

<p>Attorney or Party Name, Address, Telephone & FAX Nos., State Bar No. & Email Address</p> <p>Leonard M. Shulman – Bar No. 126349 Ryan D. O’Dea – Bar No. 273478 SHULMAN HODGES & BASTIAN LLP 8105 Irvine Center Drive, Suite 600 Telephone: (949) 340-3400 Facsimile: (949) 340-3000 Email: lshulman@shbllp.com; rodea@shbllp.com</p> <p><input type="checkbox"/> Individual appearing without attorney <input checked="" type="checkbox"/> Attorney for: Richard A. Marshack, Chapter 7 Trustee</p>	<p>FOR COURT USE ONLY</p>
---	---------------------------

**UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA - SANTA ANA DIVISION**

<p>In re:</p> <p>HASSAN KARIMIAN and SAHEREH KARIMIAN,</p> <p style="text-align: right;">Debtor(s).</p>	<p>CASE NO.: 8:13-bk-17506-MW CHAPTER: 7</p> <p style="text-align: center;">NOTICE OF SALE OF ESTATE PROPERTY</p>
---	--

<p>Sale Date: 11/25/2013</p>	<p>Time: 2:00 pm</p>
<p>Location: Courtroom 6C, 411 West Fourth Street, Santa Ana, CA 92701</p>	

Type of Sale: Public Private **Last date to file objections:** 11/08/2013

Description of property to be sold:
 The Estate’s interest in: (1) an unexpired commercial lease with the Irvine Company where the Debtors operate Belle Isle, Inc.; and (2) an unexpired license to sell Aveda hair and skincare products

Terms and conditions of sale:
 See attached Motion for terms and conditions of sale.

Proposed sale price: \$ 111,300.00

This form is mandatory. It has been approved for use in the United States Bankruptcy Court for the Central District of California.

Overbid procedure (if any):

The sale is subject to overbids. See attached Motion for information on submitting overbids.

If property is to be sold free and clear of liens or other interests, list date, time and location of hearing:

Contact person for potential bidders (include name, address, telephone, fax and/or email address):

SHULMAN HODGES & BASTIAN LLP
c/o Ryan D. O'Dea
8105 Irvine Center Drive, Suite 600
Irvine, CA 92618
Telephone: (949) 340-3400
Facsimile: (949) 340-3000
Email: rodea@shbllp.com

Date: 11/01/2013

1 Leonard M. Shulman – Bar No. 126349
Ryan D. O’Dea – Bar No. 273478
2 **SHULMAN HODGES & BASTIAN LLP**
8105 Irvine Center Drive, Suite 600
3 Irvine, California 92618
Telephone: (949) 340-3400
4 Facsimile: (949) 340-3000
Email: lshulman@shbllp.com; rodea@shbllp.com
5

6 Proposed Attorneys for Richard A. Marshack,
Chapter 7 Trustee
7

8 **UNITED STATES BANKRUPTCY COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA, SANTA ANA DIVISION**

10
11 In re
12 **HASSAN KARIMIAN and SAHEREH**
KARIMIAN,
13
14 Debtors.

Case No. 8:13-bk-17506-MW

Chapter 7

**CHAPTER 7 TRUSTEE’S MOTION FOR
ORDER:**

- 15 (1) **APPROVING THE SALE OF**
16 **ESTATE PROPERTY SUBJECT TO**
17 **OVERBIDS, COMBINED WITH**
18 **NOTICE OF BIDDING**
19 **PROCEDURES AND REQUEST**
20 **FOR APPROVAL OF THE BIDDING**
21 **PROCEDURES UTILIZED**
22 **PURSUANT TO 11 U.S.C. § 363; AND**
- 23 (2) **APPROVING TRUSTEE’S**
24 **REQUEST TO ASSUME AND**
25 **ASSIGN COMMERCIAL LEASE**
26 **AND LICENSE PURSUANT TO 11**
27 **U.S.C. § 365;**

28 **MEMORANDUM OF POINTS AND**
AUTHORITIES AND DECLARATIONS
OF RICHARD A. MARSHACK, HASSAN
KARIMIAN, AND SAHEREH KARIMIAN
IN SUPPORT THEREOF

Hearing

Date: November 25, 2013
Time: 2:00 PM
Place: Courtroom 6C
411 West Fourth Street
Santa Ana, California 92701

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

TABLE OF CONTENTS

I. INTRODUCTION 4

II. RELEVANT FACTS 5

III. LEGAL BASIS FOR THE RELIEF SOUGHT 11

 A. The Court May Authorize the Sale When There is a Good Faith Purchaser 11

 1. Sound Business Purpose 11

 2. The Sale Serves the Best Interests of the Estate and Creditors..... 12

 3. Accurate and Reasonable Notice 12

 4. The Sale is Made in Good Faith 13

 B. The Court has the Authority to Approve the Bidding Procedures 13

 1. The Overbid Procedures are Untainted by Self-Dealing 14

 2. The Overbid Procedures Encourage Bidding and are Fair in Amount 14

 3. The Overbid Procedures are Fair, Reasonable and Serve the Best Interests of the Estate 14

 C. Assumption and Assignment the Lease and the License 16

 1. Assumption of the Lease and the License is in the Best Interest of the Estate..... 16

 2. Assignment of the Lease and the License is in the Best Interest of the Estate..... 17

IV. CONCLUSION..... 17

DECLARATION OF RICHARD A. MARSHACK 19

DECLARATION OF HASSAN KARIMIAN..... 21

DECLARATION OF SAHEREH KARIMIAN 22

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

TABLE OF AUTHORITIES

CASES

In re Continental Air Lines, Inc., 780 F.2d 1223 (5th Cir. 1986)..... 11
In re Crown Corporation, 679 F.2d 774 (9th Cir. 1982)..... 14
In re Crowthers McCall Pattner, Inc., 114 B.R. 877, 885 (Bankr. S.D.N.Y. 1990) 11
In re Lionel Corp., 722 F.2d 1063, 1069 (2d Cir. 1983) 11, 12
In re Walter, 83 B.R. 14 (B.A.P. 9th Cir. 1988)..... 11
In re Wilde Horse Enterprises, Inc., 136 B.R. 830, 841 (Bankr. C.D. Cal. 1991) 11, 13

STATUTES

Bankruptcy Code Section 102(1)..... 13
Bankruptcy Code Section 105(a)..... 13
Bankruptcy Code Section 363(b)..... 11, 13
Federal Rules of Bankruptcy Procedure 2002(c)(1) 13

1 **TO THE HONORABLE MARK WALLACE, UNITED STATES BANKRUPTCY**
2 **JUDGE, THE OFFICE OF THE UNITED STATES TRUSTEE, THE DEBTORS AND**
3 **ALL INTERESTED PARTIES AND THEIR COUNSEL OF RECORD:**

4 **I. INTRODUCTION**

5 Richard A. Marshack, the Chapter 7 Trustee (“Trustee”) for the bankruptcy estate
6 (“Estate”) of Hassan Karimian and Sahereh Karimian (“Debtors”), brings this Motion for Order:
7 (1) Approving the Sale of Estate Property Subject to Overbids, Combined With Notice of
8 Bidding Procedures and Request for Approval of the Bidding Procedures Utilized; and (2)
9 Approving Trustee’s Request to Assume and Assign Commercial Lease and License (“Sale
10 Motion”).

11 The Trustee received an offer to purchase the Estate’s interest in: (1) an unexpired
12 commercial lease with the Irvine Company (the “Lease”) where the Debtors operate Belle Isle,
13 Inc. (“Belle Isle”); and (2) an unexpired license to sell Aveda hair and skincare products (the
14 “License”) (collectively, the “Property”) for \$111,300.00, subject to overbids (“Sale
15 Agreement”). The Estate’s interest in the Property is unencumbered.

16 The offer is the best offer the Estate has received for the Property. Through the sale of
17 the Property, the Trustee anticipates that the sale of the Property will generate net proceeds to the
18 Estate in the amount of \$105,000.00. Further, in the event the purchase price is increased by a
19 successful overbid, the estimated net proceeds will increase and provide a greater distribution to
20 creditors.

21 Additionally and in conjunction with the Sale Agreement, the Trustee seeks an order
22 approving the Trustee’s request to assume and assign the Lease and the License. Assumption
23 and assignment is necessary to effectuate the Sale Agreement, as the Lease and the License are
24 being assigned through the Sale Agreement.

25 Therefore, the Trustee believes that good cause exists to grant the Sale Motion so the
26 Trustee does not lose this favorable business opportunity.

27 ///

28 ///

1 **II. RELEVANT FACTS**

2 **A. Case Commencement**

3 The Debtors filed a voluntary petition under Chapter 7 of the Bankruptcy Code on
4 September 5, 2013 (“Petition Date”). Richard A. Marshack is the duly appointed, qualified and
5 acting Chapter 7 Trustee for the Estate.

6 **B. The Property**

7 The Debtors’ Schedule B does not list an interest in the Property. However, the Debtors’
8 Schedule I states that the Debtors are the owners of Belle Isle. Paragraph 21 of the Debtors’
9 Statement of Financial Affairs states that debtor Hassan Karimian is a 50% owner of Belle Isle
10 and debtor Sahereh Karimian owns the remaining 50%. The Debtors’ Schedule G does not
11 disclose a lease for the current operating location of Belle Isle. The Trustee conducted an
12 investigation into the business operations of Belle Isle and determined that the Debtors are
13 operating Belle Isle at 85 Fortune Drive #323, Irvine, California 92618. Belle Isle has an
14 unexpired lease with the Irvine Company at this location. Attached as **Exhibit 1** to the
15 Declaration of Richard A. Marshack (the “Marshack Declaration”) is a true and correct copy of
16 the Lease in the Debtors’ name. Additionally, the Debtors hold an unexpired license to sell Aveda
17 hair and skincare products at Belle Isle. Attached as **Exhibit 2** to the Marshack Declaration is a
18 true and correct copy of the License in the Debtors’ name.

19 The Trustee has only received one offer to purchase the Property, and as such, the
20 \$111,300.00 offer that is the subject of this Sale Motion represents the best offer received by the
21 Trustee. As set forth below, the Trustee believes the sale of the Property will benefit the Estate
22 and its creditors.

23 **C. The Basis for Value of the Property**

24 Belle Isle is a closely held corporation owned entirely by the Debtors, who have invested
25 well over ten years into its growth and operation. As a direct result, the Property is likely to be
26 more valuable to the Debtors than to a third-party. Based on the financial documents reviewed
27 by the Trustee, it appears that Belle Isle is insolvent. However, the Debtors desire to continue
28 the operation of Belle Isle and want to attempt to save the business they worked so hard to

1 create. The Lease and the License are the two most integral and fundamental components of
2 Belle Isle's continued operation, as without the Lease Belle Isle would not have a location to
3 conduct its business. The location being leased is a prominent and very desirable location within
4 the Irvine Spectrum which Belle Isle has occupied for years. Further, the License allows Belle
5 Isle to advertise, use, and sell high-end hair and skincare products. Without the License, Belle
6 Isle would be precluded from using or selling many of the products it relies upon to conduct its
7 business.

8 By and through the Trustee's investigation of Belle Isle, nothing indicates that the
9 Property is worth more than \$111,300.00. However, the Property will be adequately marketed
10 and, as detailed below, the sale will be subject to overbids. Based on the Trustee's marketing
11 efforts and the overbid procedures in this Sale Motion, the Estate will receive fair market value
12 for its sale of the Property.

13 **D. Marketing of the Property**

14 Contemporaneously with the filing of this Sale Motion, the Trustee will file a Notice of
15 Sale of Estate Property on Local Bankruptcy Form 6004-2 (the "Sale Notice"). As a result of the
16 Sale Notice, the Trustee's proposed sale of the Property will be listed on the Court's website.
17 Further, sale of the Property will be advertised on Shulman Hodges & Bastian's website and will
18 clearly list all relevant terms of the proposed sale.

19 **E. Liens and Encumbrances Against the Property and Their Proposed Treatment**
20 **Through the Sale**

21 There are no liens on the Property. If it is determined in the future that there are liens or
22 encumbrances on the Property, the Trustee will hold the sale proceeds until the extent and
23 validity of said encumbrances are evaluated and determined.

24 ///

25 ///

26 ///

27

28

1 **F. Tax Consequences**

2 The Trustee is informed that there will be no capital gains tax associated with the sale of
3 the Property, as the Lease and the License are not capital assets. The Trustee is informed that
4 any tax liability created by the proposed sale will be at the Debtors' ordinary tax rate. Based
5 thereon, the Trustee does not believe the proposed sale of the Property will create a negative tax
6 consequence to the Estate.

7 **G. The Purchase Offer and Summary of the Sale Terms**

8 The Trustee has received an offer from the Debtors to purchase the Property for
9 \$111,300.00. The purchase price includes an initial deposit of \$26,250.00 and a \$6,300.00 credit
10 for the remaining balance of Debtors' "wildcard exemption." Attached as **Exhibit 3** to the
11 Marshack Declaration is a true and correct copy of the purchase agreement (the "Agreement").

12 A summary of the Agreement's terms are discussed below, but the summary and
13 discussion are not meant to be a complete review of every provision of the Agreement. The
14 Agreement itself is the legally binding document the Trustee seeks approval of, and in the event
15 of any inconsistency between the terms, provisions or effect of the Agreement and the
16 description of it in these pleadings, the Agreement alone shall govern and not these pleadings or
17 the descriptions herein.

18 In summary, the principal terms of the sale of the Property shall be as follows:

19 Buyers	Hassan Karimian and Sahereh Karimian
20 Purchase Price and 21 Payment Terms	\$111,300.00 subject to the Bidding Procedures set forth below. \$26,250.00 paid as a deposit and a \$6,300.00 credit for the remaining balance of 22 Debtors' wildcard exemption, the balance of the purchase price to be paid through 23 monthly installment payments of \$3,282.00 for months 1 – 7 and \$7,968.00 for 24 months 8 – 14 (the "Monthly Installments") are due on or before the first (1st) day of each month, beginning November 1, 2013.
25 Bankruptcy Court 26 Approval	The sale is subject to notice to creditors, approval by the Bankruptcy Court, and higher and better bids received by the Trustee through and including the Bankruptcy Court hearing to confirm the sale.
27 Purchase Without 28 Warranties	The Buyers acknowledges and agrees that the sale of the Property shall be "as-is" and without any warranties whatsoever.

1 2 3 4 Trustee's Liability	The Trustee is signing this Agreement in his capacity solely as Chapter 7 Trustee of the Estate. Nothing contained herein shall in any way impute liability to the Trustee, personally or as a member of any professional organization, or anyone acting on his behalf, including but not limited to his counsel, Shulman Hodges & Bastian LLP. Should any dispute arise regarding this Agreement, the United States Bankruptcy Court for the Central District of California, Santa Ana Division shall have exclusive jurisdiction to determine the same.
5 6 Hold Harmless	The Buyers understand the terms and conditions of the entire purchase contact and hold the Estate, Richard A. Marshack, Trustee, his attorneys including Shulman Hodges & Bastian LLP, agents and employees, harmless from any liabilities arising from this contact.
7 8 Jurisdiction of the Bankruptcy Court	Any and all disputes which involve in any manner the Estate or Richard A. Marshack, Trustee, arising from the Agreement and/or its addendums or relating in any manner to the Property, shall be resolved only in the United States Bankruptcy Court, Central District of California.
9 Sale Subject to Overbidding	The sale of the Property is subject to the Bidding Procedures described in the Sale Motion.
10 11 12 13 Good Faith Finding	The proposed sale has been brought in good faith and has been negotiated on an "arms-length" basis. The negotiations with the Buyers have resulted in an offer to sell the Estate's interest in the Property that will have substantial benefit. Accordingly, the sale is in good faith and should be approved. The Trustee shall request such a finding pursuant to Bankruptcy Code Section 363(m) at the hearing on this Sale Motion.

14 **H. Notice of Bidding Procedures**

15 The Trustee has determined that it would benefit the Estate to permit all interested parties
16 to receive information and bid for the Property instead of selling the Property to the Debtors
17 (referred to in this section as the "Buyers") on an exclusive basis. Accordingly, in order to
18 obtain the highest and best offer for the benefit of the creditors of this Estate, the Trustee also
19 seeks Court approval of the following bidding procedures ("Bidding Procedures"):

20 1. Potential overbidder(s) must bid an initial amount of at least \$5,000.00 over the
21 Purchase Price, or \$116,300.00. Minimum bid increments thereafter shall be \$1,000.00. The
22 Trustee shall have sole discretion in determining which overbid is the best for the Estate and will
23 seek approval from the Court of the same.

24 2. Overbids must be in writing and be received by the Trustee and the Trustee's
25 counsel, Shulman Hodges & Bastian LLP to the attention of Ryan D. O'Dea on or before **4:00**
26 **p.m. (California time) on the date which is three (3) days prior to the hearing on the Sale**
27 **Motion.**

28 ///

1 3. Overbids must be accompanied by certified funds in an amount equal to twenty-
2 five percent (25%) of the overbid purchase price.

3 4. The overbidder must also provide evidence of having sufficient specifically
4 committed funds to complete the transaction, or a lending commitment for the bid amount and
5 such other documentation relevant to the bidder's ability to qualify as the purchaser of the
6 Property and ability to close the sale and immediately and unconditionally pay the winning bid
7 purchase price.

8 5. The overbidder must provide adequate assurance of future performance under the
9 Lease, including but not limited to satisfaction of all tenant qualification requirements contained
10 within the Lease.

11 6. The overbidder must seek to acquire the Property on terms and conditions not less
12 favorable to the Estate than the terms and conditions to which the Buyers have agreed to
13 purchase the Property as set forth in the Agreement attached as **Exhibit 3** to the Marshack
14 Declaration including closing on the sale of the Property in the same time parameters as the
15 Buyers.

16 7. All competing bids must acknowledge that the Property is being sold on an "AS
17 IS" basis without warranties of any kind, expressed or implied, being given by the Trustee,
18 concerning the condition of the Property or the quality of the title thereto, or any other matters
19 relating to the Property. The competing bid buyer must represent and warrant that he/she is
20 purchasing the Property as a result of their own investigations and are not buying the Property
21 pursuant to any representation made by any broker, agent, accountant, attorney or employee
22 acting at the direction, or on the behalf of the Trustee. The competing bidder must acknowledge
23 that he/she has inspected the Property, and the competing buyer forever waives, for
24 himself/herself, their heirs, successors and assigns, all claims against the Debtors, their attorneys,
25 agents and employees, the Debtors' Estate, Richard A. Marshack as Trustee and individually,
26 and his attorneys, agents and employees, arising or which might otherwise arise in the future
27 concerning the Property.

28 ///

1 8. If overbids are received, the final bidding round for the Property shall be held at
2 the hearing on the Sale Motion in order to allow all potential bidders the opportunity to overbid
3 and purchase the Property. At the final bidding round, the Trustee or his counsel will, in the
4 exercise of their business judgment and subject to Court approval, accept the bidder who has
5 made the highest and best offer to purchase the Property, consistent with the Bidding Procedures
6 (“Successful Bidder”).

7 9. At the hearing on the Sale Motion, the Trustee will seek entry of an order, *inter*
8 *alia*, authorizing and approving the sale of the Property to the Successful Bidder. The hearing on
9 the Sale Motion may be adjourned or rescheduled without notice other than by an announcement
10 of the adjourned date at the hearing on the Sale Motion.

11 10. In the event the Successful Bidder fails to close on the sale of the Property within
12 the time parameters approved by the Court, the Trustee shall retain the Successful Bidder’s
13 Deposit and will be released from his obligation to sell the Property to the Successful Bidder and
14 the Trustee may then sell the Property to the first back-up bidder approved by the Court at the
15 hearing on the Sale Motion (“First Back-Up Bidder”).

16 In the event First Back-Up Bidder fails to close on the sale of the Property within the
17 time parameters approved by the Court, the Trustee shall retain the First Back-Up Bidder’s
18 Deposit and will be released from his obligation to sell the Property to the First Back-Up Bidder
19 and the Trustee may then sell the Property to the second back-up bidder approved by the Court at
20 the hearing on the Sale Motion (“Second Back-Up Bidder”).

21 **I. Assumption and Assignment of the Lease and License**

22 In order to effectuate the Sale Agreement, the Trustee must assume and assign the Lease
23 and the License. Without the Trustee’s assumption and assignment of the Lease or the License
24 Belle Isle would not have a location to conduct its business operations or products to sell to
25 customers. In exercise of the Trustee’s business judgment he believes that assumption and
26 assignment of the Lease and the License is in the best interest of the Estate, as it allows the
27 Trustee to effectuate the transfer of the Property to the Debtors or a Successful Bidder.
28

1 **III. LEGAL BASIS FOR THE RELIEF SOUGHT**

2 **A. The Court May Authorize the Sale When There is a Good Faith Purchaser**

3 The Trustee, after notice and hearing, may sell property of the estate. Bankruptcy Code
4 Section 363(b). The standards to establish are that there is a sound business purpose for the sale,
5 that the sale is in the best interests of the estate, i.e., the sale is for a fair and reasonable price,
6 that there is accurate and reasonable notice to creditors and that the sale is made in good faith. *In*
7 *re Wilde Horse Enterprises, Inc.*, 136 B.R. 830, 841 (Bankr. C.D. Cal. 1991); *In re Lionel Corp.*,
8 722 F.2d 1063, 1069 (2d Cir. 1983). Business justification would include the need to close a sale
9 to one of very few serious bidders where an asset has been marketed and a delay could
10 jeopardize the transaction. *See, e.g., In re Crowthers McCall Pattner, Inc.*, 114 B.R. 877, 885
11 (Bankr. S.D.N.Y. 1990) (extreme difficulty finding a buyer justified merger when buyer found).
12 The Trustee's proposed sale of the Property meets the foregoing criteria.

