sidewalks, entry passages to the Building, and they shall use the same only as passageways to and from their respective work areas.

(2) Any sash doors, sashes, windows, glass doors, lights and skylights that reflect or admit light into the Building shall not be covered or obstructed by Tenant. Water closets, urinals and wash basins shall not be used for any purposes other than those for which they were constructed, and no rubbish, newspapers, food or other substances of any kind shall be thrown into them. Tenant shall not mark, drive nails, screw or drill into, paint or in any way deface the exterior walls, roof, foundations, bearing walls or pillars without the prior written consent of Landlord, in its sole discretion. The expense of repairing any breakage, stoppage or damage resulting from a violation of this rule shall be borne by Tenant.

(3) No awning or shade shall be affixed or installed over or in the show windows or the exterior of the Building. If Tenant desires window drop curtains in the show windows of the Building, the same must be of such uniform shape, color, material and make as may be prescribed by Landlord and must be put up as directed by Landlord, and paid for by Tenant. Furthermore, Tenant shall not stock any storage boxes, inventory, or other items within three (3) feet of any storefront or display windows of the Building.

(4) No boring or cutting for wires, stringing of wires or laying of linoleum or other similar floor coverings shall be allowed, except with the consent of Landlord, in its sole discretion, and then only as Landlord may direct.

(5) Tenant shall not do anything on the Premises or in the Building, or bring or keep anything therein, which will in any way increase or tend to increase the risk of fire or the rate of fire insurance or which shall conflict with the regulations of the Fire Department or the law or with any insurance policy on the Building or any part thereof, or with any rules or regulations established by any administrative body or official having jurisdiction. Tenant shall not use any machinery on the Building, even though its installations may have been permitted, which may cause any unreasonable noise, or jar or tremor to the pavement, floors or walls, or which by its weight might injure the floors of the Building or damage the Premises or the Building.

(6) Landlord may limit weight, size and position of all safes, fixtures and other equipment used on the Premises or in the Building. If Tenant shall require extra heavy equipment, Tenant shall notify Landlord of such fact and shall pay the cost of structural bracing to accommodate same. All damage done to the Building by putting in, or taking out, or maintaining extra heavy equipment shall be repaired at the expense of Tenant.

(7) Tenant and Tenant's officers, agents and employees shall not make nor permit any loud, unusual or improper noises or odors, nor bring into nor keep within the Building or at the Premises any animal or bird (with the exception of an authorized pet store), or any bicycle, automobile or other vehicle. Tenant and Tenant's officers, agents and employees shall not throw or discard litter of any kind in or about the Building, except in receptacles which Tenant shall supply for such purposes.

(8) No loudspeakers, televisions, phonographs, radios or other devices shall be used in a manner so as to be heard or seen outside of the Building without the prior written consent of the Landlord, in its sole discretion.

(9) The outside area immediately adjoining the Premises shall be kept clean and free from dirt and rubbish by the Tenant, to the satisfaction of the Landlord, and Tenant shall not place or permit any obstructions or merchandise in such areas nor shall Tenant use such areas for business purposes.

(10) No machinery of any kind will be allowed on the Premises without the written consent of Landlord, in its sole discretion. This shall not apply, however, to customary office equipment or trade fixtures.

(11) Tenant shall not sell merchandise from vending machines or allow any coin or token operated vending machine on the Premises or Building except those exclusively used by employees or consented to by Landlord, in its sole discretion.

(12) The delivery or shipping of merchandise, supplies and fixtures to and from the Building shall be subject to such rules and regulations as in the judgment of Landlord are necessary for the proper operation of the Building.

(13) No aerial shall be erected on the roof or exterior walls of the Building, or on the Premises, without in each instance, the written consent of Landlord. Any aerial so installed without such written consent shall be subject to removal without notice at any time. Tenant shall be responsible for the cost of any removal and/or repair of any roof penetrations caused by Tenant or Tenant's agents.

(14) All garbage, including wet garbage, refuse or trash shall be placed by the Tenant in the receptacles which Tenant shall provide and use for that purpose. All wet garbage shall be double bagged in plastic sacks, which sacks shall be properly fastened so as to be airtight.

(15) Tenant shall use at Tenant's cost such pest extermination contractor as Landlord may direct and at such intervals as Landlord may require.

(16) Tenant is required to observe all security regulations issued by Landlord.

(17) Tenant shall not use or permit the use of any portion of the Building as sleeping quarters, lodging rooms, or for any unlawful purposes.

(18) No liquidation, going out of business, fire or bankruptcy sales may be conducted on the Building.

(19) Any requirements of Tenant will be attended to only upon written application to Landlord at its general office as indicated in the Fundamental Lease Provisions.

(20) No waiver of any rule or regulation by Landlord shall be effective unless expressed in writing and signed by Landlord or its authorized agent.

(21) Landlord reserves the right to exclude or expel from the Building any person who, in the judgment of Landlord is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of the law, the Lease or the rules and regulations of the Building.

(22) Landlord reserves the right at any time to change or rescind any one or more of these rules or regulations or to make such other and further reasonable rules and regulations as in Landlord's judgment may from time to time be necessary for the management, safety, care and cleanliness of the Building, and for the preservation of good order therein. Tenant shall be deemed to have read these rules and regulations and to have agreed to abide by them as a condition to its occupancy of the Premises.

(23) Tenant shall abide by any additional rules or regulations that are ordered or requested by any governmental authority.

(24) In the event of any conflict between these rules and regulations from time to time issued by Landlord and the Lease provisions, the Lease provisions shall govern and control.

(25) Landlord's failure to enforce any of the Rules and Regulations against Tenant at any time, shall not constitute a waiver of Landlord's rights to enforce any of the Rules and Regulations against Tenant at a later time.

EXHIBIT D

SIGN CRITERIA

The purpose of the attached criteria is to establish sign standards necessary to insure maximum tenant identification consistent with the locations and amount of space available for signage, and the overall harmony of the design of the Premises.

The following is the established signing criteria:

A. GENERAL

Tenant shall pay for all signs and their installation and maintenance. Tenant shall also be responsible for obtaining all necessary governmental permits and approvals.

Tenant shall submit a TENANT APPLICATION FOR SIGNING to Landlord for the review and approval by Landlord or its agent prior to fabrication of the sign. The APPLICATION FOR SIGNING shall contain drawings which clearly illustrate the sign, the exact dimensions of the sign and all of its components, all designs or logos or script to be included, a description of all sign materials to be used for each component part, the exact colors of each component part, and the exact location on the Premises or the Building where the sign is to be attached and the manner of its attachment. If the sign is to be lighted in any way, the drawings shall illustrate and describe the type, manner and location of the lighting and its component parts and wiring to be involved. The graphics for each sign should reflect the character of the shop it identifies.

Design approval will be based upon local criteria and standards, size, compatibility with storefront design and color, and with regard for the overall character intended for the Premises. Approval of the sign materials shall be within the absolute and subjective discretion of Landlord.

B. DESIGNATED SIGNING CONTRACTOR

In order to minimize the cost of signing to Tenant, and to insure safe and high quality workmanship and materials, and to further provide for conformity, the Landlord shall designate the sign contractor to be utilized by Tenant.

C. PROCEDURE

Tenant should review these criteria and determine some preliminary sign concepts. When such concepts are available, the following procedure should be followed:

1. Tenant shall fill out the TENANT APPLICATION FOR SIGNING, meet with the sign contractor to review Tenant's sign concepts and to make appropriate financial arrangements.
2. The sign contractor will sketch a shop drawing of the sign, containing the information described in Section A above, and contact Landlord's agent for approval.
3. Landlord's agent will approve or reject the TENANT APPLICATION FOR SIGNING and return it to Tenant.
4. Once its APPLICATION FOR SIGNING is approved by Landlord, Tenant must then procure a sign permit from the City of Pasadena; and the sign contractor will thereafter fabricate the sign.