13 **1. Sound Business Purpose**

14 The Ninth Circuit has adopted a flexible, case-by-case test to determine whether the
15 business purpose for a proposed sale justifies disposition of property of the estate under Section
16 363(b). *In re Walter*, 83 B.R. 14 (B.A.P. 9th Cir. 1988). In *Walter*, the Ninth Circuit, adopting
17 the reasoning of the Fifth Circuit in *In re Continental Air Lines, Inc.*, 780 F.2d 1223 (5th Cir.
18 1986), and the Second Circuit in *In re Lionel Corp.*, 722 F.2d 1063 (2d Cir. 1983), set forth the
19 following standard to be applied under Bankruptcy Code Section 363(b):

20 Whether the proffered business justification is sufficient depends on the case. As the
21 Second Circuit held in *Lionel*, the bankruptcy judge should consider all salient factors
22 pertaining to the proceeding and, accordingly, act to further the diverse interests of the
23 debtor, creditors and equity holders, alike. He might, for example, look to such relevant
24 factors as the proportionate value of the assets to the estate as a whole, the amount of
25 lapsed time since the filing, the likelihood that a plan of reorganization will be proposed
26 and confirmed in the near future, the effect of the proposed disposition on future plans of
27 reorganization, the proceeds to be obtained from the disposition vis-a-vis any appraisals
28 of the property, which of the alternatives of use, sale or lease the proposal envisions and,
most importantly perhaps, whether the asset is increasingly or decreasing in value. This
list is not intended to be exclusive, but merely to provide guidance to the bankruptcy
judge.

27 *Walter*, 83 B.R. at 19-20 (quoting *Continental*, 780 F.2d at 1226).

28 ///

1 Here, the facts surrounding the sale of the Property support the Trustee's business
2 decision that the proposed sale is in the best interests of the Estate and its creditors. Through the
3 sale of the Property, the Trustee expects to generate net proceeds of approximately \$105,000.00.
4 The estimated net proceeds will benefit the Estate by providing funds for distribution to
5 creditors. If the Sale Motion is not approved there will be a substantial loss to the Estate because
6 in such event, the Estate will not receive any benefit from the Property.

7 Furthermore, the Trustee believes that the proposed sale, subject to overbids, will be at
8 fair market value because it is the best offer the Estate has received thus far for the Property.
9 Given that the sale is subject to overbids, it is anticipated the Trustee will receive the best and
10 highest value for the Property and therefore the proposed sale price of the Property is fair and
11 reasonable.

12 Therefore, the Trustee respectfully submits that, if this Court applies the "good business
13 reason standard" suggested by the Second Circuit in *Lionel*, the sale should be approved.

14 **2. The Sale Serves the Best Interests of the Estate and Creditors**

15 The Trustee believes that it would be in the best interest of the Estate and its creditors to
16 sell the Property. The benefits to the Estate, as set forth above, are significant as the proposed
17 sale will yield an estimated \$105,000.00 return to the Estate. If the Sale Motion is not approved,
18 the Estate will not receive the sale proceeds and will likely lose the buyer. If the Trustee loses
19 the Debtors as the buyer, the Trustee believes that sale of the Property to a third-party would be
20 extremely difficult given the Property's limited marketability. The Trustee does not want to lose
21 this beneficial business opportunity. Thus, the Trustee has made a business decision that it is in
22 the best interest of the creditors of the Estate that this Sale Motion be approved.

23 **3. Accurate and Reasonable Notice**

24 It is expected that notice of this Sale Motion will satisfy the requirements for accurate
25 and reasonable notice.

26 The notice requirements for sales are set forth in Federal Rules of Bankruptcy Procedure
27 ("FRBP") 6004 and 2002. The notice must include the time and place of any public sale, the
28

1 terms and conditions of any private sale, the time fixed for filing on objections and a general
2 description of the property. Federal Rules of Bankruptcy Procedure 2002(c)(1).

3 In compliance with FRBP 2002 and Bankruptcy Code Section 102(1), the Trustee shall
4 provide notice of the proposed sale of the Property and the Bidding Procedures to creditors and
5 parties in interest. The Notice of Sale Motion will include a summary of the terms and
6 conditions of the proposed sale, the time fixed for filing objections, and a general description of
7 the Property, including the Bidding Procedures. The Trustee submits that the notice
8 requirements will have been satisfied, thereby allowing creditors and parties in interest an
9 opportunity to object to the sale. Hence, no further notice should be necessary.

10 **4. The Sale is Made in Good Faith**

11 The proposed sale has been brought in good faith and has been negotiated on an “arms-
12 length” basis. The court, in *Wilde Horse Enterprises*, set forth the factors in considering whether
13 a transaction is in good faith. The court stated:

14 ‘Good faith’ encompasses fair value, and further speaks to the integrity of the transaction.
15 Typical ‘bad faith’ or misconduct, would include collusion between the seller and buyer,
16 or any attempt to take unfair advantage of other potential purchasers. . . . And, with
respect to making such determinations, the court and creditors must be provided with
sufficient information to allow them to take a position on the proposed sale.

17 *Id.* at 842 (citations omitted).

18 In the present case, negotiation of the proposed sale was an arms-length transaction. The
19 negotiations with the Debtors resulted in a sale price for the Property that will have a net benefit
20 to the Estate. As set forth in the Notice of the Sale Motion, the creditors will have been provided
21 with sufficient notice of the sale. Accordingly, the sale is in good faith and should be approved.
22 The Trustee shall request such a finding pursuant to Bankruptcy Code Section 363(m) at the
23 hearing on this Sale Motion.

24 **B. The Court has the Authority to Approve the Bidding Procedures**

25 Implementation of the Bidding Procedures is an action outside of the ordinary course of
26 the business. Bankruptcy Code Section 363(b)(1) provides that a trustee “after notice and
27 hearing, may use, sell or lease, other than in the ordinary course of business, property of the
28 estate.” 11 U.S.C. § 363(b)(1). Furthermore, under Bankruptcy Code Section 105(a), “[t]he

1 court may issue any order, process, or judgment that is necessary or appropriate to carry out the
2 provisions of this title.” 11 U.S.C. § 105(a). Thus, pursuant to Bankruptcy Code Sections
3 363(b)(1) and 105(a), this Court may authorize the implementation of overbidding procedures.

4 The Ninth Circuit, in a case under the Bankruptcy Act, recognized the power of a
5 bankruptcy court to issue orders determining the terms and conditions for overbids with respect
6 to a sale of estate assets. *In re Crown Corporation*, 679 F.2d 774 (9th Cir. 1982). The *Crown*
7 *Corporation* court entered an order specifying the minimum consideration required for an
8 overbid as well as the particular contractual terms required to be offered by overbidders. *Id.* at
9 777. The *Crown Corporation* decision also approves an order requiring and setting the amount
10 of potential overbidder’s deposits and authorized courts to determine the disposition of such
11 deposits. *Id.* While the discussion is not extensive, the *Crown Corporation* decision recognizes
12 the authority of bankruptcy courts to order the implementation of bidding procedures such as
13 those proposed in the present case.

14 **1. The Overbid Procedures are Untainted by Self-Dealing**

15 The Bidding Procedures have been proposed in good faith and have been negotiated on
16 an “arms-length” basis. Therefore, there is no prospective taint in dealings between Trustee and
17 any potential bidders.

18 **2. The Overbid Procedures Encourage Bidding and are Fair in Amount**

19 The Bidding Procedures are designed to encourage, not hamper bidding and are
20 reasonable under the circumstances. The Bidding Procedures are intended to provide potential
21 overbidders with adequate information to make an informed decision as to the amount of their
22 bid and the validity of their bid.

23 **3. The Overbid Procedures are Fair, Reasonable and Serve the Best Interests of**
24 **the Estate**

25 The proposed Bidding Procedures serve the Estate in several ways. First, the Bidding
26 Procedures themselves are fair, reasonable and productive. Further, they will permit the Trustee
27 to conduct an orderly sale and obtain the best possible price on the best possible terms for the
28 Property.

1 The Bidding Procedures will ensure that all bids will be comparable. The Trustee will
2 determine which bid is the highest and best for the Estate. The comparability requirement of the
3 Bidding Procedures will make it possible to accomplish this task.

4 The Bidding Procedures will help the Trustee to obtain the highest and best possible price
5 for the Property. The Bidding Procedures institute minimum overbid increments which the
6 Trustee believes are reasonable. Thus, the Trustee will be able to obtain substantial benefit for
7 this Estate from the sale of the Property from competing bids.

8 The Bidding Procedures require that potential bidders demonstrate their capacity to
9 complete the transaction. It would be a serious loss to the Estate if it surrendered its opportunity
10 to sell the Property to one buyer in favor of a competing bidder only to discover the successful
11 bidder incapable of consummating the transaction. Thus, requiring bidders to qualify as
12 qualified bidders will protect the Estate from such a loss.

13 Finally, the most important benefit of the Bidding Procedures to the Estate is that their
14 implementation will enable the consummation of the proposed sale. The proposed sale will be
15 the best way to obtain the maximum and most expedient recovery for creditors of this Estate.
16 Implementation of the Bidding Procedures is an essential component of consummating the sale
17 of the Property and maximizing the value of the Property for the Estate and creditors.

18 The Bidding Procedures proposed by the Trustee are fair and provide for a “level playing
19 field” for all prospective bidders with respect to the Property. The proposed Bidding Procedures
20 establish a reasonable but expeditious timeline for allowing the Trustee to give notice of the
21 proposed sale and qualified bidders to conduct reasonable due diligence and submit competing
22 offers for the Property, thereby potentially generating additional value for the Property.
23 Furthermore, the notice that the Trustee proposes to provide to creditors and parties in interest in
24 connection with the Bidding Procedures and Sale Motion is designed to attract the most interest
25 in the acquisition of the Property and is sufficient under the circumstances of this case. Thus,
26 approval of the Bidding Procedures will serve the best interests of the Estate and its creditors.

27 ///

28 ///

1 **C. Assumption and Assignment the Lease and the License**

2 **1. Assumption of the Lease and the License is in the Best Interest of the Estate**

3 The Lease is an unexpired commercial lease with the Irvine Company and relates to real
4 property located at 85 Fortune Drive #323, Irvine, California 92618 (the “Business Premises”).
5 The Business Premises represents the physical location of Belle Isle and is an integral part of the
6 Sale Motion. Without assumption of the Lease Belle Isle ceases to have a location to operate its
7 business and the Property which the Trustee seeks to sell would be worth significantly less. If
8 the Lease is rejected and Belle Isle is forced to move, it would likely result in Belle Isle going
9 out of business.

10 The License is an unexpired license to sell Aveda hair and skincare products. Belle Isle’s
11 business operations and services center around various Aveda products provided to Belle Isle
12 pursuant to the License. Without assumption of the License, the Property which the Trustee
13 seeks to sell would be worth significantly less because it would require Belle Isle to restructure
14 all products it sells and all services it offers to its customers.

15 In *In re Am. Suzuki Motor Corp.*, 2013 Bankr. LEXIS 2276, HN 4 (Bankr. C.D. Cal. June
16 4, 2013), the court explained “[w]hether to assume or reject an executory contract is generally
17 left to the business judgment of the trustee or debtor in possession.” *See also, In re Southern*
18 *California Sound Systems, Inc.*, 69 B.R. 893 (Bankr. S.D. Cal. 1987) (holding “[m]ost courts
19 have allowed the trustees to exercise their business judgment in determining which contracts to
20 assume or reject.” *see also*, 3-365 Collier on Bankruptcy P 365.03[2] (“Although the business
21 judgment is the proper standard for determining whether to permit assumption or rejection of an
22 executory contract or unexpired lease, the court should focus on the business judgment of the
23 trustee or debtor in possession, not on its own business judgment.”).

24 Assumption of the Lease and the License is in the best interest of the Estate. As a direct
25 result of the requested assumption, the Trustee can effectuate the proposed sale of the Property.
26 As detailed above, the proposed sale will result in a substantial net benefit to the estate. Without
27 assumption of the Lease and the License, the Trustee’s ability to sell the Property would be
28 severely impacted. In accordance with the above and 11 U.S.C. Section 365, the Trustee has

1 authority to assume the Lease and the License and the Court should authorize the aforementioned
2 assumptions.

3 **2. Assignment of the Lease and the License is in the Best Interest of the Estate**

4 Assignment of the Lease and the License to the Debtors or the Successful Bidder is in the
5 best interest of the Estate, as assignment is necessary to effectuate the sale and transfer of the
6 Property to the successful buyer. Pursuant to 11 U.S.C. Section 365(f) the Trustee may assign an
7 executory contract assumed under the provisions of 11 U.S.C. Section 365. *See* 11 U.S.C. §
8 365(f)(2)(A). As requested above, the Trustee seeks to assume the Lease and the License
9 pursuant to Section 365. Further, in order for the Trustee to assign an unexpired executory
10 contract the assignee must provide adequate assurances of future performance under said
11 contract. *See* 11 U.S.C. § 365(f)(2)(B).

12 If the Debtors are the successful buyers of the Property, adequate assurance of their
13 future performance under the lease is clearly evidenced. The Debtors are the original leasees and
14 have operated Belle Isle at the Business Premises pursuant to the Lease for many years. The
15 Trustee is informed that the Debtors are current on all amounts owed under the Lease, and there
16 will be no interruption in the ownership (or business operations) of Belle Isle. Belle Isle will
17 continue to operate as it did pre-petition, and as such, the Debtors have provided adequate
18 assurances of their future performance under the Lease.

19 In the event that the ultimate buyer of the Property is a Successful Bidder, the
20 Overbidding Procedures detailed above require a prospective overbidder to provide information
21 related to its ability to perform under the lease.

22 In accordance with the above and 11 U.S.C. Section 365, the Trustee has authority to
23 assign the Lease and the License and the Court should authorize the aforementioned
24 assignments.

25 **IV. CONCLUSION**

26 **WHEREFORE**, based upon the foregoing, the Trustee respectfully submits that good
27 cause exists for granting the Sale Motion and requests that the Court enter an order as follows:

- 28 1. Granting the Sale Motion.

DECLARATION OF RICHARD A. MARSHACK

I, Richard A. Marshack, declare:

1. I am the duly appointed, qualified and acting Chapter 7 Trustee for the bankruptcy estate of Hassan Karimian and Sahereh Karimian, Case No. 8:13-bk-17506-MW (“Debtors”). I have personal knowledge of the facts set forth herein, and if called and sworn as a witness, I could and would competently testify thereto, except where matters are stated on information and belief, in which case I am informed and believe that the facts so stated are true and correct.

2. I make this Declaration in support of my Motion for Order: (1) Approving the Sale of Estate Property Subject to Overbids, Combined With Notice of Bidding Procedures and Request for Approval of the Bidding Procedures Utilized; and (2) Approving Trustee’s Assumption and Assignment of Commercial Lease and License (“Sale Motion”).

3. Unless otherwise noted, capitalized terms herein have the meaning as set forth in the Sale Motion.

4. I have read and I am aware of the contents of the Sale Motion and the accompanying Memorandum of Points and Authorities. The facts stated in the Sale Motion and the Memorandum of Points and Authorities are true to the best of my knowledge.

5. The Property that is the subject of the Sale Motion is the Lease and the License.

6. A true and correct copy of the Lease is attached hereto as **Exhibit 1**.

7. A true and correct copy of the License is attached hereto as **Exhibit 2**.

8. The Debtors’ Schedule B does not list an interest in the Property.

9. The Debtors’ Schedule I states that the Debtors are the owners of Belle Isle. Paragraph 21 of the Debtors’ Statement of Financial Affairs states that debtor Hassan Karimian is a 50% owner of Belle Isle and debtor Sahereh Karimian owns the remaining 50%.

10. The Debtors’ Schedule G does not disclose a lease for the current operating location of Belle Isle. The Trustee conducted an investigation into the business operations of Belle Isle and determined that the Debtors are operating Belle Isle at 85 Fortune Drive #323, Irvine, California 92618. Belle Isle has an unexpired lease with the Irvine Company at this location.

1 11. The Debtors hold an unexpired license to sell Aveda hair and skincare products at
2 Belle Isle.

3 12. I received an offer from the Debtors to purchase the Property for \$111,300.00.
4 The purchase price includes a deposit of \$26,250.00. Attached as **Exhibit 3** to my declaration is
5 a true and correct copy of the purchase and sale agreement (the "Agreement").

6 13. The Debtors' offer for the purchase of the Property is the best offer the Estate has
7 received. Through the sale of the Property and the Property, I expect to generate proceeds of
8 \$105,000.00, or more if overbids are received.

9 14. For the reasons set forth in the Sale Motion and this Declaration, I respectfully
10 request that the Court grant the Sale Motion so that I do not lose this favorable business
11 opportunity to net a substantial amount of money for the Estate.

12 I declare under penalty of perjury under the laws of the United States of America that the
13 foregoing is true and correct.

14 Executed on October __, 2013, at Irvine, California.

15 *[Original signature to be provided]*

16 _____
Richard A. Marshack

DECLARATION OF HASSAN KARIMIAN

I, Hassan Karimian, declare and state as follows:

1. I make this Declaration in relation to the bankruptcy case of *In re Hassan Karimian and Sahereh Karimian*, Case No. 8:13-bk-17506-MW. I am over the age of eighteen years old and if called upon as witness, I could and would competently testify to the following of my own personal knowledge, information and belief.

2. I make this Declaration in support of the Chapter 7 Trustee's Motion for Order: (1) Approving the Sale of Estate Property Subject to Overbids, Combined With Notice of Bidding Procedures and Request for Approval of the Bidding Procedures Utilized; and (2) Approving Trustee's Assumption and Assignment of Commercial Lease and License ("Sale Motion").

3. Unless otherwise noted, capitalized terms herein have the meaning as set forth in the Sale Motion.

4. As set forth in the Sale Motion, I have made an offer to purchase the Lease and the License for \$111,300.00.

5. I have no relationship with Richard A. Marshack, the Chapter 7 trustee. I do not intend to have a relationship with the Trustee after the sale.

6. There is no consideration contemplated to be transferred to me or the Trustee as part of the sale. The only consideration is the price being paid for the Lease and the License.

7. I have not had communication with any of the other potential bidders for the purchase of the Lease and the License in an attempt to take unfair advantage of the other bidders.

8. As such, I am requesting that the Court make a finding that I am a buyer in good faith pursuant to Bankruptcy Code Section 363(m).

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on October 31, 2013 at Irvine, California.



Hassan Karimian

DECLARATION OF SAHEREH KARIMIAN

I, Sahereh Karimian, declare and state as follows:

1. I make this Declaration in relation to the bankruptcy case of *In re Hassan Karimian and Sahereh Karimian*, Case No. 8:13-bk-17506-MW. I am over the age of eighteen years old and if called upon as witness, I could and would competently testify to the following of my own personal knowledge, information and belief.

2. I make this Declaration in support of the Chapter 7 Trustee's Motion for Order: (1) Approving the Sale of Estate Property Subject to Overbids, Combined With Notice of Bidding Procedures and Request for Approval of the Bidding Procedures Utilized; and (2) Approving Trustee's Assumption and Assignment of Commercial Lease and License ("Sale Motion").

3. Unless otherwise noted, capitalized terms herein have the meaning as set forth in the Sale Motion.

4. As set forth in the Sale Motion, I have made an offer to purchase the Lease and the License for \$111,300.00.

5. I have no relationship with Richard A. Marshack, the Chapter 7 trustee. I do not intend to have a relationship with the Trustee after the sale.

6. There is no consideration contemplated to be transferred to me or the Trustee as part of the sale. The only consideration is the price being paid for the Property.

7. I have not had communication with any of the other potential bidders for the purchase of the Lease and the License in an attempt to take unfair advantage of the other bidders.

8. As such, I am requesting that the Court make a finding that I am a buyer in good faith pursuant to Bankruptcy Code Section 363(m).

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on October 31, 2013 at Irvine, California.

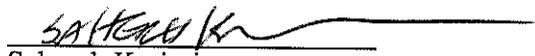

Sahereh Karimian

EXHIBIT “1”
LEASE

THE IRVINE COMPANY

RETAIL LEASE

TENANT: HASSAN KARIMIAN and SAHEREH KARIMIAN, as husband and wife, on behalf of each of their respective marital, community and sole and separate property estates.

SHOPPING CENTER: IRVINE SPECTRUM CENTER

TABLE OF CONTENTS

	<u>PAGE</u>
ARTICLE 1 BASIC LEASE PROVISIONS.....	1
ARTICLE 2 SHOPPING CENTER, PREMISES AND TERM.....	3
ARTICLE 3 RENT.....	3
ARTICLE 4 TENANT FINANCIAL DATA.....	3
ARTICLE 5 TAXES.....	3
ARTICLE 6 UTILITIES.....	4
ARTICLE 7 TENANT'S CONDUCT OF BUSINESS.....	4
ARTICLE 8 MAINTENANCE, REPAIRS AND ALTERATIONS.....	5
ARTICLE 9 COMMON AREA.....	5
ARTICLE 10 ASSIGNMENT AND SUBLETTING.....	7
ARTICLE 11 PROMOTIONAL SERVICES.....	7
ARTICLE 12 INSURANCE AND INDEMNITY.....	8
ARTICLE 13 DAMAGE.....	8
ARTICLE 14 EMINENT DOMAIN.....	9
ARTICLE 15 DEFAULTS BY TENANT.....	9
ARTICLE 16 DEFAULTS BY LANDLORD.....	9
ARTICLE 17 SUBORDINATION, ATTORNEYS FEES AND TENANT'S CERTIFICATE.....	10
ARTICLE 18 SECURITY DEPOSIT.....	10
ARTICLE 19 QUIET ENJOYMENT.....	10
ARTICLE 20 NOTICES.....	10
ARTICLE 21 MISCELLANEOUS.....	10
EXHIBIT A SHOPPING CENTER SITE PLAN	
EXHIBIT B PREMISES SITE PLAN	
EXHIBIT C CONSTRUCTION PROVISIONS RETAIL LEASE	
EXHIBIT D TENANT'S STATEMENT OF GROSS SALES; PERCENTAGE RENT INFORMATION	
EXHIBIT E TENANT'S CERTIFICATE	
EXHIBIT F INSURANCE REQUIREMENTS	
EXHIBIT G RULES AND REGULATIONS	
EXHIBIT H TENANT'S ESTOPPEL	
EXHIBIT I TENANT VENTILATING AND AIR CONDITIONING EXHIBIT [SEE ADDENDUM]	
EXHIBIT J RELOCATION ZONES	
ADDENDUM TO LEASE	

RETAIL LEASE

THIS LEASE ("Lease") is entered into and is effective as of Feb. 3, 2005 (the "Lease Date") by Landlord and Tenant.

ARTICLE 1 BASIC LEASE PROVISIONS

- 1.1 Landlord: THE IRVINE COMPANY, a Delaware corporation.
- 1.2 Tenant: HASSAN KARIMIAN and SAHEREH KARIMIAN, as husband and wife, on behalf of each of their respective marital, community and sole and separate property estates.
- 1.3 Trade Name: Belle Isle/Aveda Salon (the "Trade Name"). (Art. 7)
- 1.4 Shopping Center: Irvine Spectrum Center; located in the City of Irvine, County of Orange, State of California and depicted on Exhibit A attached hereto. (Art. 2)
- 1.5 Premises Address: 85 Fortune Drive, Suite 323, Irvine, California 92618. (Art. 2)
- 1.6 Floor Area: Approximately 2000 square feet. (Art.21) (Art. 2)
- 1.7 Lease Term (the "Term"): Beginning on the earlier of (a) the date Tenant opens for business from the Premises, and (b) the date which is 120 days after the date Landlord delivers possession of the Premises to Tenant (or the date Landlord would have delivered possession of the Premises if Tenant had satisfied the Delivery Requirements) (the "Commencement Date"); and ending on the last day of the month 120 months thereafter unless sooner terminated as provided in this Lease (the "Expiration Date"). [SEE ADDENDUM] (Art. 2)
- 1.8 Base Rent: (Art. 3)

<u>Per Square Foot</u>	<u>Per Annum</u>	<u>Per Month</u>	<u>Months of Term</u>
\$30.00	\$60,00.00	\$5,000.00	1-60
\$35.00	\$70,000.00	\$5,833.00	61-120
- 1.9 Percentage Rent: 7% of Gross Sales (the "Percentage Rate"). [SEE ADDENDUM] (Art. 3)
- 1.10 Use of Premises: The Premises shall be used for the operation of an authorized Aveda Lifestyle Salon & Spa. Tenant represents and warrants that Tenant's license or affiliation agreement with Aveda has a term that is at least as long as the Term. The operation of such authorized Aveda Lifestyle Salon & Spa shall include: (i) the retail sale and display of Aveda branded beauty, health, wellness, and environmental products only (to the extent Aveda manufactures and/or distributes such products) and the retail sale and display of non-Aveda branded products and accessories related to the aforementioned beauty, health, wellness and environmental products to the extent to the extent Aveda does not manufacture and/or distribute any such products, including, without limitation, hair care products, skin care products, makeup, spa and body products, perfumes, and grooming tools and accessories and (ii) the offering of such services typically offered in authorized Aveda Lifestyle Salons & Spa including: (a) hair care, including, without limitation, cutting, coloring, perming, relaxing and retexturizing services, (b) skin care and makeup, including, without limitation, makeup consultation and application and facial services, (c) body care, including, without limitation, waxing, massage and body wrap services, (d) manicure and pedicure, including, without limitation, spa manicure and spa pedicure services, (e) lifestyle seminars and workshops, and (f) on-site educational programs related to the foregoing. Notwithstanding the foregoing, no more than 1000 square feet of Floor Area of the Premises shall be used for the retail sale and/or display of any of the products permitted to be sold from the Premises; no more than 100 square feet of such Floor Area shall be used for the retail sale and/or display of any of the following items: household products, packaged foods, supplements and beverages, clothing, jewelry, books, videos, DVDs and CDs, and no more than 25 square feet of Floor Area may be used for the retail sale and/or display of books, videos, DVDs and CDs. Additionally, any seminars, workshops and/or on-site educational programs shall be conducted on an incidental basis. The Premises shall not be used for the display and sale of non-Aveda branded products unless such products are carried in substantially all other authorized Aveda Salons & Spas and such products are not manufactured or distributed by Aveda. Tenant agrees that under no circumstances may Tenant voluntarily terminate its licensing and/or affiliation agreement with Aveda. The Premises shall be used for not other use or purpose whatsoever (the "Permitted Use"). (Art. 7)
- 1.11 Radius Restriction: 2 miles measured from the closest point on the perimeter of the Shopping Center to the "Other Business" (as defined in Section 7.4). (Art. 7)
- 1.12 Promotional Charge: \$3.00 per square foot of the Floor Area per annum. Initial Promotional Assessment: \$2,000 (one-time charge). (Art.11)
- 1.13 Insurance Limits: \$2,000,000. (Ex. F)
- 1.14 Security Deposit: \$5,000.00. (Art.18)
- 1.15 Guarantor(s): None, as of the Lease Date.
- 1.16 Tenant's Share: A fraction, the numerator of which is the Floor Area of the Premises, and the (Art. 9)

denominator of which is the following, as applicable, in each case determined as of the commencement of the applicable calendar or fiscal year, and in each case excluding all Common Facilities: (Ex. F)

- (a) For Common Area Expenses, the greater of (i) the Floor Area in the Shopping Center occupied by tenants, excluding Floor Area occupied by "Other Stores," (as defined in Section 9.4) and (ii) the product obtained by multiplying 85% by the Floor Area in the Shopping Center, and subtracting from the result the Floor Area occupied by Other Stores;
- (b) For Taxes, the greater of (i) the Floor Area in the parcel covered by the tax bill (the "Larger Parcel") occupied by tenants who do not pay Taxes directly to the taxing authority, and (ii) the product obtained by multiplying 85% by the Floor Area in the Larger Parcel, and subtracting from the result the Floor Area occupied by Other Stores;
- (c) For insurance premiums, the greater of (i) all occupied Floor Area in the Shopping Center covered by the insurance, excluding Floor Area occupied by Other Stores, and (ii) the product obtained by multiplying 85% by the Floor Area in the Shopping Center covered by the insurance, and subtracting from the result the Floor Area occupied by Other Stores.

1.17 Broker(s): The McDevitt Company (Chris Kuklinski) and Madison Marquette Realty Services. (Art.21)

1.18 Addresses for Notices and Payments:

LANDLORD

Notices To:

Attention: General Counsel
The Irvine Company Retail Properties
100 Innovation Drive
Irvine, California 92617

with a copy to:

Irvine Spectrum Center
Management Office
71 Fortune Drive, Suite 970
Irvine, California 92618

TENANT

Notices To The Premises:

Hassan Karimian and Sahereh
Karimian
85 Fortune Drive, Suite 323
Irvine, California 92618

with a copy to:

Hassan Karimian and Sahereh
Karimian
9 River Rock Drive
Coto De Caza, California 92679

Landlord's Address for Sales Information:

Attention: Accounting Department
The Irvine Company Retail Properties
100 Innovation Drive
Irvine, California 92617

Landlord's Address for Payments:

TIC Retail Properties – Irvine Spectrum Center
DEPT. 0350
Los Angeles, California 90084-0350

Tenant's Address for

Statements/Billings:

Hassan Karimian and Sahereh
Karimian
9 River Rock Drive
Coto De Caza, California 92679

1.19 Architectural Review Fee: \$500.00. (Ex. C)

1.20 Delayed Opening Rent: None. (Art. 3)

1.21 Construction Deposit: \$5,000.00. (Ex. C)

1.22 VAC Equipment Contribution Rate: None. (Ex. I)

1.23 Tenant Improvement Allowance: Approximately \$70,000.00; payable subject to, and in accordance with, the terms of Section 8 of Exhibit C. (Ex. C)

In the event of a conflict between this Article 1 and the rest of the Lease, the rest of the Lease shall control.

ARTICLE 2 SHOPPING CENTER, PREMISES AND TERM

The Shopping Center is identified on the Shopping Center Site Plan attached as Exhibit A. The Premises contain the Floor Area set forth in Section 1.6 and are identified on the Premises Site Plan attached as Exhibit B and are being delivered to Tenant in accordance with Exhibit C. All of Tenant's Work (as described in Exhibit C) and any other construction by Tenant on the Premises must be performed in accordance with Exhibit C. Landlord has no obligation to deliver possession of the Premises to Tenant until Tenant has satisfied the Delivery Requirements specified in Exhibit C. Tenant's failure to satisfy the Delivery Requirements shall not delay the Commencement Date. Landlord reserves the right to use the exterior walls, floor, roof and plenum in, above and below the Premises. The Term shall continue for the number of months specified in Section 1.7. [SEE ADDENDUM]

ARTICLE 3 RENT

Tenant shall pay to Landlord as "Rent" hereunder, without demand, offset or deduction, all of the following:

- 3.1 **BASE RENT.** Beginning on the Commencement Date, Tenant shall pay the Base Rent specified in Section 1.8, monthly, in advance, on or before the 1st day of each month. Upon execution of this Lease, Tenant shall pay the first monthly installment of Base Rent. Base Rent for any partial month shall be prorated on the basis of 30 days.
- 3.2 **PERCENTAGE RENT.** Tenant shall pay Percentage Rent in an amount by which the percentage of Gross Sales specified in Section 1.9 made during each calendar year exceeds the Base Rent for such calendar year. Percentage Rent is due for each month during the Term within 10 days after the end of the 1st month that Gross Sales have reached the "Breakpoint" (as hereinafter defined) and each month thereafter. Tenant shall give Landlord a certified statement of Gross Sales in the form of Exhibit D within 10 days after the close of each month and a certified annual statement, including a monthly breakdown of Gross Sales, in the form of Exhibit D within 20 days after the end of each year (the "Annual Statement"). Landlord shall review Tenant's certified Annual Statement and shall make any adjustment required so there is no overpayment or underpayment of Percentage Rent. "Gross Sales" shall have the meaning set forth in Exhibit D. "Breakpoint" is an amount equal to the annual Base Rent divided by the Percentage Rate. The Breakpoint for any partial year shall be pro rated based upon a 365-day year. [SEE ADDENDUM]
- 3.3 **ADDITIONAL RENT.** All sums required to be paid by Tenant to Landlord in addition to Base Rent and Percentage Rent whether or not such sums are designated as "Rent" shall be included in Rent ("Additional Rent").
- 3.4 **DELAYED OPENING RENT.** If Tenant fails to open for business to the public in the Premises on or before the Commencement Date, Tenant shall pay to Landlord, as Additional Rent, and in addition to Base Rent, the amount set forth in Section 1.20 for each day Tenant is not open for business in the Premises following the Commencement Date ("Delayed Opening Rent"). Delayed Opening Rent shall be payable with Tenant's next installment of Base Rent. [SEE ADDENDUM]
- 3.5 **ANCHOR STORES.** If at any time during the Term an additional "Anchor Store(s)" (as defined below) is constructed in the Shopping Center, the Base Rent shall be increased by 10% for each such Anchor Store. "Anchor Store" means any department or specialty store that occupies Floor Area in excess of 25,000 contiguous square feet in the Shopping Center and operates under a single trade name. [SEE ADDENDUM]

ARTICLE 4 TENANT FINANCIAL DATA

- 4.1 **RECORDATION OF SALES.** At the time of a sale or other transaction, Tenant shall record the sale or other transaction either in a cash register or computer with sealed continuous tape or by using another method of recording sequentially numbered purchases and keeping a cumulative total. For a period of 3 years following the delivery of its certified Annual Statement for each year, Tenant shall keep full and accurate books and records of all transactions from the Premises in accordance with generally accepted accounting principles consistently applied.
- 4.2 **AUDITS.** Within 3 years after receipt of an Annual Statement, upon at least 15 days' prior Notice to Tenant, Landlord or its authorized representatives may audit Tenant's records and books in order to verify Tenant's Gross Sales and exclusions from Gross Sales ("Audit"). Tenant shall make all such books and records available for the Audit at the Premises or at Tenant's offices in the State of California. If the Audit discloses an underpayment of Percentage Rent, Tenant shall immediately pay to Landlord the amount of the underpayment, with interest at the "Interest Rate" (as defined in Section 21.5) from the date the payment should have been made. If the Audit discloses an underreporting of Gross Sales in excess of 2% of the reported Gross Sales, and additional Percentage Rent is due, then Tenant shall also pay to Landlord the cost of the Audit and collection of the underpayment, including reasonable attorneys' fees. If the Audit discloses an overpayment of Percentage Rent, Tenant may offset the excess against its next payment(s) of Rent other than Base Rent. [SEE ADDENDUM]
- 4.3 **FINANCIAL STATEMENTS.** Upon 15 days prior Notice, Tenant will provide to Landlord a certified financial statement reflecting Tenant's current financial condition. If Tenant is a publicly-traded corporation, then delivery of Tenant's last published financial information will satisfy this obligation. Tenant hereby expressly acknowledges and agrees that Landlord has relied on Tenant's financial documents delivered in connection with this Lease as evidence that Tenant will have the ability to perform all financial and operational obligations under this Lease as of the Lease Date. If at any time Tenant's financial statement shows that its debts exceed its assets, or that Tenant is otherwise insolvent as defined by Section 3439.02 of the California Civil Code, Landlord may, at its option, cancel this Lease by giving sixty (60) days' written notice to Tenant. [SEE ADDENDUM]

ARTICLE 5 TAXES

5.1 REAL PROPERTY TAXES.

(a) "Taxes" shall include any form of tax or assessment (whether special or general, ordinary or extraordinary, foreseen or unforeseen), license fee, license tax, tax or excise on Rent or any interest of Landlord or Tenant (including any legal or equitable interest of Landlord or its beneficiary under a deed of trust, if any) in the Premises, the remainder of the

Shopping Center or the underlying realty. "Taxes" shall not include Landlord's general income taxes, inheritance, estate or gift taxes.

(b) Tenant shall pay to Landlord, a share of the Taxes attributable to the Premises prorated for any partial year determined by multiplying all of the Taxes on the Larger Parcel, excluding "Common Area Taxes" which are paid as part of "Common Area Expenses" pursuant to Article 9, by Tenant's Share. Landlord, at its option, may collect Tenant's Share of Taxes after the actual amount of Taxes are ascertained or in advance, monthly or quarterly, based upon estimated Taxes. If Landlord collects Taxes based upon estimated amounts, then following the end of each calendar year or, at Landlord's option, its fiscal year, Landlord shall give Tenant a statement covering the year just expired showing the total Taxes payable by Tenant for that year and the payments made by Tenant with respect to that year. If there is a shortfall between what Tenant has already paid and the actual Taxes due, then Tenant shall pay the deficiency within 10 days after its receipt of Landlord's statement. If Tenant has overpaid the Taxes due for that year, then Tenant may offset the excess against the next payment(s) of Taxes becoming due. [SEE ADDENDUM]

5.2 **OTHER PROPERTY TAXES.** Tenant shall pay, prior to delinquency, all taxes, assessments, license fees and public charges levied, assessed or imposed upon its business operation, trade fixtures, leasehold improvements, merchandise and other personal property on the Premises. If any such items are assessed with Landlord's property, then the assessment shall be equitably divided between Landlord and Tenant. Landlord shall reasonably determine the basis of prorating any of these assessments. No taxes or assessments referred to in this Section 5.2 shall be considered Taxes.

5.3 **CONTESTING TAXES.** If Landlord contests any Taxes, Tenant will not be required to pay the cost of the contest; however, if Landlord is successful in such contest, Landlord will deduct from Tenant's portion of any refund received Tenant's pro rata share of the costs incurred by Landlord in prosecuting the contest, pursuant to the fraction set forth in Section 5.1(b).

ARTICLE 6 UTILITIES

6.1 **TENANT'S PAYMENT OF UTILITY CHARGES.** Tenant agrees to pay directly to the utility service provider all charges for utility services supplied to the Premises for which there is a separate meter and/or submeter. If there is no meter or submeter, Tenant shall pay Landlord for its share of utility services supplied to the Premises upon billing by Landlord in an amount not more than the cost Tenant would be charged if billed directly by the local utility provider supplying such service. Landlord shall not be liable for any failure or interruption of any utility or service, unless such failure or interruption prevents Tenant from carrying on its business in the Premises for a period of 72 consecutive hours and is directly attributable to (a) the negligence of Landlord, its agents or employees, or (b) Landlord's wrongful failure to act reasonably and promptly to restore the interrupted utility service after Notice from Tenant. Tenant's sole and exclusive remedy under this Article 6 shall be an equitable abatement of Base Rent from and after such 72-hour period until such failure or interruption is cured. No failure or interruption of any utility or service shall entitle Tenant to terminate this Lease or discontinue paying Rent. If Tenant fails to pay when due any charges referred to in this Article 6, Landlord may pay the charge and Tenant shall reimburse Landlord, within 10 days of billing therefor. Landlord shall have the option from time to time to supply any and all utilities to the Premises in accordance with the terms of a program applicable to the majority of tenants in the Shopping Center. Tenant shall comply with all of the requirements of such program. [SEE ADDENDUM]

6.2 **HEATING, VENTILATING AND AIR-CONDITIONING.** Exhibit I entitled "Tenant Heating, Ventilating and Air-Conditioning" specifies the obligations of Landlord and Tenant regarding the heating, ventilating and air-conditioning equipment and systems serving the Premises or the Shopping Center. Tenant agrees to pay to Landlord, as Additional Rent and in the same manner as Base Rent is payable, all charges, as the same may be adjusted from time to time, to alter the heating, ventilating and air-conditioning systems and equipment serving the Shopping Center, or any part thereof, and Tenant agrees to execute and deliver to Landlord such documentation as may be required to effect such alteration. [SEE ADDENDUM]

ARTICLE 7 TENANT'S CONDUCT OF BUSINESS

7.1 **PERMITTED TRADE NAME AND USE.** Tenant shall use the Premises solely under the Trade Name specified in Section 1.3, and solely for the use specified in Section 1.10, and under no other trade name and for no other use or purpose whatsoever. Nothing contained in this Lease shall be deemed to give Tenant an express or implied exclusive right to operate any particular type of business in the Shopping Center, whether of the same or similar type or nature, or otherwise. [SEE ADDENDUM]

7.2 **COVENANT TO OPEN AND OPERATE.** Tenant covenants to open for business to the public in the entire Premises under the Trade Name on or before the Commencement Date fully fixtured, staffed and stocked with merchandise and inventory. Subject to temporary closures due to casualty, condemnation or permitted remodeling, Tenant shall operate continuously for the Permitted Use under the Trade Name in the entire Premises during the times established by Landlord from time to time for the Shopping Center generally, and, at all times, shall keep and maintain within the Premises an adequate stock of merchandise and trade fixtures to service and supply the usual and ordinary requirements of its customers. [SEE ADDENDUM]

7.3 **RULES AND REGULATIONS.** Tenant shall comply with the Rules and Regulations of the Shopping Center attached as Exhibit G, which shall be administered by Landlord in a non-discriminatory manner. [SEE ADDENDUM]

7.4 **RADIUS RESTRICTION.** During the Term, Tenant shall not, nor shall any person, firm, or corporation which controls or is controlled by Tenant, own, operate or become financially interested in a business similar to the one to be operated by Tenant (the "Other Business") if the Other Business is opened after the Lease Date and its front door is located within a radius of the number of miles specified in Section 1.11. Without limiting Landlord's remedies, if Tenant violates this covenant, then the Gross Sales of the Other Business shall be included in the Gross Sales made from the Premises for the purpose of computing Percentage Rent. Landlord shall have the Audit Rights specified in Section 4.2 with respect to the books, records and accounts pertaining to the Other Business. The foregoing restriction shall not apply with respect to any store opened by Tenant in any shopping center owned or operated by Landlord.