D. SPECIFIC SIGN REQUIREMENTS

Tenant shall at its own expense maintain and keep in good repair all installations, signs, and advertising devices which it is permitted by Landlord to maintain and shall pay all

charges required to keep them in good repair. Tenant's signs must be installed and operating concurrent with its opening for business.

2 INDIVIDUAL CHANNEL LETTERS
FIT TO RACEWAY, SEE
SECTION FOR DETAILS

20'-0"
18'-4"

4'-0" 1/2
4'-0"

**JENNIFER CONVERTIBLES
& LEATHER**

17'-6"

47'-0"

SIDEFRONT WEST ELEVATION
JENNIFER CONVERTIBLES

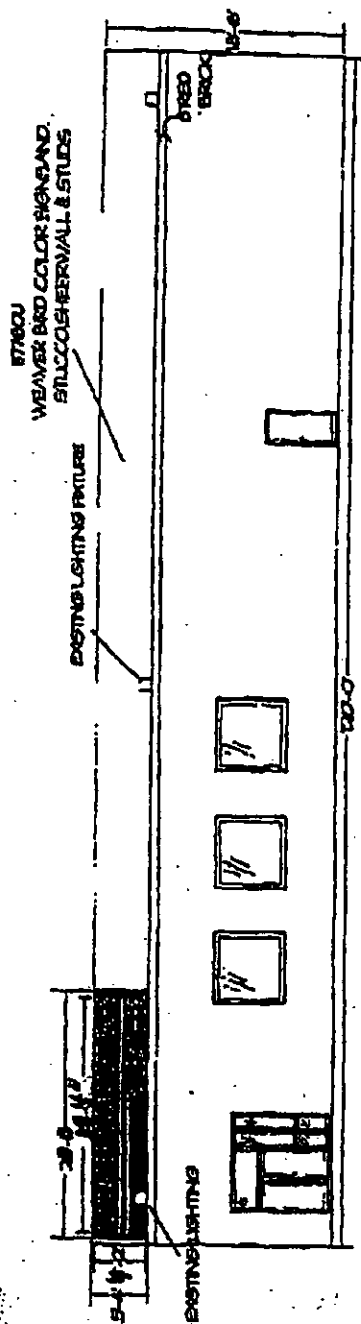
DATE	DATE	DATE	DATE
10/15/01	10/15/01	10/15/01	10/15/01
JENNIFER CONVERTIBLES	JENNIFER CONVERTIBLES	JENNIFER CONVERTIBLES	JENNIFER CONVERTIBLES
PASADENA, CA	PASADENA, CA	PASADENA, CA	PASADENA, CA
10/15/01	10/15/01	10/15/01	10/15/01

APPROVAL:

DATE:

Handwritten: 9.20.02

INDIVIDUAL CHANNEL LETTERS
M.T.D. TO RACEWAY. RACEWAY
PAINTED MATT BLACK SEE SECTION
FOR DETAILS.



SIDE FRONT SOUTH ELEVATION
SCALE 1/8" = 1'-0"

FACING W. BOSTON COURT.

100% JEN-APRIL CONVERTIBLES HAWAIIANA, CA DATE: 01-01			ALL RIGHTS RESERVED. NO PART OF THIS PUBLICATION MAY BE REPRODUCED OR TRANSMITTED IN ANY FORM OR BY ANY MEANS, ELECTRONIC OR MECHANICAL, INCLUDING PHOTOCOPYING, RECORDING, OR BY ANY INFORMATION STORAGE AND RETRIEVAL SYSTEM, WITHOUT PERMISSION IN WRITING FROM THE PUBLISHER.	APPROVAL NOTE
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Handwritten signature
7-20-4

01-01-01 09:02A

EXHIBIT E

LANDLORD'S WORK

July 20, 2001

LANDLORD'S WORK LETTER

Landlord shall provide the following:

1. Concrete floor in place.
2. Demolish Partition Wall - Studs and gypsum board to be taped, sanded and primed ready for paint finish. Duplex outlets to be placed every 15 feet.
3. Ceiling - Suspended 2' x 4' acoustical T-bar ceiling in place.
4. Electrical - 200 amp service to be metered separately. Proper amp/voltage panel distribution.
5. Roof - Structure to be guaranteed.
6. Fire Sprinklers - In the event sprinklers are required by the local authorities, this will be landlord's obligation.
7. Toilet - Two complete handicapped lavatories, complete with sink, toilet, mirror, light, toilet paper dispenser, paper towel dispenser and all handicapped grab bars in accordance with all ADA and local building codes.
8. Plumbing - Sewer service and hot and cold running water. Must meet all local building and health codes.
9. Rear Service or Exit Door - 3' x 7' x 1 1/2" fire rated (if required) hollow metal door and frame, complete with lock set and all hardware according to all local building codes. Second means of egress.
10. Illuminated exit signs and emergency lights.
11. HVAC - One existing 10-ton unit with duct work. Must meet all building codes. Landlord to maintain, service and guarantee. This will include quarterly preventive maintenance.
12. Signage - To conform to all local building codes.

Agreed & Approved

7-20-01

[Signature]

EXHIBIT F

OPTION TO RENEW

Right to Renew and Extend Lease Term - Market Rate

1. Provided all of the following conditions are met, Tenant shall have two (2) options to renew the Term of the Lease for an extended term of five (5) years each (defined "First and Second Option(s)") following the expiration of the initial Term of the Lease. In addition, in the event that Tenant has been given the written notice to cure a monetary default set forth in Paragraph 3.6 of the Lease, Tenant must have actually cured the default in order to have the options to renew described in this Section:

(a) The Lease shall be in effect at the time the Extension Notice is received and on the last day of the then-existing Term; (b) ~~Tenant shall not have been in default (including, but not limited to, any default cured by payment or performance following legal action by Landlord) under any provision of the Lease during the last two (2) years of the Term;~~ (c) Tenant shall be in occupancy of the Premises; (d) Tenant is the original signatory of the Lease and has not sublet or assigned any portion of the Premises, except for Permitted Transfers set forth in Section 13.1(b) of the Lease; (e) ~~Tenant shall not have incurred more than four (4) late charges nor more than two (2) notices of non-payment pursuant to the Lease during the last two (2) years of the Term;~~ and (f) neither Landlord nor Tenant has exercised any right to terminate the Lease due to damage to or destruction of the Premises or the Building or any part thereof or any condemnation or conveyance under threat of condemnation of the Building or the Premises or any part thereof.
2. Tenant may exercise its right to extend the Term only by delivering written notice ("Extension Notice") to Landlord of Tenant's desire to so extend the Term no later than one hundred eighty (180) days nor earlier than three hundred sixty (360) days prior to expiration of the Term.
3. The Fixed Minimum Rent payable by Tenant during each Option period shall be as set forth in Paragraph 3.4 of the Lease.
4. Following Tenant exercising an option to extend the Lease term, within ten (10) days of the delivery to Tenant of the Extension Amendment by Landlord, Tenant shall execute and return to Landlord all counterparts of same. Upon Landlord's receipt of Tenant's executed Extension Amendment, Landlord shall execute same and deliver to Tenant one (1) duly executed counterpart original.
5. Failure of Tenant to notify Landlord in the manner set forth above shall cause the Options to become null and void with no notice to Tenant, and Landlord shall have no further obligations to Tenant with respect to the Options. No option herein granted to Tenant may be assignable separate and apart from the Lease, except to a Permitted Transferee.