7.5 **ACKNOWLEDGEMENT OF TENANT'S SPECIFIC USE AS MATERIAL CONSIDERATION FOR THE LEASE.** Tenant hereby acknowledges and agrees that Landlord has entered into this Lease with Tenant expressly based upon

the specific Trade Name to be used by Tenant as specified in Section 1.3, and based upon the Permitted Use set forth in Section 1.10. Tenant also acknowledges and agrees that Landlord has entered into this Lease based upon Landlord's desire to maintain a very specific tenant mix, level of quality, level of customer interest, and level of customer service with respect to the target customers of the Shopping Center, together with Landlord's determination that Tenant's specific business and market niche fulfills such goals. Additionally, Tenant acknowledges and agrees that (i) Landlord is relying on the presence of specific brands and the Trade Name specified in Section 1.3 and the specific market niche served by Tenant as set forth in Section 1.10; and (ii) Tenant's specific Trade Name, brands, use and market niche served is a material consideration in Landlord agreeing to enter into this Lease and that Landlord would not have entered into this Lease but for such consideration. Any deviation from the provisions set forth in this Section, Section 1.3 and Section 1.10 would constitute a material failure of consideration to Landlord. For purposes of this Lease, Tenant expressly acknowledges and agrees that the Shopping Center is a "shopping center" as described and intended in Section 365(b)(3) of the United States Bankruptcy Code. 11 U.S.C. § 365(b)(3).

ARTICLE 8 MAINTENANCE, REPAIRS AND ALTERATIONS

8.1 **LANDLORD'S MAINTENANCE OBLIGATIONS.** Landlord shall maintain in good condition and repair ("Landlord's Maintenance Obligations") the structural components of the building in which the Premises are located, foundations, roofs and exterior surfaces of the exterior walls of all buildings (specifically excluding doors, door frames, door checks, windows, window frames and storefronts and storefront awnings unless Landlord elects to include cleaning of the storefronts and storefront awnings of tenants of the Shopping Center as part of Common Area maintenance pursuant to Section 9.1 below). Notwithstanding the foregoing, Tenant shall pay for the cost of any repairs or replacements resulting from (i) Tenant's negligence or willful acts, or those of anyone claiming under Tenant, or (ii) Tenant's failure to observe or perform any condition or agreement contained in this Lease, or (iii) any alterations, additions or improvements made by Tenant or anyone claiming under Tenant. The cost of some of Landlord's Maintenance Obligations will be prorated and paid as Common Area Expenses. Notwithstanding anything to the contrary contained in this Lease, Landlord will not be liable for failing to make any repairs required to be made by Landlord under this Lease unless Tenant has first notified Landlord of the need for such repairs and Landlord has failed to commence and complete the repairs within a reasonable period of time following receipt of Tenant's Notice. Tenant waives the provisions of Sections 1941 and 1942 of the Civil Code of the State of California, or any superseding statute, and of any other law permitting Tenant to make repairs at Landlord's expense. [SEE ADDENDUM]

8.2 **LANDLORD'S RIGHT OF ENTRY.** Landlord or its authorized representatives may enter the Premises following reasonable Notice to Tenant (except in a case of emergency) to: (a) inspect the Premises; (b) perform any obligation or exercise any right or remedy of Landlord under this Lease; (c) make repairs, alterations, improvements or additions to the Premises or to other portions of the Shopping Center; (d) perform work necessary to comply with laws, ordinances, rules or regulations of any public authority or of any insurance underwriter; and (e) perform work that Landlord deems necessary to prevent waste or deterioration of the Premises should Tenant fail to promptly commence and complete such repairs within 3 days after Notice. If Landlord makes any repairs on Tenant's behalf, Tenant shall pay Landlord the cost of such repairs. [SEE ADDENDUM]

8.3 **TENANT'S MAINTENANCE OBLIGATIONS.** Tenant, at its expense, shall keep the Premises and all utility and mechanical facilities and systems exclusively serving the Premises (collectively, "Tenant Utility Facilities") in first-class order, condition and repair and shall make replacements necessary to keep the Premises and Tenant Utility Facilities in such condition. All replacements shall be of a quality equal to or exceeding that of the original. [SEE ADDENDUM]

8.4 **DRAINAGE AND WATER QUALITY REQUIREMENTS.** Without limiting any other provisions contained in this Lease, Tenant acknowledges that with regard to surface drainage, and groundwater and surface water quality, the Shopping Center is subject to the requirements of the U.S. Environmental Protection Agency ("EPA"), the California State Water Resources Control Board ("State Board"), the Regional Water Quality Control Board ("Regional Board"), the County of Orange, and the city in which the Premises are located. Accordingly, Tenant shall comply, at its sole cost and expense, with all laws, rules and regulations regarding drainage and water quality (collectively, the "Water Quality Laws") including the Federal Clean Water Act, the Federal Coastal Zone Management Act, the Porter-Cologne Water Quality Control Act and The California Coastal Act. In addition, Tenant agrees to obtain any and all permits which may be required pursuant to the Water Quality Laws in connection with Tenant's use or operation of the Premises or any Alteration to comply with the requirements of any such permits and, to the extent applicable, the requirements of any similar permits covering the Shopping Center generally. Such permits may include, without limitation, National Pollutant Discharge Elimination System ("NPDES") permits (and the associated Storm Water Pollution Prevention Plan ["SWPPP"] required by the State of California General Permit for storm water associated construction activity), County storm water permits, County drainage area management plans or Regional Board issued de minimis permits. Furthermore, Tenant agrees to comply with all rules and regulations adopted by the State Board, Regional Board or other governmental authority authorized by the EPA to implement the NPDES or similar programs. Tenant shall coordinate with the appropriate governmental authorities to ensure Tenant's compliance with the requirements of this Section 8.4. [SEE ADDENDUM]

8.5 **ALTERATIONS.** After initially opening the Premises for business, without first obtaining the written approval of Landlord in accordance with the provisions of Exhibit C, Tenant shall not make or cause to be made to the Premises or the Tenant Utility Facilities any addition, renovation, alteration, reconstruction or change (collectively, "Alterations") (i) costing in excess of \$10,000.00, (ii) involving structural changes or additions, (iii) affecting the exterior storefront, mechanical systems, fire sprinkler systems, exterior walls, floors, ceilings or roof of the Premises, (iv) erecting or increasing the size of an existing mezzanine, or (v) requiring or resulting in any penetration of the roof, demising walls or floor of the Premises. All Alterations shall be constructed in accordance with the provisions of Exhibit C. [SEE ADDENDUM]

ARTICLE 9 COMMON AREA

9.1 **MAINTENANCE, USE AND CONTROL OF COMMON AREA.** "Common Area" means all areas within the exterior boundaries of the Shopping Center and adjacent streets, now or later made available for the non-exclusive use of Tenant and other persons entitled to occupy Floor Area in the Shopping Center. Landlord shall maintain the Shopping Center in a first-class condition similar to other shopping centers in Orange County, California; however, the manner in which the Shopping Center is managed shall be within Landlord's sole discretion. Landlord shall have the sole and exclusive control of the Common Area, and the right to make changes to the Common Area and the improvements shown on Exhibit A. Any such changes shall be performed in a manner that will not materially or adversely affect Tenant's access to or visibility from the

Common Area located immediately adjacent to the Premises, except temporarily during construction. The notations and designations found on Exhibit A are intended only for the convenience of Landlord and are not intended to define, limit or otherwise alter the intent or scope of this Lease, nor as a representation or warranty as to current or future occupancy of any particular tenant in the Shopping Center. [SEE ADDENDUM]

9.2 **PARKING.** Tenant and its employees shall park their vehicles only in the parking areas designated for that purpose by Landlord. If Landlord implements any program related to parking, parking facilities or transportation facilities including any program of parking validation, employee parking, employee shuttle transportation during peak traffic periods or other program to limit, control, enhance, regulate or assist parking by customers of the Shopping Center, Tenant agrees to participate in the program and to pay its proportionate share of the costs of the program under any reasonable and nondiscriminatory rules and regulations established by Landlord.

9.3 **COMMON AREA EXPENSES.** The term "Common Area Expenses" means all costs and expenses incurred by Landlord in (a) operating, managing, policing, insuring, repairing and maintaining the Common Area and the management and/or security offices, postal services, parking structures, if any, nonprofit community buildings and child care centers located or to be located in the Shopping Center ("Common Facilities"), (b) maintaining, repairing and replacing the exterior surface of exterior walls (and storefronts and storefront awnings if Landlord has elected to include the cleaning of same as part of Common Area maintenance) and maintaining, repairing and replacing roofs of the buildings located or to be located in the Shopping Center, (c) operating, insuring, repairing, replacing and maintaining all utility facilities and systems not exclusively serving the premises of any tenant or store ("Common Utility Facilities"), Common Area furniture and equipment, seasonal and holiday decorations, Common Area lighting fixtures, Shopping Center sign monuments and directional signage, and (d) Taxes on the Improvements and land comprising the Common Area ("Common Area Taxes"). The cost of insuring the Common Facilities and the Common Utility Facilities shall include the cost of premiums (or reasonable premium equivalents should Landlord elect to self-insure any risk) as well as reasonable reserves for deductibles and any self-insured retention. Common Area Expenses shall include costs related to the on-site and off-site management personnel who spend a substantial portion of their time on the operation of the Shopping Center, and a fee for administration and overhead equal to 15% of the Common Area Expenses for the applicable year. Excluded from Common Area Expenses are: (a) interest, amortization, or other payments on secured or unsecured loans to Landlord; (b) ground rent in connection with its lease of the land on which the Shopping Center is situated; (c) income, excess profits or franchise taxes or other such taxes imposed on or measured by the income of Landlord from the operation of the Shopping Center; (d) depreciation of the Shopping Center; (e) cost of work directly related to the sole advantage of any particular tenant of the Shopping Center other than Tenant; (f) costs incurred in connection with the original construction of the Shopping Center or any material addition to the Shopping Center which under generally accepted accounting principles are properly classified as capital improvements; provided, however, in all events Common Area Expenses shall include capital repairs and replacements, although the costs of same shall be amortized over the useful lives of the items in question (together with interest at Landlord's cost of funds or the Interest Rate (whichever is greater)); (g) costs incurred in connection with development or leasing of the Shopping Center; (h) costs incurred by Landlord for the repair of damage or destruction caused by insured casualties to the extent of insurance proceeds actually received by Landlord or that would have been received by Landlord had it maintained the insurance it was required to maintain pursuant to the Lease; (i) costs incurred by Landlord to enforce the terms of any lease; and (j) interest and principal on any mortgage encumbering the Shopping Center. Without limitation on the foregoing, any charge payable under any other section of this Lease shall not be also payable as a Common Area Expense. [SEE ADDENDUM]

9.4 **PRORATION OF COMMON AREA EXPENSES.** Portions of the Shopping Center are, or may be, owned or leased from time to time by persons or entities occupying (a) freestanding facilities or (b) other facilities containing a substantial amount of Floor Area and contributing to the Common Area Expenses on a basis other than that described herein (collectively, "Other Stores"). The contributions, if any, received from the Other Stores towards the Common Area Expenses shall be credited against the total Common Area Expenses and the balance thereof shall be prorated in the following manner:

(a) Tenant shall pay to Landlord, on the 1st day of each calendar month, an amount estimated by Landlord to be the monthly amount of Tenant's Share of the Common Area Expenses. The estimated monthly Tenant's Share may be adjusted periodically by Landlord on the basis of Landlord's reasonably anticipated costs. Following the end of each calendar year or, at Landlord's option, its fiscal year, Landlord shall give Tenant a statement covering the preceding calendar or fiscal year (as the case may be), showing the actual Tenant's Share for that year, the amount of Tenant's Share for that year and the monthly payments made by Tenant during that year for its estimated Tenant's Share. If Tenant's Share exceeds Tenant's prior payments, Tenant shall pay to Landlord the deficiency within 10 days after receipt of the annual statement. If Tenant's payments for the year exceeds the actual Tenant's Share, and provided Tenant is not in default of its Rent payments, Tenant may offset the excess against payments of Tenant's Share next due. An appropriate proration of Tenant's Share as of the Commencement Date and the Expiration Date of the Lease shall be made. If Tenant shall reasonably question any billing of Common Area Expenses, Tenant shall have the right, within 30 days after Tenant's receipt of such bill, to request in writing copies of backup documentation with respect to the disputed item(s) set forth in such bill, and Landlord shall provide same to Tenant within a reasonable time after receipt of Tenant's written request. Tenant acknowledges that, with respect to insurance, such costs are currently based upon a master policy covering other assets of Landlord and that, accordingly, the backup documentation shall consist solely of either a letter from (a) a third-party actuary stating that the amount of the allocation to the Shopping Center is reasonable, or (b) a licensed broker or underwriter showing that the allocated amount is a market rate. Any Landlord approved adjustment shall be set forth in an adjusted bill reflecting a credit for such adjustment. Tenant's right to request backup documentation shall not entitle Tenant to withhold, delay or offset against any payment of Common Area Expenses or any other charge owing under the Lease. [SEE ADDENDUM]

(b) Tenant's Share, as of the commencement of the applicable calendar or fiscal year or, at Landlord's option, each calendar or fiscal quarter, that remains after applying the contributions, if any, paid by the Other Stores (less reserves, to the extent available), shall be determined by multiplying all of the Common Area Expenses by Tenant's Share. Notwithstanding anything contained in this Section 9.4 to the contrary, tenants in the Shopping Center that maintain, repair and replace the roofs located above their premises shall not be included in the proration of the Common Area Expenses relative to the roofs in the Shopping Center which are maintained by Landlord as part of the Common Area, and the Floor Area of such premises shall be excluded from the calculations made pursuant to Section 9.4(b) with respect to the maintenance, repair and replacement of roofs. Landlord shall periodically determine Floor Area for all purposes under this Lease and Landlord's determination shall be conclusive.

[SEE ADDENDUM]

47159\1113024v5

- 6 -
EXHIBIT "1"

ARTICLE 10 ASSIGNMENT AND SUBLETTING

10.1 **NO ASSIGNMENT OR SUBLETTING.** Other than with respect to a Permitted Assignment (as defined below) Tenant shall not assign, sublet, enter into franchise, license or concession agreements, change ownership or voting control, or otherwise transfer (including any transfer by operation of law) all or any part of this Lease or of Tenant's interest in the Premises or Tenant's business (collectively, "Assignment" or "Assign") without Landlord's prior written consent, not to be unreasonably withheld. In addition, under no circumstances shall Tenant encumber or pledge this Lease or its interest in the Premises. If Tenant is a corporation which is not a public corporation, or is an unincorporated association, limited liability company or partnership, the transfer, assignment or hypothecation, whether in 1 transaction or a series of transactions, of any stock or interest in such corporation, association, limited liability company or partnership in excess of an aggregate of 49% shall be deemed an Assignment within the meaning of this Article.

10.2 **PROCEDURES.** Should Tenant desire to enter into an Assignment, Tenant shall request, in writing, Landlord's consent to the proposed Assignment at least sixty (60) days before the intended effective date of the proposed Assignment, which request shall include the following: (a) the effective date, terms and conditions of the proposed Assignment, (b) detailed financial information regarding the proposed transferee, including a description of net worth, (c) a description of the previous business experience of the proposed transferee, (d) a complete business plan prepared by the proposed transferee, and (e) any further information relevant to the proposed Assignment which Landlord shall reasonably request. Within thirty (30) days after the later of (i) Landlord's receipt of Tenant's request for consent to the proposed Assignment, and (ii) Landlord's receipt of all of the information set forth in (a) through (e) above, Landlord may elect either to: (aa) consent to the proposed Assignment; (bb) deny such consent; or (cc) in Landlord's sole discretion, terminate this Lease, such termination to be effective 10 days following Landlord's election. Tenant shall have the right to void Landlord's termination by withdrawing its request for consent prior to the expiration of such 10-day period.

10.3 **STANDARD FOR CONSENT.** Tenant agrees that Landlord may refuse its consent to the proposed transfer on any reasonable grounds, and (by way of example and without limitation) Tenant agrees that it shall be reasonable for Landlord to withhold its consent if any of the following situations exist or may exist: (a) the use to which the Premises will be put by the proposed transferee is different than the use set forth in Section 1.10; (b) the proposed transferee's financial condition is inadequate to support the financial and other obligations of Tenant under this Lease; (c) the business reputation or character of the proposed transferee is not reasonably acceptable to Landlord; (d) the proposed transferee is not likely to conduct on the Premises a business of a quality substantially equal to that conducted by Tenant; (e) the nature of the proposed transferee's proposed or likely use of the Premises would impose an increased burden on the Common Area, or increase the risk of the release of Hazardous Materials, as defined in Section 21.18; (f) Landlord has not received assurances acceptable to Landlord in its sole discretion that all past due amounts owing from Tenant to Landlord, if any, will be paid and all other defaults on the part of Tenant, if any, will be cured prior to the effective date of the proposed Assignment; (g) in Landlord's reasonable business judgment the annual Percentage Rental Landlord anticipates receiving from the proposed transferee is less than the average annual Percentage Rental Landlord has received from Tenant during the two (2) years immediately prior to the proposed Assignment; and (h) in Landlord's reasonable business judgment the Assignment would breach any covenant of Landlord respecting radius, location, use or exclusivity relating to the Shopping Center, or, in Landlord's sole discretion, conflict with, be incompatible with or have an adverse impact on the tenant mix of the Shopping Center. [SEE ADDENDUM]

10.4 **PERMITTED ASSIGNMENT.** Tenant shall have the right to enter into an Assignment to any subsidiary corporation of Tenant, Tenant's parent corporation or to any corporation, partnership or limited liability company succeeding to substantially all of the assets of Tenant as a result of a consolidation or merger, or to a corporation, partnership or limited liability company to which all or substantially all of the assets of Tenant have been sold ("Permitted Assignment"), provided that prior to the effective date of any such transfer the assignee or sublessee executes and delivers to Landlord an instrument containing an express assumption of all of Tenant's obligations under this Lease. Notwithstanding the foregoing, if this Lease or the business operated in the Premises is the primary asset of the assignor, then Landlord's consent shall be required.

10.5 **NO RELEASE.** No assignment or Permitted Assignment shall relieve Tenant or any Guarantor from its covenants and obligations under this Lease. Any purported Assignment (other than a Permitted Assignment) without Landlord's prior written consent shall be void and confer no rights whatsoever on any third party.

10.6 **RENTAL INCREASE.** If Tenant assigns its interest in this Lease or sublets the Premises, other than in the case of a Permitted Assignment, the Base Rent shall be increased, effective as of the date of the Assignment, to the greater of (a) an amount equal to the total of the Base Rent plus Percentage Rent required to be paid by Tenant during the 12 month period immediately preceding the request for Landlord's consent to the Assignment, (b) Base Rent specified in Section 1.8, adjusted in accordance with the provisions of Section 21.7 of this Lease relating to percentage adjustments in the "Index" (as defined in Section 21.7), or (c) a sum equal to the then fair market rental value of the Premises, agreed upon by Landlord and Tenant. If Landlord and Tenant are unable to agree upon the then fair market rental value of the Premises, then the fair market rental value may be determined by a qualified independent appraiser chosen by Landlord and reasonably approved by Tenant.

10.7 **REASONABLENESS OF RESTRICTIONS.** Each of the rights of Landlord set forth in this Article 10 is a reasonable restriction for purposes of California Civil Code, Section 1951.4.

ARTICLE 11 PROMOTIONAL SERVICES

Tenant shall participate in a service ("Service") organized to promote the Shopping Center. Upon execution of this Lease, Tenant shall pay to Landlord the "Initial Promotional Assessment" and the 1st monthly installment of the "Promotional Charge" which are specified in Section 1.12. All subsequent installments of the Promotional Charge shall be paid by Tenant (i) within 10 days of billing or, at Landlord's option, (ii) monthly or quarterly. The Promotional Charge for the first full or partial calendar or fiscal year (as determined by Landlord) of the Term shall be the sum determined by multiplying the number of square feet of Floor Area in the Premises by the sum specified in Section 1.12. On each anniversary of the Commencement Date or, at Landlord's option, the commencement of Landlord's fiscal year ("Adjustment Date"), the Promotional Charge shall be increased to the greater of (i) any change in the cost of living, in accordance with the Index (as defined in Section 21.7), using as the Base Month the month 90 days prior to the Commencement Date, and using as the Comparison Month the month 90 days prior to the Adjustment Date, and (ii) \$.05 per square foot of Floor Area in the Premises. Landlord shall receive 25% of the assessments collected and/or contributed by Landlord pursuant to this Article 11 as compensation for directing the Service and paying the salaries of the promotional director, the secretary and other personnel

47159\1113024v5

EXHIBIT "1"

who will carry out the purposes of the Service. In addition to the Promotional Charge and Initial Promotional Assessment, from and after the Commencement Date, Tenant shall expend each calendar year for advertising a sum not less than 2% of Gross Sales. The advertising shall be in newspapers, tabloids, direct mailings or other media covering the trade area served by the Shopping Center, shall designate the location of the Premises by reference to the Shopping Center by name, and shall include annual participation in at least 1 tabloid for direct mailing sponsored by the Service. Tenant shall furnish Landlord with its annual report of Gross Sales, and at any time upon request by Landlord, a certified statement showing the amounts expended for advertising. If Tenant fails to so advertise, Tenant shall pay to Landlord the difference between (a) the amount actually expended by Tenant for advertising during the preceding calendar year, and (b) the amount that Tenant was required to expend for advertising during the applicable calendar year, as required pursuant to this Article 11. [SEE ADDENDUM]

ARTICLE 12 INSURANCE AND INDEMNITY

12.1 **TENANT'S INSURANCE.** At all times during the Term and for so long as it has access to the Premises, Tenant shall, at its sole cost and expense, maintain the insurance in at least the amounts set forth in Exhibit F.