EXHIBIT G

CONDITIONS PRECEDENT TO LEASE

The Lease shall not become effective until satisfaction of each of the contingencies set forth below, each which must be satisfied as and when indicated below:

1. Completion of Landlord's work as described in "Exhibit E."

EXHIBIT H

TENANT'S CONSTRUCTION

CONSTRUCTION

I. PLANS.

Within a reasonable time after the parties execute the Lease, Landlord shall deliver to Tenant a floor plan of the Premises showing the columns and other structural work. Within twenty (20) days from delivery of such floor plan, Tenant, at its expense, shall submit to Landlord for its approval two (2) sets of fully dimensioned scale drawings, plans and specifications prepared by a licensed architect and if applicable, engineer. The drawings shall indicate the specific requirements of Tenant's space, clearly outlining the Premises in such detail as Landlord may require, including types of materials and colors, interior partitions, reflected ceiling plan, roof plan showing locations of proposed equipment and penetrations, if applicable, and plumbing, fire sprinkler, mechanical and electrical plans prepared by a licensed electrical engineer setting forth all electric requirements of Tenant, all in conformity with the description of Tenant's Work herein and in strict compliance with applicable codes. Landlord shall have fifteen (15) days from receipt of these drawings to approve or disapprove them. If Landlord has not notified Tenant in writing of its approval, or disapproval, within the fifteen (15) day period, these drawings shall be deemed disapproved by Landlord. If Landlord disapproves such plans, Tenant shall, within ten (10) days of receipt of Landlord's notice of disapproval, revise and resubmit such plans to Landlord, correcting or altering such disapproved items.

II. TENANT'S WORK.

A. GENERAL REQUIREMENTS:

1. Tenant shall submit to Landlord, by certified or registered mail at least five (5) days prior to the commencement of construction, the following information:
 - a. The names, addresses and license class and number of all contractors and subcontractors Tenant intends to engage in the construction of the Premises.
 - b. The date on which Tenant's construction work will commence, together with the estimated date of completion of Tenant's construction work and fixturation, and the date on which Tenant expects to be ready to open for business on the Premises.
 - c. Evidence of builder's all risk, general liability and worker's compensation insurance for Tenant's contractor in accordance with Article XI hereof, or as Landlord may reasonably require.
 - d. An itemized statement of estimated construction costs, including architectural, engineering and contractors' fees.
 - e. Tenant's contractors' performance and/or labor and material bonds, if so required by Landlord, or any other bond to be furnished by Tenant as may be required by Landlord to insure the faithful performance of the work in accordance with the approved plans.

f. Copies of all required building and other permits.

2. All contractors engaged by Tenant shall be bondable, licensed contractors, possessing good labor relations, capable of performing quality workmanship and working in harmony with Landlord's contractors and other contractors on the job. All work shall be coordinated with the general project work of the Premises.
3. Construction shall comply in all respect with applicable Federal, State, County and City statutes, ordinances, regulations, laws and codes. All required building and other permits in connection with the construction and completion of the Premises shall be obtained and paid for by Tenant.
4. Tenant shall apply and pay for all utility meters, hook-up fees and services.
5. Tenant shall cause its contractor to provide warranties for not less than one (1) year against defects in workmanship, materials and equipment.
6. Tenant's Work shall be subject to the inspection of Landlord and its supervisory personnel.

B. DESCRIPTION OF TENANT'S WORK.

Unless otherwise specified, all work shall be performed by Tenant at Tenant's expense in accordance with Tenant's final plans and specifications as approved by Landlord and shall be deemed "Tenant's Work." Tenant's Work shall include, but shall not be limited to, the purchase and/or installation and/or performance of the following (including all architectural and engineering fees, permits and special assessments, taxes or fees relating to Tenant's Work):

1. All interior partitions and curtain walls within the Premises.
2. Such extra or special work that may be required for the installation of Tenant's fixtures and furnishings.
3. Light coves and hung or furred ceilings. Any changes to the ceiling system shall be subject to Landlord's prior written approval.
4. Furring of masonry walls, columns and other construction to provide finished store space.
5. All interior painting, decorating, wall covering, paneling and any other furnishing material and application.
6. All floor coverings and floor finishes including base and preparation of surface to receive the same.
7. All store fixtures, furnishings and accessories.
8. Hot water heater, water treatment systems and drinking fountains with plumbing thereto connected to facilities provided by Landlord, as required.
9. All water and sewer connections if required including all related governmental or other fees related to said connections and meters.

10. ~~As required adjustments and additions to the fire sprinkler system, if any, and fire protection work required as a result of Tenant's improvements including dry chemical fire protection system as required by code, portable extinguishers per the Fire Marshal's requirement or ADT service if required by insurance underwriters. Tenant shall notify Landlord in writing three (3) days prior to commencing any modification to monitored fire sprinkler system.~~
11. Internal communications and security/alarm systems.
12. Chutes, conveyors and pneumatic tubes and their shafts, doors and other components, including electrical hookup and service, if any.
13. All show window finishes including window display furring, fixturing, or special requirements.
14. Any special reinforcing, raised areas or depressions in concrete floor.
15. In addition to the HVAC equipment to be provided by Landlord as set forth above, special heating, cooling or ventilating equipment including that required by local codes or otherwise for show windows, dressing rooms, toilet rooms and stock rooms, provided that all duct work shall be concealed or treated in a manner which receives prior approval of Landlord. Relocations, adjustments to, additions or deletions of roof platforms and roof penetrations from those provided by Landlord shall be performed by Landlord at Tenant's expense.
16. Telephone conduct, cabinets and outlets within the Building as required by the telephone company including wiring from the terminal board. All telephone service and equipment shall be installed and thereafter maintained and used at the expense of Tenant.
17. Gas connection and distribution from point of connection designated at Landlord's drawings, if any.
18. All electrical work and equipment, including lighting, not expressly stated herein as being provided by Landlord, including meters, separate circuits and time clocks for interior show window and/or ceiling lighting, special lighting fixtures, additional, electrical, or power outlets, or increased electrical, service due to Tenant's use and operations.
19. Installation, wiring and connection of power of Tenant sign(s), both exterior and interior. All exterior signs shall be designed, constructed and located pursuant to the requirements and specifications set forth in Landlord's sign criteria EXHIBIT D attached to the Lease.
20. Tenant to make application for all utility services and pay for water, gas and/or electrical meter including any installation or hookup fees.
21. Tenant to make application for and obtain sign and construction permits and pay any fees related thereto.

22. All other items and requirements and any work directly or indirectly referred to as Tenant's Work herein.

23. The following work items, if required, shall be done by Landlord for Tenant at Tenant's expense:

- a. Design and construction of any additions, deletions, relocations or changes to the roof platforms for heating and air conditioning equipment.
- b. Design and construction of any additions, deletions, relocations or changes to roof penetrations for ducts, vents, plumbing and conduits.
- c. Design and construction of any changes to the fire sprinkler system, if any, to accommodate Tenant's space configuration or, at Landlord's option, shall be completed by Tenant in accordance with Landlord's and governing agencies' criteria.

24. Wood entry door(s) of a style and look which is/are compatible with the first-class appearance of the Building.

C. LANDLORD'S RIGHT TO PERFORM WORK.

Landlord shall have the right but not the obligation to perform, on behalf of and for the account of, Tenant, subject to reimbursement of the cost thereof by Tenant, any and all of the Tenant's Work which Landlord determines, in its sole discretion, should be performed immediately and on an emergency basis for the best interest of the Premises and the Building, including without limitation, work which pertains to structural components, mechanical, sprinkler and general utility systems, roofing and removal of unduly accumulated construction material and debris.

D. TEMPORARY FACILITIES DURING CONSTRUCTION.

1. Tenant shall provide and pay for all temporary utility facilities, and the removal of debris, as necessary and required in connection with the construction of the Premises. Storage of Tenant's contractors' construction material, tools, equipment and debris shall be confined to the Building and in areas that may be designated for such purposes by Landlord. In no event shall any material or debris be stored in the parking lot, on the sidewalks or service and exit corridors or in the parking lot.
2. During construction, Tenant shall maintain such barricades, fences or other measures as may be necessary to insure the security of the Premises and to prevent unauthorized persons from entering the Premises and/or the Building or any persons suffering any injury.