12.2 **INDEMNITY.** Tenant shall pay for, defend (with an attorney approved by Landlord), indemnify, and hold Landlord harmless from any real or alleged damage or injury and from all claims, judgments, liabilities, penalties, costs and expenses, including attorneys' fees and costs (collectively, "Costs"), in any way connected to Tenant's use of the Premises, or any repairs, alterations or improvements (including Tenant's Work) which Tenant may make or cause to be made on the Premises, or by any breach of this Lease by Tenant and any loss or interruption of business or loss of Rent income resulting from any of the foregoing; provided, however, Tenant shall not be liable for Costs to the extent such damage or injury is ultimately determined to be caused by the negligence or misconduct of Landlord. Notwithstanding the foregoing, Tenant shall in all cases accept any tender of defense of any action or proceeding in which Landlord is named or made a party and shall, notwithstanding any allegations of negligence or misconduct on the part of Landlord, defend Landlord as provided herein until a final determination of negligence or misconduct is made. Costs shall also include all of Landlord's attorneys' fees, litigation costs, investigation costs and court costs and all other costs, expenses and liabilities incurred by Landlord or its counsel from the first Notice that any claim or demand is to be made or may be made. For purposes of this Section 12.2, "Landlord" includes Landlord and Landlord's directors, officers, shareholders, agents and employees. Tenant's obligations under this Section 12.2 shall survive the termination of this Lease. [SEE ADDENDUM]

ARTICLE 13 DAMAGE

13.1 **INSURED CASUALTY.** The following provisions shall apply in the case of damage by fire or other perils required to be covered by the insurance specified in Exhibit F:

(a) Within 60 days after all required permits have been obtained, Landlord shall begin the repair, reconstruction and restoration of the Premises as Landlord, in its reasonable business judgment, deems necessary, and shall proceed with reasonable diligence to complete such work; provided, however, that Tenant, at its cost, shall repair and restore all items of Tenant's Work and replace its stock in trade, trade fixtures, furniture, furnishings and equipment. Upon delivery of the possession of the Premises, Tenant shall promptly begin this work and shall proceed with all reasonable diligence to completion.

(b) Notwithstanding the foregoing, if the Premises is totally destroyed, or if the Shopping Center is destroyed to an extent of at least 50% of its full replacement cost as of the date of destruction, then (i) if the destruction occurs during the last 2 years of the Term, Landlord and Tenant shall each have the right to terminate this Lease, and (ii) if the destruction occurs prior to the last 2 years of the Term, Landlord shall have the exclusive right to terminate this Lease. In each case, the termination right shall be exercised by the terminating party giving Notice to the other party within 30 days after the date of destruction. If Landlord terminates this Lease pursuant to (ii) above, then when Landlord receives any insurance proceeds because of the destruction, Landlord shall pay to Tenant from the proceeds an amount equal to the unamortized book value of Tenant's initial leasehold improvements paid for by Tenant and its trade fixtures and equipment which are not capable of removal from the Premises, amortized over the Term and reduced by the amount of proceeds of any insurance carried or required to be carried by Tenant on such items by Exhibit F.

[SEE ADDENDUM]

13.2 **UNINSURED CASUALTY.** If the Premises or the Shopping Center are damaged as a result of any casualty not required to be covered by the insurance specified in Paragraph 5 of Exhibit F, Landlord, within 90 days following the date of such damage, shall begin the repair, reconstruction or restoration of the Premises as provided in this Lease and shall proceed with reasonable diligence to complete such work or, if the damage to the Premises, or to the buildings in the Shopping Center excluding the Premises, and excluding any freestanding buildings, is greater than 10% of the total replacement cost, Landlord may elect within said 90 days not to so repair, reconstruct or restore the damaged property, in which event, at Landlord's option, this Lease shall terminate upon the expiration of such 90 day period. If Landlord elects to restore the Premises, then Tenant shall have the same repair, restoration and replacement obligations it has pursuant to Section 13.1 (a).

13.3 **INSURANCE PROCEEDS.** If this Lease terminates pursuant to this Article 13, then all proceeds from the Fire and Extended Coverage insurance carried pursuant to Exhibit F and all insurance covering Tenant's Work and Tenant's leasehold improvements, but excluding proceeds for Tenant's property not permanently affixed to Landlord's property such as trade fixtures, merchandise, signs and other personal property, shall be paid to Landlord.

13.4 **ABATEMENT.** To the extent that Tenant has maintained the business interruption or loss of income insurance required by Exhibit F and the proceeds of such insurance may be exhausted during the period of any repair, reconstruction and restoration required by this Article 13, Base Rent shall be abated proportionately with the degree to which Tenant's use of the Premises is impaired during the remainder of the period of repair, reconstruction and restoration; provided, however, the amount of Base Rent abated pursuant to this Section 13.4 shall not exceed the amount of loss of rental income insurance proceeds actually received by Landlord. Tenant shall continue the operation of its business on the Premises during any such period to the extent reasonably possible from the standpoint of prudent business management, and the obligation of Tenant to pay Percentage Rent and other charges shall remain in full force and effect. Tenant shall not be entitled to any compensation or damages from Landlord for loss of use of any part of the Premises or the building in which the Premises are located,

Tenant's personal property or any inconvenience or annoyance occasioned by such damage, repair, reconstruction or restoration. Tenant waives any statutory rights of termination based on a partial or total destruction of the Premises.

ARTICLE 14 EMINENT DOMAIN

14.1 **TAKING.** "Taking", as used in this Article 14, means an appropriation or taking under the power of eminent domain by any governmental authority or a voluntary sale or conveyance in lieu of condemnation but under threat of condemnation.

14.2 **TOTAL TAKING.** In the event of a Taking of the entire Premises, this Lease shall terminate and expire as of the date possession is delivered to the condemning authority and Landlord and Tenant shall each be released from any liability under this Lease after the date of such termination, but Rent for the last month of Tenant's occupancy shall be prorated and Landlord shall refund to Tenant any Rent and paid in advance.

14.3 **PARTIAL TAKING.** If there is a Taking of (a) more than 25% of the Floor Area of the Premises or, (b) a portion of the Premises and, regardless of the amount taken, the remainder of the Premises is not 1 undivided parcel of property, then either Landlord or Tenant may terminate this Lease as of the date Tenant is required to vacate a portion of the Premises. The terminating party shall give Notice of the termination to the other party within 30 days after Tenant receives Notice from Landlord of the Taking.

14.4 **AWARD.** The entire award in any such condemnation proceeding, whether for a total or partial Taking, or for diminution in the value of the leasehold or for the fee, shall belong to Landlord. Without diminishing the rights of Landlord under the preceding sentence, Tenant is entitled to recover from the condemning authority such compensation as may be separately awarded by the condemning authority to Tenant in its own right for the taking of trade fixtures and equipment owned by Tenant and for the expense of removing and relocating its trade fixtures and equipment, but only in the event that the compensation awarded to Tenant is in addition to and does not diminish the compensation awarded to Landlord as provided above.

14.5 **CONTINUATION OF LEASE.** If Landlord and Tenant elect not to terminate this Lease after a Taking (or have no right to so terminate) then as soon as reasonably possible Landlord shall, to the extent of available condemnation proceeds, restore the Premises on the remaining land to a complete unit of like quality and character as existed prior to the Taking and, thereafter, Base Rent shall be reduced on an equitable basis, taking into account the relative value of the portion of the Premises taken as compared to the portion remaining, and Landlord shall be entitled to receive the total award or compensation.

ARTICLE 15 DEFAULTS BY TENANT

15.1 **EVENTS OF DEFAULT.** Any of the following constitutes an event of default and breach of this Lease by Tenant: (i) failing to pay any monetary obligation for a period of 5 days after Notice from Landlord or to perform any other obligation of the Lease for more than a reasonable time (not exceeding 10 days) after Notice from Landlord (any such Notice being in lieu of, and not in addition to, any Notice required by Section 1161 of the California Code of Civil Procedure or superseding statute); or (ii) vacating or abandoning the Premises; or (iii) making any general assignment for the benefit of creditors; or (iv) the attachment or judicial seizure of substantially all of Tenant's assets located at the Premises or Tenant's interest in this Lease (where the seizure is not discharged within 30 days); or (v) Tenant fails to pay its debts as they become due or admits in writing its inability to pay its debts, or makes a general assignment for the benefit of creditors; or (vi) Tenant fails to furnish to Landlord a schedule of Tenant's aged accounts payable within ten (10) days after Landlord's written request; or (vii) any financial statements given to Landlord by Tenant, any assignee of Tenant, subtenant of Tenant, any guarantor of Tenant, or successor in interest of Tenant (including, without limitation, any schedule of Tenant's aged accounts payable) are materially false; or (viii) any financial statement or other financial information furnished by Tenant pursuant to the provisions of this Lease or at the request of Landlord evidences that either Tenant's net worth is at least fifty percent (50%) less than the net worth in either the immediately prior financial statement or other financial statement of Tenant furnished at the time of execution of this Lease, and Tenant fails to furnish promptly to Landlord, after notice from Landlord to Tenant, an additional security deposit in cash equivalent to the aggregate of the Base Rent (as adjusted) and Additional Rent payable hereunder for the twelve (12) full calendar months immediately preceding such notice. In addition to all other rights or remedies of Landlord set forth in this Lease, if Tenant defaults, then Landlord shall have all rights available to Landlord as may be permitted from time to time by the laws of the State of California, without further Notice or demand to Tenant. In addition, Landlord has the remedy described in California Civil Code Section 1951.4 (Landlord may continue this Lease in effect after Tenant's breach and abandonment and recover rent as it becomes due), if Tenant has the right to sublet or assign, subject only to reasonable limitations. In any case in which Landlord re-enters and occupies the Premises, by unlawful detainer proceedings or otherwise, Landlord, at its option, may repair, alter, subdivide or change the character of the Premises as Landlord deems best, relet all or any part of the Premises and receive the rents therefor, and none of these actions shall constitute a termination of this Lease, a release of Tenant from any liability, or result in the release of any Guarantor. Landlord shall not be deemed to have terminated this Lease or the liability of Tenant to pay any Rent or other charges later becoming due by any re-entry of the Premises pursuant to this Section 15.1, or by any action in unlawful detainer or otherwise to obtain possession of the Premises, unless Landlord has first given Tenant Notice that it is terminating this Lease. Notwithstanding anything to the contrary set forth above, if the default complained of, other than a default for the payment of monies, cannot be cured within the period required herein, then Tenant shall not be considered to be in default of the Lease if it commences to cure the default within the required period and thereafter diligently and continuously prosecutes the cure to completion. [SEE ADDENDUM]

15.2 **TERMINATION OF LEASE.** Should Landlord elect to terminate this Lease pursuant to the provisions of Section 15.1 damages shall include, without limitation, the worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of Rent loss Tenant proves could have been reasonably avoided.

ARTICLE 16 DEFAULTS BY LANDLORD

16.1 **LANDLORD'S LIABILITY.** If Landlord fails to perform any of the covenants, provisions or conditions it is required to perform under this Lease within 30 days after Notice of default by Tenant (or if more than 30 days is required because of the nature of the default, if Landlord fails to begin to cure the default within the 30-day period), then Landlord shall be liable to Tenant for all damages sustained by Tenant as a direct result of Landlord's breach and Tenant shall not be entitled

to terminate this Lease as a result thereof. It is expressly understood and agreed that any judgment against Landlord resulting from any default or other claim under this Lease shall be satisfied only out of the net rents, profits and other income actually received by Landlord from the operation of the Shopping Center, and Tenant shall have no claim against Landlord (as Landlord is defined in Section 12.2) or any of Landlord's personal assets for satisfaction of any judgment with respect to this Lease. No officer, employee, advisor, trustee, director, beneficiary, shareholder, or manager of Landlord shall be liable for any liability under this Lease. [SEE ADDENDUM]

16.2 **CURE BY ASSIGNEE.** If any part of the Premises is at any time subject to a first deed of trust, and this Lease or the Rents due from Tenant hereunder are assigned by Landlord to a trustee or beneficiary ("Assignee" for purposes of this Article 16 only) and Tenant is given Notice of the assignment, including the post office address of Assignee, then Tenant shall also give Notice of any default by Landlord to Assignee, specifying the default in reasonable detail and affording Assignee a reasonable opportunity to cure the default on behalf of Landlord.

ARTICLE 17 SUBORDINATION, ATTORNMENT AND TENANT'S CERTIFICATE

17.1 **SUBORDINATION.** This Lease is subject and subordinate to (a) the lien of any deed of trust or the interest of any lease in which Landlord is the lessee (and to all advances made or to be made upon the security of any of the foregoing), and (b) to matters of public record applicable to the Shopping Center, including any covenants, conditions, restrictions, easements and ground leases (the documents referred to in clauses (a) and (b), including amendments, are collectively, the "Agreements"). Tenant agrees that it will not violate the terms of the Agreements. Tenant acknowledges that a beneficiary of a deed of trust or a lessor of Landlord may elect to cause the lien of the deed of trust or leasehold interest to be subordinate to this Lease. Subject to such election, if the Agreements are not of record on the Lease Date, then this Lease shall automatically become subordinate to the Agreements upon recordation so long as the Agreements do not prevent Tenant from using the Premises for the Permitted Use. Tenant agrees to execute and return to Landlord, within 10 days of written request, an agreement in recordable form subordinating this Lease to the Agreements. Tenant shall not unreasonably withhold its consent to amendments to this Lease requested by the holder of a deed of trust or similar financing instrument encumbering Landlord's fee interest in the Premises so long as such changes do not materially alter the economic terms of this Lease or materially diminish the rights, or materially increase the obligations, of Tenant. [SEE ADDENDUM]

17.2 **ATTORNMENT.** If any foreclosure proceedings are begun, or in the event of the exercise of the power of sale under any deed of trust encumbering the Premises, or should a lease in which Landlord is the lessee be terminated, then Tenant shall attorn to the purchaser or lessor under such lease upon any foreclosure, sale or lease termination and recognize the purchaser or lessor as the "Landlord" under this Lease, provided that the purchaser or lessor shall acquire the Premises subject to this Lease.

17.3 **TENANT'S CERTIFICATE.** Tenant agrees, upon 10 days Notice, to execute and deliver to Landlord, a notarized statement in writing in substantially the form of Exhibit E or in such other form as may be required by Landlord's beneficiary or the purchaser of Landlord's interest in the Shopping Center ("Tenant's Certificate").

ARTICLE 18 SECURITY DEPOSIT

Upon execution of this Lease, Tenant will pay Landlord the Security Deposit specified in Section 1.14. The Security Deposit will not bear interest and will be held by Landlord as security for Tenant's faithful performance of all of Tenant obligations under this Lease. If Landlord applies all or part of the Security Deposit to the payment of Rent or to any loss or damage to Landlord due to Tenant's default, then within 5 days after Notice, Tenant will deposit sufficient cash with Landlord to restore the Security Deposit to the amount originally deposited. If Tenant performs all of its obligations under this Lease, the Security Deposit or any remaining balance will be returned to Tenant within 60 days of the expiration or earlier termination of this Lease. Tenant expressly waives any statutory right to the return of the Security Deposit earlier than said 60-day period.

ARTICLE 19 QUIET ENJOYMENT

As long as Tenant pays all of the Rent and performs all of the other terms and conditions of this Lease, Tenant shall peaceably and quietly hold and enjoy the Premises; subject, however, to (a) the rights of the parties as set forth in this Lease, (b) any Agreements to which this Lease is subordinate, and (c) disturbances, odors and similar inconveniences which are commonly associated with shopping centers of the type and size of the Shopping Center and/or with tenants located in such shopping centers.

ARTICLE 20 NOTICES

All notices, demands, requests, approvals and other communications under this Lease ("Notice") shall be in writing and shall be given by U.S. regular mail, registered mail, courier or overnight delivery service, addressed as set forth in Paragraph 1.18, or to such other address or addresses as either party may designate by Notice to the other in accordance with this Article 20. Notices delivered by regular mail shall be deemed delivered 48 hours after deposit thereof in a U.S. Mail Post Box. All other Notices shall be deemed delivered as of the date of delivery (or attempted delivery or rejection) established by U.S. Post Office return receipt or the overnight courier's proof of delivery, as this case may be, but in no event later than 48 hours after deposit thereof in a U.S. Mail Post Box or with a courier or delivery service. Notice given by facsimile shall not be effective unless receipt is acknowledged by the recipient in writing. [SEE ADDENDUM]

ARTICLE 21 MISCELLANEOUS

21.1 **GENERAL.** A waiver by a party of a breach of this Lease by the other party shall not be construed as a waiver of a later breach of the same covenant. Except as limited by Article 16 or as specified to the contrary elsewhere in this Lease, the rights and remedies of the parties are cumulative and in addition to any rights and remedies not specified in this Lease. There are no other agreements or representations between the parties and this Lease supersedes and cancels any previous negotiations, representations, brochures, agreements and understandings, if any, between them. This Lease may not be amended except in writing signed by Landlord and Tenant. This Lease shall be governed by California law. If any provision of this Lease or its application is found to be invalid or unenforceable, such determination shall not affect the other provisions of this Lease and they shall remain valid and enforceable. Except for the delivery of possession of the Premises to Tenant, time is of the essence of all provisions of this Lease. Tenant shall not record this Lease or any short form memorandum of this Lease.

21.2 **SUCCESSORS.** All of the rights and obligations of the parties under this Lease shall apply to (i) their respective heirs, executors, administrators and (ii) their permitted concessionaires, successors, subtenants and assignees. If there is more than 1 Tenant under this Lease, each shall be jointly and severally bound by all of the terms hereunder.

21.3 **BROKERS.** There have been no brokers, finders or agents involved in this Lease, except as specifically set forth in Section 1.17, and each party agrees to hold the other harmless from the failure to pay any broker, finder or agent making a claim for compensation, commission or charges with respect to this Lease and/or the negotiation hereof. [SEE ADDENDUM]

21.4 **TRANSFER OF LANDLORD'S INTEREST.** If Landlord sells, exchanges or assigns this Lease (other than a conditional assignment as security for a loan), then it shall be relieved of all obligations accruing under this Lease from and after the date of transfer provided that Landlord's successor-in-interest assumes such obligations from and after such date. No holder of a deed of trust to which this Lease is subordinate shall be responsible for the Security Deposit unless the holder of such deed of trust actually receives the Security Deposit from Landlord.

21.5 **PAYMENT AND LATE CHARGES.** Tenant shall pay Rent to Landlord at the Address specified therefore in Section 1.18, or to such other address and/or person as Landlord may from time to time identify to Tenant. If Tenant fails to pay any Rent when due, the unpaid amount shall bear interest at the prime interest rate charged by Wells Fargo Bank plus 2 percentage points (but in no event to exceed the maximum lawful rate) ("Interest Rate") from the date due until paid. There shall be no late charge payable by Tenant for the first 2 times in any consecutive 12-month period that any installment of Rent is not received from Tenant within 5 days after such installment is due, unless Tenant fails to make payment of such installment within 5 days after written notice from Landlord that such installment has not been received. In the event payment is not received by Landlord within such 5-day period, Tenant shall pay to Landlord a late charge of \$500.00 for overdue Base Rent, and \$250.00 for overdue Percentage Rent or Additional Rent. In addition, in the event Tenant fails to submit any required documents, certificate, report, statement of Gross Sales, insurance policy or certificate as and when required in this Lease, Tenant shall pay to Landlord a "Service Charge" in the amount of \$100.00 for each week or portion thereof that said failure continues. Tenant agrees that such Service Charge shall not constitute damages, and that neither Tenant's payment of such Service Charge nor Landlord's acceptance of such payment shall result in a cure of any default under this Lease, or waiver by Landlord of any default under this Lease. Payment of a late charge shall be due on the same date that the next Rent payment is due. Landlord and Tenant agree that this late charge represents a reasonable estimate of Landlord's costs and expenses and is fair compensation to Landlord for its loss resulting from Tenant's late payment. Except where another rate of interest is specifically provided for in this Lease, any amount due from either party to the other which is not paid when due, shall bear interest from the due date at the Interest Rate specified in this Section 21.5. If no specific time is set forth for the payment of any money under this Lease, then such payment shall be required within 10 days of receipt of Notice. In no event shall Tenant be entitled to any credit or offset specifically permitted by this Lease, if Tenant, at the time in question is in default of any of its obligations under this Lease. [SEE ADDENDUM]

21.6 **LIENS.** Tenant shall pay all costs for work performed by it or on its behalf and shall keep the Premises and the Shopping Center free and clear of mechanics' liens or any other liens. Tenant shall give Landlord immediate Notice of any lien filed against the Premises or the Shopping Center as a result of any work performed by or on behalf of Tenant. Tenant shall immediately cause any lien to be discharged or removed of record by either paying the amount of the lien or recording a statutory lien release bond in an amount equal to 150% of the amount of the lien. If Tenant fails to do so, Landlord shall have the right, but not the obligation, in addition to all other rights and remedies available to Landlord to either pay and discharge the lien, without regard to the validity thereof, or obtain and record a statutory lien release bond and to (a) collect from Tenant or (b) deduct from any amount payable by Landlord to Tenant under this Lease (i) all costs incurred by Landlord in paying and discharging such lien, or in obtaining the bond, and (ii) all expenses incurred by Landlord in connection with the lien, including attorneys' fees and costs, recording fees and administrative costs and expenses.

21.7 **INDEX.** As used in this Lease, the term "Index" means The United States Department of Labor, Bureau of Labor Statistics Consumer Price Index for Urban Wage Earners and Clerical Workers, Los Angeles-Riverside-Orange County, CA Average, Subgroup "All Items", (1982-1984 = 100). If at any time there shall not exist the Index in this format, Landlord shall substitute any official index published by the Bureau of Labor Statistics or successor or similar governmental agency as may then be in existence that shall, in Landlord's opinion, be most nearly equivalent thereto. The sum to be increased in accordance with the provisions of the Index shall be increased using the following formula: the sum shall be increased by a percentage equal to the percentage increase, if any, in the Index published for the Comparison Month over the Index published for the Base Month; provided, however, in no event shall said sum be less than that which was due immediately preceding the date of adjustment.

21.8 **TRADE FIXTURES AND PERSONAL PROPERTY.** Upon the expiration or earlier termination of the Lease, Tenant shall remove all of its trade fixtures, furniture, equipment, signs, improvements, additions and alterations to the Premises to the extent they are not permanently affixed, and immediately repair any damage resulting from such removal so as to leave the Premises in the condition required by Section 21.10. Upon the removal of Tenant's exterior signage, Tenant shall, at its sole cost, restore the building facia to its original condition. Tenant may finance its movable fixtures and equipment installed in the Premises, and such financing will not be considered an Assignment, provided it does not confer an interest in the Premises. All trade fixtures, signs and other personal property installed in or attached to the Premises by Tenant must be new when installed or attached. Within 90 days after the Commencement Date, Tenant shall submit to Landlord evidence of the book value of Tenant's leasehold improvements, excluding items removable by Tenant at the expiration of the Term pursuant to this Section 21.8 (to the extent said leasehold improvements were paid for by Tenant, as evidenced by invoices and proofs of payment of same). [SEE ADDENDUM]

21.9 **FORCE MAJEURE.** Any prevention, delay or stoppage due to strikes, lockouts, labor disputes, acts of God, inability to obtain labor or materials or reasonable substitutes therefor, governmental restrictions, regulations, or controls, judicial orders, enemy or hostile governmental action, civil commotion, terrorist activities, fire or other casualty, and other causes (except financial) beyond the reasonable control of the party obligated to perform, shall excuse the performance by that party for a period equal to the prevention, delay or stoppage, except the obligations imposed with regard to the payment of Rent to be paid by Tenant pursuant to this Lease; provided the affected party gives the other party Notice within 30 days of the event causing the prevention, delay or stoppage. Notwithstanding anything to the contrary contained in this Section 21.9, in the event any work performed by Tenant or Tenant's contractor results in a strike, lockout and/or labor dispute, such action shall not excuse the performance by Tenant of the provisions of this Lease.

21.10 **TERMINATION AND HOLDING OVER.** This Lease shall terminate without further Notice upon the Expiration Date and Tenant shall have no right to thereafter extend or renew this Lease. Upon the Expiration Date, Tenant shall peaceably and quietly surrender the Premises broom-clean and in the same condition (including, at Landlord's option, the demolition and removal of any improvements made by Tenant to the Premises) as the Premises were in upon delivery of possession to Tenant, except for reasonable wear and tear and any damage to the Premises which Tenant is not required to repair under Article 13. Should Tenant hold over beyond the Expiration Date, the Base Rent shall be the greater of (a) 1-1/2 times the Base Rent payable for the 12-month period immediately preceding the expiration of this Lease, or (b) the then currently scheduled Rent for comparable space in the Shopping Center, as the same is reasonably determined in Landlord's sole business judgment. As long as the parties are in good faith negotiating a renewal or extension of the Lease, the foregoing increase in Base Rent shall not take effect until 60 days after the Expiration Date. If Tenant fails to surrender the Premises upon the Expiration Date, then Tenant shall indemnify, defend and hold Landlord harmless from any loss or liability which may accrue therefrom including any claims made by any succeeding tenant founded on or resulting from Tenant's failure to surrender. Acceptance by Landlord of any Base Rent, Percentage Rent or other charges after the Expiration Date shall not constitute a consent to a holdover hereunder, constitute acceptance of Tenant as a tenant at will, or result in a renewal of the Lease. [SEE ADDENDUM]

21.11 **ATTORNEYS' FEES AND PROCESSING CHARGES.** If either party institutes an action or proceeding against the other party relating to the provisions of this Lease, then the non-prevailing party in such action or proceeding shall reimburse the prevailing party for its actual attorneys' fees, and all fees, costs and expenses (including any actual expert fees and court costs) incurred in connection with such action or proceeding, including any post-judgment fees, costs or expenses incurred on any appeal or in collection of any judgment. If Landlord prepares, reviews or executes any document relating to this Lease or the Premises at Tenant's request, Tenant agrees to pay to Landlord (i) a reasonable processing charge in accordance with the schedule of charges from time to time established by Landlord, and (ii) Landlord's reasonable attorneys' fees and expenses incurred in connection therewith. Landlord may, at its option, require the payment of all or a portion of such charges and/or fees in advance.

21.12 **WAIVER OF TRIAL BY JURY; MEDIATION.** The parties desire and intend that any disputes arising between them in connection with this Lease be subject to resolution in a court trial without a jury. Therefore, Landlord and Tenant each hereby waive the right to a trial by jury of any cause of action, claim, counterclaim or cross-complaint in any action, proceeding or other hearing brought by either party against the other on any matter whatsoever arising out of, or in any way connected with, this Lease, the relationship of Landlord and Tenant, Tenant's use or occupancy of the Premises or any claim of injury or damage, or the enforcement of any remedy under any law, statute, or regulation, emergency or otherwise, now or hereafter in effect. Anything to the contrary notwithstanding, if a dispute arises in connection with this Lease, except for an action for unlawful detainer, and if such dispute cannot be settled through direct discussions, then before resorting to litigation, the parties shall first use their good faith efforts to settle all disputes relating to this Lease by mediation in Orange County, California. The party seeking mediation shall set forth the particulars of its claim in a Notice to the other party. The Landlord shall then designate the identity of the mediator subject to the reasonable approval of Tenant. If Landlord brings an unlawful detainer action, or if the parties are unable to settle any other dispute pursuant to mediation, then the proceeding shall be tried in a court trial without a jury as provided above.

21.13 **FAILURE TO SUBSTANTIALLY COMPLETE PREMISES.** Notwithstanding anything to the contrary contained in this Lease, (a) if for any reason substantial completion of the Premises has not occurred within 24 months following the Lease Date, or (b) if, prior to substantial completion of the Premises, Landlord postpones or abandons the development or construction of the Shopping Center or that portion of the Shopping Center in which the Premises are located, then either party may elect to terminate this Lease by giving 30 days' Notice of such election to the other party. If such Notice is given, this Lease and the rights and obligations of the parties hereunder shall cease and terminate without the need for the execution of any further documents but, if Landlord requests, Tenant shall execute a document in recordable form confirming the termination of this Lease and of Tenant's release and surrender of all right, title and interest in the Premises. If this Lease is terminated pursuant to this Section 21.13, neither party shall have any further liability regarding this Lease or its termination. [SEE ADDENDUM]

21.14 **CERTIFICATIONS BY TENANT.** Any reports, statements or other materials required to be certified by Tenant shall be certified by an independent certified public accountant, Tenant's Chief Financial Officer or Tenant's managing member or partner.

21.15 **FLOOR AREA.** "Floor Area", with respect to the Premises or any other leaseable areas, means Landlord's estimate of the total number of square feet of ground floor area therein, measured from the exterior faces of all exterior walls, service corridor and fire walls, and from the center line of the common demising walls separating the premises from other spaces. No deduction shall be made for columns or interior construction or equipment.

21.16 **NO LIABILITY.** In any case where Landlord's consent is required, Landlord shall have no liability for damages to Tenant or to any 3rd party if it is adjudicated that Landlord's consent has been unreasonably withheld and such unreasonable withholding of consent constitutes a breach of this Lease or other duty to Tenant or any other person. In such event, Tenant's sole remedy shall be to have Landlord's consent be deemed given.

21.17 **RELOCATION.** Landlord shall have the right upon 90 days' Notice to Tenant (the "Relocation Notice"), to relocate Tenant to other premises ("New Premises") within the Shopping Center; subject, however, to the following terms and conditions: (a) The New Premises shall have approximately the same Floor Area as is contained in the Premises, (b) the New Premises shall be leased to Tenant on the same terms and conditions as provided in this Lease, except that there shall be a proportionate adjustment of Base Rent and other charges based upon the Floor Area in the New Premises, (c) Landlord shall pay to Tenant, within 30 days of the date Tenant initially opens for business in the New Premises, those expenses reasonably incurred by Tenant in connection with the relocation of Tenant's personal property; provided, however, Tenant has first provided Landlord with an itemized list of these expenses (accompanied with copies of invoices and proofs of payment of same), and (d) Landlord shall pay all reasonable costs of the leasehold improvements to be constructed at the New Premises and such leasehold improvements shall be substantially similar to the leasehold improvements in the Premises. In its Relocation Notice, Landlord shall set forth a timetable for completion of the leasehold improvements in the New Premises. If the New Premises is unacceptable to Tenant for any reason, Tenant shall have the right as its sole and exclusive remedy, upon Notice to Landlord to be given within 30 days after the Relocation Notice, to terminate this Lease on 30 days' Notice. Landlord shall pay to Tenant, within 60 days after said Notice and upon vacation of the Premises by Tenant, the unamortized book value of Tenant's leasehold improvements, excluding items removable by Tenant at the expiration of the Term pursuant

to Section 27.8 (to the extent said leasehold improvements were paid for by Tenant, as evidenced by invoices and proofs of payment of same), depreciated on a straight-line basis over the Term, and Tenant shall provide Landlord with a bill of sale for said leasehold improvements. [SEE ADDENDUM]

21.18 HAZARDOUS MATERIALS. Tenant, at its sole cost and expense, shall comply with all applicable laws relating to any Hazardous Material, as defined in Section 25260 of the California Health and Safety Code, as amended from time to time. In the event Tenant intends to or does use, handle, store, release or dispose of any Hazardous Material, Tenant shall promptly notify Landlord in writing. Tenant shall complete and deliver to Landlord an Environmental Questionnaire, in Landlord's then current form, and shall update and resubmit to Landlord the Environmental Questionnaire in the event of any material change to the information contained therein. Tenant shall promptly provide Landlord with true, correct, complete and legible copies of any reports, notices or correspondence relating to Hazardous Materials on the Premises which may be filed, prepared by or sent to Tenant. Landlord may, at any time or from time to time, require Tenant to conduct monitoring or evaluation activities with respect to Hazardous Materials on the Premises, at Landlord's discretion and at Tenant's sole cost and expense, performed by an environmental consultant approved by Landlord. Tenant's indemnity set forth in Section 12.2 shall apply to any Costs arising out of Tenant's use, storage, handling, release or disposal of Hazardous Materials on or about the Premises, including any Costs necessary to return the Premises, or any other property, to their condition existing before Tenant's introduction of Hazardous Materials on the Premises. Tenant's obligations under this Section 21.18 shall survive the expiration or earlier termination of this Lease. [SEE ADDENDUM]

21.19 ENTIRE AGREEMENT/LIMITATION OF ACTIONS. It is understood that there are no oral or written agreements or representations between the parties hereto affecting this Lease and this Lease supersedes and cancels any and all previous negotiations, arrangements, representations, brochures, agreements and understandings, if any, between Landlord and Tenant. Confirming the understandings and agreements described in this Section 21.19, Tenant agrees to execute and deliver to Landlord Tenant's Estoppel in the form and content of Exhibit H attached hereto ("Tenant's Estoppel") concurrently with Tenant's execution and delivery of this Lease. Any claim, demand, cause of action or defense of any kind by Tenant which is based on or arises in connection with the negotiations prior to the execution of this Lease, or any asserted statement, representation, arrangement, agreement or understanding between Landlord and Tenant which is not expressly stated in this Lease shall be barred unless Tenant commences an action thereon, or interposes in a legal proceeding a defense based thereon, within 6 months after the date of the asserted inaction or omission, or the date of the occurrence of the event or action to which the claim, demand, cause of action or defense relates, whichever applies.

IN WITNESS WHEREOF, Landlord and Tenant have duly executed this Lease on the day and year first above written.

THE IRVINE COMPANY,
a Delaware corporation

By: [Signature]
Name: Tanya Thomas
Title: Vice President-Operations, Retail Properties



By: [Signature]
Name: Lee Burckle
Title: Assistant Secretary

LANDLORD

HASSAN KARIMIAN and SAHEREH KARIMIAN,
as husband and wife, on behalf of each of their
respective marital, community and sole and separate
property estates.

By: [Signature]
Hassan Karimian
SSN: 529-25-0797

By: [Signature]
Sahereh Karimian
SSN: 601-80-6939

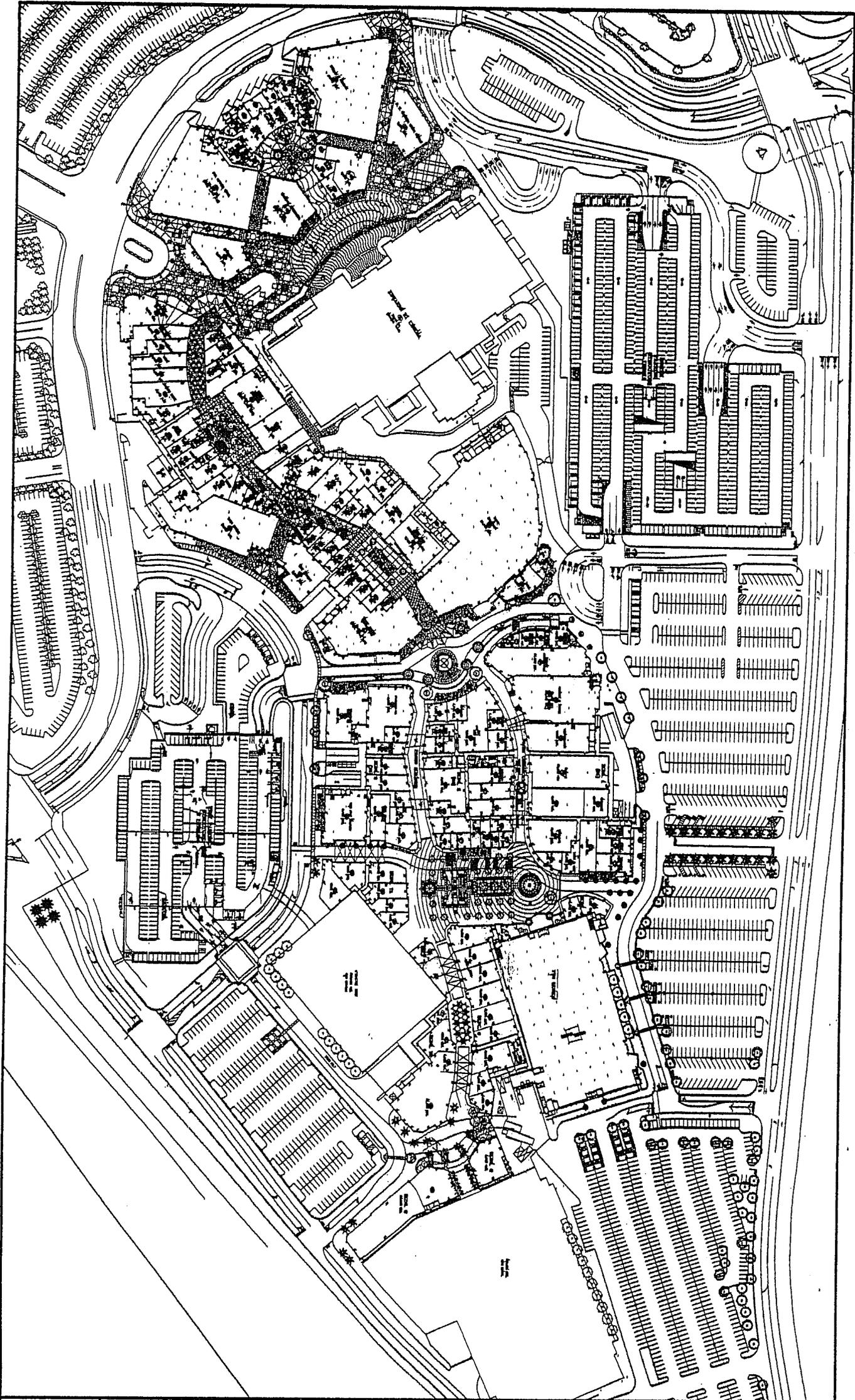
TENANT

If Tenant is a corporation, the authorized officers must sign on behalf of the corporation and indicate the capacity in which they are signing. This Lease must be executed by the president or vice president and the secretary or assistant secretary, unless the bylaws or a resolution of the board of directors shall otherwise provide, in which event the bylaws or a certified copy of the resolution, as the case may be, must be attached to this Lease. Also, the appropriate corporate seal should be affixed hereto.

EXHIBIT A

SHOPPING CENTER SITE PLAN

(Copy attached.)

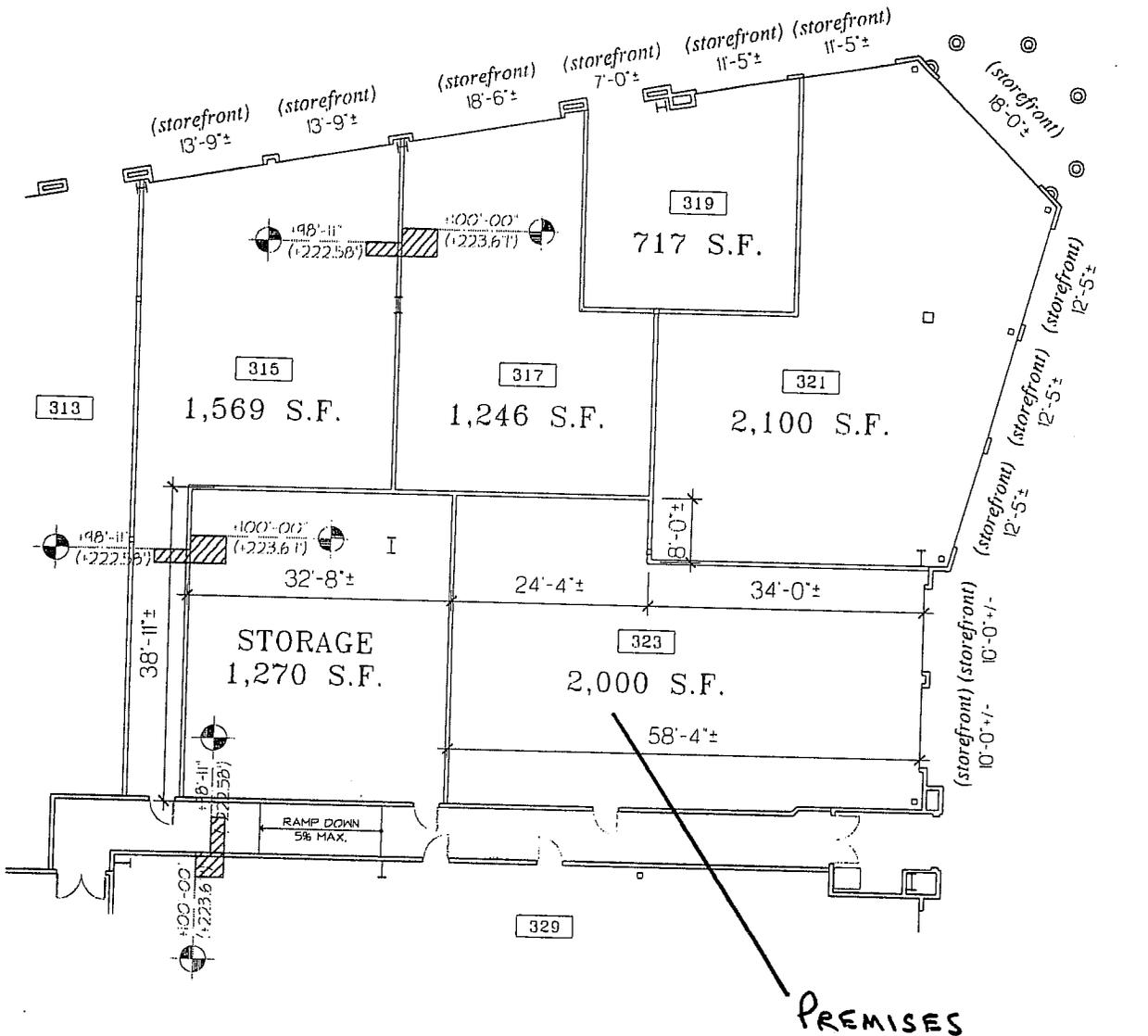


LP-1	 <p>LEASE PLAN SCALE: NTS</p>	<p>ARCHITECT THE RIVER DESIGN</p> <p>REVISIONS: 01.12.08 05.01.08 09.15.08 10.13.08 11.01.08</p>	<p>Carlie Coatsworth Architects, Inc. 1000</p>	
------	--	--	--	---

EXHIBIT "1"

PREMISES SITE PLAN

(Copy attached.)