E. AS-BUILT DRAWINGS.

Tenant shall cause reproducible "As-Built Drawings" to be delivered to Landlord and/or Landlord's representative no later than thirty (30) days after the completion of the Tenant's Work or any alterations, additions or improvements permitted by Landlord in accordance with the terms of this Lease. In the event these drawings are not received by such

~~date, Landlord may, at its election, cause said drawings to be obtained and Tenant shall pay to Landlord, as additional rental the cost of producing these drawings.~~

F. FURNITURE/FIXTURES/EQUIPMENT.

~~Landlord hereby assigns and conveys to Tenant any right, title and interest it may have in the furniture, fixtures and equipment, which assignment and conveyance shall be effective on the date Tenant is given possession of the Premises by Landlord~~

EXTENSION AGREEMENT

LANDLORD NAME

AND ADDRESS:

IRWIN SHERRY

818 North Doheny Drive, Unit 1002
W. Hollywood, CA 90069

TENANT NAME

AND ADDRESS:

JENNIFER CONVERTIBLES, INC.

419 Crossways Park Drive
Woodbury, NY 11797

DATE OF LEASE:

July 15, 2001

EXTENSION TERM:

Commencement Date: January 1, 2007

Termination Date: December 31, 2011

PREMISES:

80 North Lake, Pasadena, CA

EFFECTIVE DATE:

June 28, 2006

R E C I T A L S :

WHEREAS, Landlord and Tenant are parties to a certain Lease Agreement for the Premises as set forth above, and

WHEREAS, Landlord and Tenant have agreed to extend and 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 Term of the Lease shall be extended for five (5) years commencing on the 1st day of January 2007 and ending at midnight on the 31st day of December 2011 (the "Extension Period").

2. The Parties agree that paragraph 3.4 of the Lease is amended to reflect that the Fixed Minimum Monthly Rent for the Extension Period (Months 73-144) shall be equal to \$8,250.00, (\$99,000.00 annually, \$33.00 per square foot).

3. The Parties agree that Lease is further modified to provide that all notices to the Landlord shall be addressed to the Landlord at the address stated above.

4. 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 above written and declare this
Extension Agreement to be binding on them, their respective
successors and permitted assigns.

LANDLORD:


IRWIN SHERRY

TENANT:

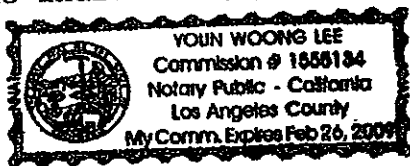
JENNIFER CONVERTIBLES, INC.

By: 

Edward E. Seidner
Executive Vice-President

STATE OF CALIFORNIA)
) ss.:
COUNTY OF LOS ANGELES)

On the 20TH day of JUNE 2006, before me, the undersigned personally appeared IRVIN SHERZY, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person on behalf of which the individual(s) acted, executed the instrument.



[Signature]
NOTARY PUBLIC

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On the 28th day of JUNE 2006, before me, the undersigned personally appeared EDWARD B. SEIDNER, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person on behalf of which the individual(s) acted, executed the instrument.

UMAR AMJAD SHEIKH
Notary Public, State of New York
No. 029H6113356
Qualified in Kings County
Commission Expires July 26, 2008

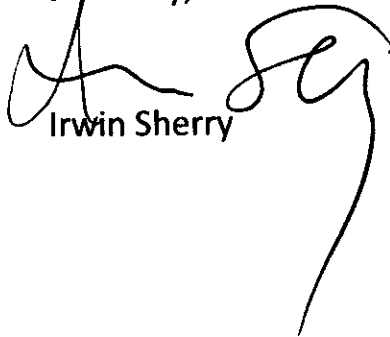
[Signature]
NOTARY PUBLIC

October 20, 2010

To; BMC Group, inc

Enclosed is an original of the Proof Of Claim and Addendum to Proof of Claim for filing, a copy of the Proof of Claim and a self addressed envelope for receipt of filing and a copy of the Lease Agreement and Extension to lease Agreement.

Sincerely,

A handwritten signature in black ink, appearing to read 'Irwin Sherry', with a long, sweeping vertical line extending downwards from the end of the signature.

Irwin Sherry