Dimensions are to lease line and are rounded up to the nearest inch. Area Calculations are based upon lease line. This document identifies the perimeter configuration of the lease space only and shall not be used for construction. It's the responsibility of the Tenant to verify all dimensions and conditions prior to commencement of design drawings. Any discrepancies shall be brought to the attention of the Mall Management.

IRVINE SPECTRUM CENTER THE IRVINE COMPANY Carille / Coatsworth Architects, Inc. Phone 949.833.1830 Fax 949.833.1440	Tenant:	Suite 323		
	Suite No.:	See Below	Drawn by:	AT
	Project No.:	04668.00	Reviewed by:	MA
	Description:	Reconfiguration of Space #323.		
			Date:	10.25.04
			Scale:	NOT TO SCALE

SC-323

All drawings and written material appearing herein constitute original and unpublished work of the architect and may not be duplicated.

CONSTRUCTION PROVISIONS
RETAIL LEASE

I. LANDLORD'S WORK

The Premises have been previously improved and are leased to Tenant by Landlord on an "AS IS" basis. No further obligation of Landlord exists with respect to construction within or about the Premises. Tenant must have satisfied each of the following ("Delivery Requirements") before Landlord will be obligated to deliver possession of the Premises to Tenant: (i) provided Landlord with evidence of the insurance coverage required by Exhibit F and this Exhibit C; and (ii) paid all amounts then due under the Lease. In no event shall Tenant's failure to meet the Delivery Requirements delay the delivery date of the Premises. Prior to the commencement of Tenant's Work, Tenant must (a) obtain Landlord's approval of the Final Plans (as defined in this Exhibit C), and (b) obtain all government permits and approvals required to perform Tenant's Work.

Notwithstanding any contrary provision of this Lease, (including this Exhibit C), Landlord, at Landlord's expense, shall perform the following work (to the extent such work has not been completed as of the Effective Date) prior to the delivery of the Premises to Tenant:

1. Condition of Premises. The Premises shall be delivered in a broom clean condition, free of: (i) ceilings, (ii) interior utility lines, (iii) pipes and chases (except as designated by Tenant in writing), (iv) interior walls (whether load bearing or not), (v) partitions, and (vi) doors. The Premises shall be fully demised with 2" x 6" perimeter studs per Section 7 of the Tenant Handbook. The Premises shall include the existing ventilating and air conditioning system, the existing electrical service, the existing conduit for telephone communication service and the existing life safety system (that is, the "back bone" of the system), each in its respective "AS IS" condition as of the Lease Date.

2. Utility Stubs. Landlord shall provide a 4" sewer (under slab) and a 1" water (overhead) stub-in to the rear of the Premises. The sewer stub shall be located underground. Landlord shall provide a common plumbing vent line within the Premises for Tenant's use in making necessary plumbing connections. Except as set forth in the first sentence of this paragraph, Landlord shall provide water, sewer, electric, gas and telephone services, stubbed to the Premises in each such utility service's "AS-IS" capacity as of the Lease Date.

3. Slab. Other than the first 10 feet from the storefront, Landlord shall provide a smooth and level unsealed concrete floor slab. After utility hook-ups and tenant storefront installation are completed by Tenant, Tenant must reinstate the slab, where necessary, with concrete pursuant to Landlord's specifications. Tenant acknowledges that structural grade beams will be located under the slab. No penetrations of any structural grade beams shall be made in connection with Tenant's Work without Landlord's prior written approval.

II. TENANT'S WORK

Tenant, having accepted the Premises as outlined in Part I of this Exhibit C, shall, at its sole cost and expense, perform all further work required by Landlord to remodel the Premises to a first-class condition in accordance with Landlord's criteria, using as a standard other recently remodeled spaces in the Shopping Center ("Tenant's Work"). Additionally, the remodel of the Premises shall meet all requirements for the build-out of an Aveda Lifestyle Salon & Spa, as established by Aveda. Tenant shall commence Tenant's Work immediately upon the delivery of the Premises to Tenant with Landlord's Work, if any, substantially complete to the extent that Tenant can proceed with Tenant's Work without material interference. Tenant's Work shall conform in all respects to all governmental code requirements and the "Final Plans" (as hereinafter defined).

Tenant understands and agrees that in the event Tenant will not be able to complete Tenant's Work to the extent that the Premises will be open for business to the public fully fixturized and stocked with merchandise on or before November 15, Tenant may not commence any construction activities on or about the Premises until after January 1. Tenant's failure to comply with this requirement shall be deemed a default under the Lease.

III. MINIMUM DESIGN CRITERIA

"Store Design Drawings" (as defined in Part IV) which meet the minimum criteria set forth in this Part III may be approved provided such drawings meet Landlord's other design and aesthetic standards.

- A. Architectural, Structural and Finishing Work.
- B. Mechanical Plans. All mechanical systems that may be required to be redesigned, replaced or remodeled.
- C. Electrical Plans. All electrical systems that may be required to be redesigned, replaced or remodeled.
- D. Fire Protection Plans (if required).

IV. DESIGN APPROVAL PROCEDURE

All prints, drawings, information, specifications and other material to be furnished by Tenant to Landlord for approval, as required in this Exhibit C, shall be addressed to Landlord at such place as Landlord may designate. Approvals of such documents shall be deemed invalid unless given by Landlord in writing.

A. Space Layout Drawings. Following the execution of this Lease, Landlord shall furnish Tenant with a space layout plan, provided such drawings have not previously been furnished to Tenant. Tenant shall cause its architect to inspect the Premises to become acquainted with all existing conditions.

B. Store Design Drawings.

1. Within 30 days from the Lease Date, Tenant shall submit to Landlord 3 sets of blue-line prints and 1 set of reproducible sepia prints of store design drawings, showing intended design, character and finishing of the Premises ("Store Design Drawings"). The Store Design Drawings shall comply with the minimum design criteria set forth in Part III of this Exhibit C. The Store Design Drawings shall include, but not be limited to, the following:

- a. Architectural design of the space including the storefront, fixturing information, elevations, sign sections, material selections and finishes.
- b. Mechanical system: Basic equipment to be used and its position, duct distribution system and diffuser locations.
- c. Electrical system: Floor and reflected ceiling showing outlets, type of lighting fixtures, other electrical equipment contemplated and locations of panelboard(s) and switching requirements.

2. After review of the Store Design Drawings, Landlord shall return to Tenant 1 set of prints of Store Design Drawings with its suggested modifications and/or approval.

3. If the Store Design Drawings are returned to Tenant with modifications, but not bearing Landlord's approval, the Store Design Drawings shall be immediately revised by Tenant and resubmitted to Landlord for approval within 10 days of their receipt by Tenant.

C. Construction Drawings and Specifications.

1. Within 30 days from the date of this Lease, Tenant shall engage an architect registered in the State of California for the purpose of preparing construction drawings and specifications for the Premises ("Construction Drawings and Specifications"). Construction Drawings and Specifications shall be prepared in strict compliance with Shopping Center criteria. One set of reproducible sepia prints and 3 sets of blue-line prints of all Construction Drawings and Specifications prepared by Tenant's architect shall be submitted by Tenant to Landlord for approval.

2. Approved Construction Drawings and Specifications shall be referred to as "Final Plans" in this Lease.

D. Signs. Approval of Store Design Drawings for the Premises by Landlord does not constitute approval of Tenant's exterior sign work. Within 20 days from the date of this Lease, Tenant shall submit to Landlord, for separate written approval, drawings showing all proposed exterior sign work. Such sign work shall conform to the sign criteria established for the Shopping Center. Such sign drawings, once approved, shall constitute part of the Final Plans.

E. Building Code Compliance and Nonresponsibility of Landlord. Landlord will not check Tenant's drawings for building code compliance. Approval of Final Plans by Landlord is not a representation that the drawings are in compliance with the requirements of governing authorities, and it shall be Tenant's responsibility to meet and comply with all Federal, state and local code requirements. Approval of Final Plans does not constitute assumption of responsibility by Landlord or its architect for their accuracy, sufficiency or efficiency, and Tenant shall be totally responsible for such matters.

V. CONSTRUCTION OF THE PREMISES

A. Commencement of Construction. Tenant shall commence construction of the Premises in accordance with the provisions of this Lease and shall carry such construction to completion with all due diligence in accordance with the Final Plans. The failure of Tenant to comply with procedures and schedules set forth in this Exhibit C or to commence or complete the construction of the Premises as required shall have no effect on the commencement of Base Rent, Percentage Rent or other charges.

B. General Requirements

1. Tenant shall submit to Landlord, prior to the commencement of construction, the following information:

(a) The names and addresses of the general, mechanical and electrical contractors 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 and fixturing work and the date on which Tenant expects to be ready to open for business in the Premises.

(c) Evidence satisfactory to Landlord of compliance by Tenant with the insurance requirements hereinafter set forth ("the Required Coverage"). The Required Coverage shall be issued by insurance companies with a current A.M. Best's Rating of A or better and a Financial Rating of at least VIII, both as rated in the most current "Best's Rating Guide", and which are qualified to do business in the State of California. All such policies, except for the workers compensation coverage, shall name and shall be for the mutual and joint benefit and protection of Landlord, Tenant, Tenant's contractor and Landlord's agents and beneficiary(ies) as additional insureds. Executed copies of the policies of insurance or certificates thereof (including evidence of waiver of subrogation as required in this Exhibit C) shall be delivered to Landlord prior to Tenant, its agents, contractors or employees entering the Premises for any purpose. Thereafter, executed copies of renewal policies or certificates thereof shall be delivered to Landlord within 30 days prior to the expiration of the term of each policy. All policies of insurance delivered to Landlord must contain a provision that the company writing the policy will give to Landlord 30 days' prior notice of any cancellation or lapse or the effective date of any reduction in the amounts of insurance. All policies required of Tenant's contractor herein shall be endorsed to read that such policies are primary policies and any insurance carried by Landlord or Landlord's property manager shall be noncontributing with such

policies. No policy required to be maintained by Tenant's contractor shall have a deductible greater than \$25,000.00 unless approved in writing by Landlord:

(i) Prior to the commencement of Tenant's Work, Tenant shall, at its sole cost and expense, obtain and, if required by Landlord, cause its contractors to obtain and keep in full force throughout the construction of Tenant's Work:

(ii) comprehensive or commercial general liability insurance with coverage limits of not less than \$2,000,000.00 combined single limit for bodily injury, personal injury, death and property damage liability per occurrence or the current limit carried by contractor, whichever is greater, insuring against any and all liability of the insureds with respect to the Premises or arising out of its performance of work at the Premises. All such comprehensive general liability or commercial general liability insurance shall include, but not be limited to, personal injury, blanket contractual liability, products/completed operations, broad form property damage liability and independent contractors liability. Each comprehensive general liability policy shall also include a severability of interests clause. Additionally, Tenant's contractor shall be required to purchase and maintain automobile liability insurance covering all owned, nonowned and hired automobiles;

(iii) workers compensation coverage as required by law, including employer's liability coverage, with a limit of not less than \$1,000,000.00 and waiver by contractor's insurer of any right of subrogation against Landlord by reason of any payment pursuant to such coverage;

(iv) a builder's risk policy covering those perils insured in the "Causes of Loss - Special Form" (form CP 10 30) in an amount acceptable to Landlord and sufficient to cover the full contract value of all Tenant renovations and/or improvements; and

(v) such additional insurance coverage and limits as Landlord deems reasonable and which are consistent with California insurance practices for protecting persons and property.

(d) Intentionally deleted.

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 general contractor and other contractors on the job. All work shall be coordinated with the general project work.

3. Construction shall comply in all respects with applicable Federal, state, county and city statutes, ordinances, regulations, laws and codes. All required permits, approvals, licenses, authorizations and other permits in connection with the construction and completion of the Premises including building permits and conditional use permits, shall be obtained and all fees (both one-time and recurring) required in connection with the construction and completion of the Premises including all road fees, building and conditional use permit fees, transportation corridor fees and all other fees, whether similar or dissimilar, shall be paid for by Tenant.

4. Tenant shall apply and pay for all utility services.

5. Tenant shall cause its contractor to provide warranties for not less than 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.

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 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 Shopping Center including work which pertains to structural components, mechanical, sprinkler and general utility systems, roofing and removal of unduly accumulated construction material and debris.

D. As-Built Drawings. Tenant shall cause 1 set of reproducible shacohs "As-Built Drawings" to be delivered to Landlord and/or Landlord's representative in the form of AUTOCAD Release 14 no later than 30 days after the completion of Tenant's Work. 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 the cost of producing these drawings.

E. Liens. Tenant shall keep the Premises free and clear of all mechanics' and materialmen's liens and shall present evidence to Landlord of such completion prior to any obligation of Landlord to pay any contribution for Tenant's improvements.

VI. ARCHITECTURAL REVIEW FEE

Tenant shall pay to Landlord an Architectural Review Fee in the sum indicated in Section 1.19, such amount to be paid upon Tenant's execution of this Lease to cover the cost of review of plans by Landlord for the initial construction of the Premises ("Architectural Review Fee").

VII. CONSTRUCTION DEPOSIT

Tenant shall pay, or cause its contractor to pay to Landlord a "Construction Deposit" in the sum indicated in Section 1.21, such amount to be paid to Landlord prior to the commencement of any work in the Premises. The Construction Deposit shall be applied toward the costs and expenses incurred by Landlord for work performed by Landlord related to preparing the Premises for occupancy by Tenant, which costs and expenses shall include, without limitation, costs for submitting applications for building permits and related fees, temporary power/utilities, sprinkler shutdowns, construction clean-up, the completion of any punchlist items not completed by or on behalf of Tenant, and reimbursement for any damage resulting from Tenant's remodeling. All costs shall be calculated at fair market value. If costs for the foregoing exceed the total Construction

Deposit, Tenant shall pay Landlord the amount of such excess costs within 30 days after receipt of a billing statement from Landlord. Any portion of the Construction Deposit not used by Landlord shall be refunded to Tenant within 30 days after Tenant opens for business at the Premises and submits a written request for such refund to Landlord, provided all of the aforementioned punchlist items have been completed.

VIII. ALTERATIONS

Except as provided in Section 8.5, Tenant shall not perform any Alterations without the prior written approval of Landlord. Such approval shall be obtained by using the procedure set forth in Section IV.B herein; provided, however, the initial date for delivery of the Store Design Drawings shall not be 30 days after the Lease Date, but shall instead be 60 days prior to the date Tenant desires to commence the Alterations. The Store Design Drawings and Construction Drawings and Specifications shall consist of the appropriate drawings in relation to the intended Alterations. All Alterations shall be constructed in accordance with the provisions of this Exhibit C. Tenant shall perform at its expense any Alterations necessary to cause the Premises to comply with any Federal, state, county and city statutes, ordinances, regulations, laws and codes enacted or becoming effective subsequent to the Commencement Date.

IX. REIMBURSEMENT

Provided (a) Tenant is not in default under this Lease, (b) the Premises are lien-free, (c) Landlord has approved, in advance, the scope of work, and (d) each of requirements A through J below are satisfied, then on or before the 45th day after the recordation of the Notice of Completion described in Paragraph F below, Landlord will reimburse to Tenant the lesser of (a) the total amount of out-of-pocket costs paid by Tenant for Tenant's Work (specifically excluding floor coverings, signs, movable fixtures, permit fees and plan review fees), and (b) \$70,000.00 ("Tenant Improvement Allowance"):

- A. A building permit for the construction of Tenant's Work has been issued by the City of Irvine and a copy of the building permit has been delivered to Landlord;
- B. Tenant has delivered to Landlord lien waivers and releases, in statutory form, for all contractors, subcontractors and materialmen who performed work or supplied materials in connection with the completion of Tenant's Work;
- C. All required inspections of Tenant's Work by governmental agencies have taken place and the completed Tenant's Work has passed such inspections;
- D. Tenant has submitted to Landlord a copy of all building permits with all sign-offs executed;
- E. Tenant has completed Tenant's Work and opened for business to the public in the Premises;
- F. Tenant has submitted to Landlord a conformed copy of Tenant's recorded Notice of Completion, prepared and recorded in accordance with statutory requirements;
- G. Tenant has delivered to Landlord a Certificate of Occupancy for the Premises;
- H. Tenant has submitted to Landlord invoices and proofs of payment for Tenant's Work (specifically excluding floor coverings, signs, movable fixtures, permit fees and plan review fees) which evidence expenditure by Tenant of at least the Tenant Improvement Allowance;
- I. Tenant has submitted to Landlord As-Built drawings for all of Tenant's Work; and
- J. Tenant has paid to Landlord all amounts owing to Landlord pursuant to this Lease as of the date reimbursement is to be made, and Tenant is not otherwise in default of any other term or condition of this Lease as of such date, and no event has occurred which, given the passage of time or the giving of notice or both, could be declared a default under this Lease.

X. AUDIT

Tenant shall maintain, for at least 3 years after the date of completion of Tenant's Work complete and accurate books and records of expenditures for Tenant's Work in accordance with generally accepted accounting principles. Landlord, at any time within 3 years after the date of completion of Tenant's Work and upon at least 15 days' prior written notice to Tenant, may cause an audit to be made of all such books and records relating to expenditures for Tenant's Work at the Premises or at Tenant's offices in the state in which the Premises are situated.

In addition to all other remedies which Landlord may have pursuant to this Lease, Landlord may recover from Tenant the reasonable cost of its audit and withhold or recover all amounts to be paid or previously paid to Tenant pursuant to Part VIII of this Exhibit C if (i) the audit discloses that Tenant reported to Landlord material erroneous expenditures which were not in fact made, or reported material erroneous amounts of any expenditure or of the expenditures in the aggregate; or (ii) Tenant fails to maintain complete and accurate books and records of these expenditures. The occurrence of (i) or (ii) above shall constitute a material default under this Lease.

XI. REPAYMENT

Landlord has agreed to provide Tenant with the Tenant Improvement Allowance pursuant to Part IX of this Exhibit C based, in part, (a) on Tenant's agreement to occupy the Premises for at least the initial Term of this Lease, thereby allowing the amortization of the Tenant Improvement Allowance over such period, and (b) because of Tenant's specific Permitted Use set forth in Section 1.10 of this Lease that fits Landlord's desired tenant-mix for the Shopping Center. Therefore, as a material inducement to agree to reimburse to Tenant the Tenant Improvement Allowance as set forth in Part IX of this Exhibit C, and a matter specifically bargained for between Landlord and Tenant, upon either (i) the early termination of this Lease prior to the expiration of the Term or (ii) any Assignment (other than a Permitted Assignment), as both terms are defined in Article 10,

Tenant shall, on or before the effective date of such termination or of such Assignment, repay to Landlord the unamortized portion of the Tenant Improvement Allowance paid to Tenant as of the intended effective date of the termination or the proposed Assignment, based upon amortization in accordance with generally accepted accounting principles consistently applied. In addition, in the event of a termination or an Assignment prior to payment of any Tenant Improvement Allowance (or installment(s) thereof), Landlord's obligation to make payment (or any further payment) of Tenant Improvement Allowance shall terminate and Tenant shall have no further right to payment of any Tenant Improvement Allowance.

**TENANT'S STATEMENT OF GROSS SALES;
PERCENTAGE RENT INFORMATION**

"Gross Sales" means the gross selling price of all merchandise or services sold, delivered or rented in or from the Premises by Tenant, its subtenants, licensees and concessionaires, whether for cash or on credit and whether made by store personnel, telephone, electronic communication, or by machines, as well as any business interruption or loss of income insurance proceeds attributable to lost sales revenue received by Tenant. Excluded from the definition of "Gross Sales" is the following: (i) the selling price of all merchandise returned by customers and accepted for full credit; (ii) interest or other charges paid by customers to Tenant for the extension of credit; (iii) receipts from vending machines used solely by Tenant's employees; (iv) sales taxes, excise taxes or gross receipts taxes imposed by the government upon the sale of merchandise or services, but only if collected from customers separately from the selling price and paid directly to the taxing agency; (v) sales of gift certificates until they are redeemed for merchandise; (vi) proceeds from the sale of fixtures, equipment or property which are not stock in trade; (vii) the amount of bad debts and bad checks resulting from sales made from the Premises which previously have been included in reported Gross Sales, after Tenant has made its customary collection efforts and written off such amounts as uncollectible, provided that the total bad debts and uncollectible amounts which may be excluded from Gross Sales for any particular year shall not exceed 1% for such year, and shall in any event be limited to amounts actually written off for Tenant's accounting purposes during such year, and if such amounts are subsequently collected, such amounts shall be included in Gross Sales in the applicable month and year in which they were collected; (viii) bulk sales or sales of Tenant's inventory incidental to the cessation of business at the Premises or otherwise occurring other than in the ordinary course of business; (ix) transfers or exchanges of merchandise between stores or warehouses of Tenant where such transfers or exchanges are made solely for the convenient operation of Tenant's business and not for the purpose of consummating a sale in a location other than the Premises; and (x) merchandise returned for credit to shippers, jobbers, wholesalers and manufacturers. All sales originating at the Premises shall be considered made and completed from the Premises even though bookkeeping or payment of the account is transferred to another location for collection or filling of the order and actual delivery of the merchandise is made from another location. Each installment sale, credit sale or layaway sale shall be treated as a sale for the full cash price at the time of such sale or deposit. [SEE ADDENDUM]

Tenant's Monthly Statement of Gross Sales For Month Ending ___/___/___		
Item	Current Month	Year-to-date
Sales	\$ _____	\$ _____
Exclusions	\$ _____	\$ _____
Calculation of Percentage Rent Owed		
Total sales year-to-date		\$ _____
Percentage Rate from Section 1.9		\$ _____
Total Sales year-to-date	X	
Percentage Rate		\$ _____
Less Minimum Rent paid this calendar year		\$ _____
Percentage Rent (if greater than \$0)		\$ _____
Less Percentage Rent paid this year		\$ _____
Current amount of Percentage Rent Due		\$ _____
TENANT: _____		
SIGNATURE: _____		
DATE: _____		
ACCOUNT NUMBER : _____		

Tenant's Statement of Annual Gross Sales Volume Report for 200__	
Month	Sales
January	\$ _____
February	\$ _____
March	\$ _____
April	\$ _____
May	\$ _____
June	\$ _____
July	\$ _____
August	\$ _____
September	\$ _____
October	\$ _____
November	\$ _____
December	\$ _____
TENANT: _____	
SIGNATURE: _____	
DATE: _____	
ACCOUNT NUMBER : _____	

Note: Signature constitutes certification that the information contained in this statement is true, accurate and complete. If Tenant is a corporation, this statement must be signed by an authorized officer of Tenant. We encourage you to send as much detailed information as practical to support your calculations; however, in addition to documentation normally provided **IT IS ESSENTIAL THAT THIS FORM BE COMPLETED AND RETURNED** to ensure that all rental information is properly recorded to your account.

EXHIBIT E
TENANT'S CERTIFICATE

TENANT: _____
PREMISES: _____
LEASE DATE: _____
EXECUTION DATE: _____

THIS TENANT'S CERTIFICATE is executed as of the Execution Date by Tenant who is currently the Tenant under that certain lease (the "Lease") dated as of the Lease Date by and between Landlord, THE IRVINE COMPANY, and Tenant, with respect to the Premises.

Subject to any exceptions and qualifications stated in Paragraph 19, below, Tenant represents, warrants, certifies and states each of the following:

1. It has received the financial statements provided to Landlord ("Financial Statements").
2. Based on its knowledge, the Financial Statements do not contain any untrue statements of material fact or omit to state a material fact necessary to understanding Tenant's financial condition.
3. Based on its knowledge, the Financial Statements fairly present the financial condition of Tenant.
4. The Lease is presently in full force and effect and has not been amended, supplemented, modified or otherwise changed, except pursuant to the following written amendments:
5. All work and improvements to the Premises required by the Lease to have been performed by Landlord have been completed in accordance with the provisions of the Lease and Tenant has accepted and taken possession of the Premises.
6. Landlord has satisfied all commitments, if any, made to induce Tenant to enter into the Lease, and to the best of Tenant's knowledge, is not in any respect in default in the performance by Landlord of its obligations under the Lease.
7. Tenant fully occupies the Premises and is not in any respect in default or breach of the Lease and has not assigned, sublet, transferred or hypothecated its interest under the Lease.
8. Tenant has no Notice or knowledge of any prior assignment, hypothecation or pledge of rents, of the Lease.
9. Tenant knows of no event which would constitute a default under the terms of the Lease by either the Tenant or Landlord.
10. The original term of the Lease is ____ years with a Commencement Date of _____, and an Expiration Date of _____.
11. Neither Tenant nor Landlord has begun any action, or given or received any Notice for the purpose of termination of the Lease.
12. Tenant has paid the Base Rent, the Percentage Rent (if any) and all other monetary obligations under the Lease.
13. There is no period of free rent, Rent abatement or reduction, except as set forth in the Lease or below, and Landlord has not given or conceded to Tenant any other concessions, abatements or compromises with respect to the Rent obligations under the Lease, nor has Landlord waived or purchased any other period of free rent, Rent abatement or reduction.
14. There are no offsets or credits against or defenses to payment of any monetary obligations payable under the Lease, and Tenant has made no payments to Landlord as a security deposit or advance or prepaid Rent except for the Security Deposit set forth in the Lease and any payments made no earlier than 10 days prior to the date upon which such payment is due.
15. Tenant's address for Notice is set forth in the Lease.
16. This Tenant's Certificate and the Lease are legal, valid, binding and enforceable obligations of the Tenant. Tenant has reviewed and understands this document and has had an opportunity to discuss this with counsel or has waived such opportunity.
17. Other than cleaning and office supplies used and stored on the Premises in the normal course of Tenant's business, Tenant does not use, handle, store or dispose of any Hazardous Materials (as defined in the Lease) in connection with Tenant's business in the Premises.
18. Tenant hereby acknowledges and agrees that the Lease is a lease of real property in a "shopping center," as such term is used in 11 U.S.C. § 365(b)(3), and further acknowledges and agrees that Landlord shall be entitled to all the protections afforded a landlord under 11 U.S.C. § 365(b)(3).

19. The representations set forth above are subject to the following exceptions and qualifications (if none stated, all representations shall be taken as without exception or qualification):

IN WITNESS WHEREOF, Tenant executed this Tenant's Certificate as of the Execution Date.

TENANT:

a _____

By: _____

Name: _____

Title: _____

EXHIBIT F

INSURANCE REQUIREMENTS

1. TENANT'S INSURANCE. Tenant shall maintain in full force and effect a policy or policies of insurance as follows:

A. Comprehensive or commercial general liability insurance with coverage limits of not less than the combined single limit for bodily injury, personal injury, death and property damage liability per occurrence specified in Section 1.13 of the Lease or the current limit carried by Tenant, whichever is greater, insuring against any and all liability of the insureds with respect to the Premises or arising out of the maintenance, use or occupancy of the Premises or related to the exercise of any rights of Tenant pursuant to this Lease, subject to increases in amount as Landlord may reasonably require from time to time. All such comprehensive general liability or commercial general liability insurance shall include, but not be limited to, personal injury, blanket contractual liability, products/completed operations, broad form property damage liability and independent contractors liability. Each comprehensive general liability or commercial general liability policy shall also include a severability of interests clause. If alcoholic beverages are served, sold, consumed or obtained in the Premises, Tenant shall also purchase and maintain liquor liability insurance. Additionally, Tenant shall be required to purchase and maintain automobile liability insurance covering all owned, nonowned and hired automobiles.

B. Worker's compensation coverage as required by law, including employer's liability coverage, with a limit of not less than \$1,000,000.00 and waiver by Tenant's insurer of any right of subrogation against Landlord by reason of any payment pursuant to such coverage.

C. Business interruption or loss of income insurance in amounts sufficient to insure Tenant's business operations for a period of not less than 1 year.

D. Plate glass insurance covering all plate glass on the Premises at full replacement value. Tenant shall have the option either to insure this risk or to self-insure.

E. Insurance covering all of Tenant's Work, Tenant's leasehold improvements and alterations permitted under Article 8 of the Lease in an amount not less than their full unamortized value, amortized over the Term, and insurance covering all of Tenant's trade fixtures, merchandise and personal property in an amount not less than their full replacement value from time to time. All such insurance coverage shall provide protection against perils covered in the ISO "Causes of Loss - Special Form" (form CP 10 30) and sprinkler leakage. Any policy proceeds shall be used for the repair or replacement of the property damaged or destroyed unless the Lease shall cease and terminate under the provisions of Article 13 of the Lease.

F. Any insurance policies designated necessary by Landlord with regard to Tenant's, or Tenant's contractors', construction of Tenant's Work, as well as with regard to the construction of alterations including contingent liability and "all risks" builders' risk insurance, in amounts acceptable to Landlord.

2. POLICY FORM. All policies of insurance required of Tenant herein shall be issued by insurance companies with a current A.M. Best's Rating of A or better and a Financial Rating of at least VIII, both as rated in the most current "Best's Rating Guide", and which are qualified to do business in the State of California. 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 beneficiary (ies) as additional insureds. The policies described in paragraphs C and E above shall also name Landlord and Landlord's beneficiary (ies) as loss payees. Executed copies of the policies of insurance or certificates thereof (including evidence of waiver of subrogation as required in this Exhibit F) shall be delivered to Landlord prior to Tenant, its agents or employees entering the Premises for any purpose. Thereafter, executed copies of renewal policies or certificates thereof shall be delivered to Landlord within 30 days prior to the expiration of the term of each policy. All policies of insurance delivered to Landlord must contain a provision that the company writing the policy will give to Landlord 30 days' prior Notice of any cancellation or lapse or the effective date of any reduction in the amounts of insurance. All policies required of Tenant herein shall be endorsed to read that such policies are primary policies and any insurance carried by Landlord or Landlord's property manager shall be noncontributing with such policies. No policy required to be maintained by Tenant shall have a deductible greater than \$25,000.00 unless approved in writing by Landlord.

3. BLANKET POLICIES. Notwithstanding anything to the contrary contained in this Exhibit F, Tenant's obligation to carry insurance may be satisfied by coverage under a so-called blanket policy or policies of insurance; provided, however, that the coverage afforded Landlord will not be reduced or diminished and the requirements set forth in this Lease are otherwise satisfied by such blanket policy or policies.

4. INCREASED PREMIUMS DUE TO USE OF PREMISES. Tenant shall not do any act in or about the Premises which will tend to increase the insurance rates upon the Premises or the Shopping Center of which the Premises are a part. 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.

5. REIMBURSEMENT OF INSURANCE PREMIUMS BY TENANT. Landlord, at all times from and after the Lease Date, shall maintain in effect during the Term a policy or policies of insurance covering the building of which the Premises are a part (including boiler and machinery) in an amount not less than 80% of the full replacement cost (exclusive of the cost of excavations, foundations and footings) or the amount of insurance Landlord's beneficiary(ies) may require Landlord to maintain, whichever is the greater, providing protection against perils covered in the ISO "Causes of Loss - Special Form" and loss of rental income insurance, with earthquake coverage insurance if deemed necessary by Landlord in Landlord's sole judgment or if required by Landlord's beneficiary(ies) or by any Federal, state, county, city or local authority. Landlord's obligation to carry this insurance may be brought within the coverage of any so-called blanket policy or policies of insurance carried and maintained by Landlord. From and after the Commencement Date (or such earlier date if Tenant is given earlier access to the Premises), Tenant agrees to pay to Landlord, Tenant's Share of the cost to Landlord of this insurance, including reasonable reserves for deductibles and any self-insured retention. The cost of such insurance for any partial year of the Term

shall be prorated. Payment shall be made in the same manner set forth for payment of Taxes in Section 5.1(b) of the Lease. [SEE ADDENDUM]

6. **WAIVER OF SUBROGATION.** 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 property, the Premises or its contents, or to other portions of the Shopping Center arising from any liability, loss, damage or injury caused by fire or other casualty for which property insurance is carried or required to be carried pursuant to the Lease. The insurance policies obtained by Landlord and Tenant pursuant to this Lease shall contain a provision waiving any right of subrogation which the insurer may otherwise have against the other party. If Landlord has contracted with a third party for the management of the Shopping Center, the waiver of subrogation by Tenant herein shall also run in favor of such third party.

7. **FAILURE BY TENANT TO MAINTAIN INSURANCE.** If Tenant refuses or neglects to secure and maintain insurance policies complying with the provisions of this Exhibit F, Landlord may secure the appropriate insurance policies and Tenant shall pay, upon demand, the cost of same to Landlord.

8. **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 the 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 the Lease.

RULES AND REGULATIONS

1. **HOURS OF BUSINESS.** From and after the Commencement Date, Tenant shall keep the entire Premises continuously open for business during the days and hours established by Landlord from time to time for the Shopping Center generally, including all holidays except Thanksgiving Day, Christmas Day, New Year's Day and Easter Day. Subject to Article 13 and Section 21.9 of the Lease, Tenant shall pay to Landlord a \$100.00 per hour penalty for each hour that Tenant fails to continuously remain open for business during the hours previously established by Landlord. Tenant shall have its window displays, exterior signs and exterior advertising displays adequately illuminated continuously during those hours and days that the Premises are required to be open for business to the public. [SEE ADDENDUM]
2. **HOURS FOR DELIVERIES.** Tenant shall use its best efforts to require all deliveries, (exclusive of United Parcel Service and U.S. Postal Service), loading, unloading and services to the Premises to be completed between 7:00 a.m. and 10:00 a.m. each day. All deliveries, loading, unloading and services to the Premises shall be accomplished within the service areas of the Shopping Center.
3. **OPERATION OF BUSINESS IN PREMISES.** Tenant shall keep the Premises in a neat and clean condition, free from any objectionable noises, odors or nuisances, shall operate its business without unreasonable noise or vibration emanating from the Premises, and shall comply with all applicable health, safety and police laws, ordinances and regulations of any governmental authority having jurisdiction over the Premises or the Shopping Center. Tenant shall not sell merchandise from vending machines or allow any coin or token operated vending machine on the Premises, except those exclusively used by employees and pay telephones provided for the convenience of its customers. Unless otherwise specifically permitted in Section 1.10 of the Lease, Tenant shall not install or operate in or about the Premises any type of automated teller machine (ATM) for the disposition of cash or conducting banking transactions or for the sale of event tickets. Tenant shall deposit trash and rubbish only within receptacles approved by Landlord. Landlord shall cause trash receptacles to be emptied at Tenant's cost and expense; provided, however, at Landlord's option, Landlord may provide trash removal services, the cost of which shall be paid for by Tenant either (a) as a Common Area Expense, or (b) pursuant to an equitable proration of said costs by Landlord. Tenant shall not display or sell merchandise or allow carts, signs or any other object to be stored or to remain outside the Premises. Tenant shall not erect any aerial or antenna on the roof, exterior walls or any other portion of the Premises. Tenant shall not solicit or distribute materials in the Common Area. Landlord, from time to time, may establish further reasonable and non-discriminatory rules and regulations for the Shopping Center, and Tenant shall abide by same. Tenant shall neither conduct on the Premises, nor advertise with respect to the Premises, any liquidation, "going out of business", distress, "lost our lease" or similar sale.
4. **ADVERTISING MEDIA.** Tenant shall not affix upon the Premises any sign, advertising placard, name, insignia, trademark, descriptive material or other like item unless approved by Landlord in writing, in advance, in accordance with Exhibit C. No advertising medium shall be utilized by Tenant which can be heard or seen outside the Premises including flashing lights, searchlights, loudspeakers, phonographs, radios or televisions. Tenant shall not display, paint or place any handbill, bumper sticker or other advertising device on any vehicle parked in the Common Area. Tenant shall not distribute any handbills or other advertising matter in the Shopping Center. Notwithstanding the above, Tenant shall erect signs at its own expense in accordance with (a) the sign criteria established by Landlord, (b) the Final Plans, and (c) all applicable laws, ordinances and regulations, and shall maintain these signs in good condition and repair during the Term.
5. **FOOD.** Unless this Lease expressly permits the use of the Premises for a restaurant facility, no cooking shall be allowed on the Premises.
6. **AMENDMENT/CONFLICT OF RULES WITH LEASE.** Tenant acknowledges that these Rules may be amended from time to time. If there is any conflict, inconsistency or ambiguity between these Rules and the Lease, the provisions of the Lease shall control. [SEE ADDENDUM]

TENANT'S ESTOPPEL

TENANT: HASSAN KARIMIAN and SAHEREH KARIMIAN, as husband and wife, on behalf of each of their respective marital, community and sole and separate property estates, d/b/a Belle Isle/Aveda Salon.

PREMISES: 85 Fortune Drive, Suite 323, Irvine, California 92618.

LEASE DATE: February 21, 2005

THIS TENANT'S ESTOPPEL is executed concurrently with the execution by Tenant of the above-referenced Lease with THE IRVINE COMPANY, as Landlord, for the lease of the above-referenced Premises.

Tenant represents, warrants, certifies and states each of the following:

1. Except as specifically provided in the Lease, no representation, warranty, or other agreement whatsoever has been made to Tenant, its agents, representatives or other party acting for or on behalf of Tenant, by Landlord, its agents, representatives, or other party acting for or on behalf of Landlord, in connection with the Lease, the Shopping Center, the Premises or otherwise, including, without limitation, any representation, warranty or other agreement concerning prospective tenants for the Shopping Center, gross sales (or other planned income) which Tenant should expect to realize from the Premises, exclusivity rights, rights of first refusal or offer for other premises within the Shopping Center, or other representations, warranties or agreements, express or implied, which would induce Tenant to execute the Lease or lease the Premises.

2. Tenant agrees and acknowledges that Landlord is relying on Tenant's execution of this Tenant's Estoppel and would not execute the Lease but for Tenant's execution hereof.

3. Tenant has reviewed and understands this document and has had an opportunity to discuss this with counsel or has waived such opportunity.

HASSAN KARIMIAN and SAHEREH KARIMIAN,
as husband and wife, on behalf of each of their
respective marital, community and sole and separate
property estates.

By: H. Karimian
Hassan Karimian

SSN: 529-25-0797

By: Sahereh Karimian
Sahereh Karimian

SSN: 601-80-6939

TENANT VENTILATING AND AIR-CONDITIONING EXHIBIT

I. Maintenance of VAC.

Tenant shall have the right to use Landlord's ventilating and air-conditioning units serving the Premises upon Tenant's acceptance of the Premises. Tenant shall operate, maintain and repair that portion of the VAC system installed by Tenant pursuant to Exhibit C (the "Tenant VAC Facilities"). Landlord shall, at Landlord's expense, maintain, repair and operate that portion of such system installed by Landlord (the "Landlord VAC Facilities"), but subject to the payment by Tenant of the charges provided for herein. Upon the expiration or termination of the Term, title to the Tenant VAC Facilities and the Landlord VAC Facilities shall remain in and shall vest solely in Landlord.

II. Tenant's VAC Charge.

(a) In each calendar month of the calendar year or, at Landlord's option, Landlord's fiscal year ("Fiscal Year"), Tenant shall pay Landlord, as Additional Rent, Tenant's proportionate share of the cost of maintenance, repair and operation of the Landlord VAC Facilities ("Tenant's VAC Charge") which shall be determined as follows:

(1) Landlord shall cause a ventilating and air-conditioning consultant designated by Landlord to review such data and information regarding the mechanical capacity of the Landlord VAC Facilities as such consultant shall deem relevant and, based on such data and information, such consultant shall assign to Tenant a "VAC Factor" which shall fairly represent the relationship between (A) the mechanical capacity of the Landlord's VAC Facilities, and (B) the total mechanical capacity of the equipment and system which is available for ventilating and air-conditioning the Floor Area of the Shopping Center; and

(2) In each such calendar or Fiscal Year, the actual cost to Landlord of such operation, maintenance and repair as is attributable by Landlord to the ventilating and air-conditioning of the Floor Area of the Shopping Center, together with costs and fees of Landlord's consultant in recalculating VAC Factors of Tenant and other tenants of the Shopping Center from time to time, shall be multiplied by a fraction, the numerator of which is Tenant's VAC Factor and the denominator of which is the total of VAC Factors assigned to the Floor Area of the Shopping Center occupied by tenants. The product thus obtained (together with an amount equal to 15% of such resulting product for Landlord's accounting, bookkeeping and collection of such sums) shall be Tenant's VAC Charge for such period.

(b) Tenant's VAC Charge paid for such calendar or Fiscal Year shall be adjusted between Landlord and Tenant, the parties hereby agreeing that Tenant shall pay Landlord or Landlord shall credit against Tenant's future payments of Tenant's VAC Charge (or, if such adjustment is at the end of the Term, Landlord shall pay Tenant), as the case may be, within 15 days of such notification to Tenant, the amounts necessary to effect such adjustment. Failure of Landlord to give the notification called for hereunder within the time prescribed shall not relieve Tenant of its obligations hereunder.

(c) Tenant acknowledges that the electricity for the operation of the VAC units will be provided through the electrical service provided to the Premises.

III. Tenant's VAC Equipment Contribution.

In each calendar or fiscal year, Tenant shall pay Landlord annually (in 12 equal monthly installments together with Base Rent), as Additional Rent, an amount for the recovery of Landlord's cost of installation, connection and replacement of the Landlord VAC Facilities (the "VAC Equipment Contribution"). Tenant's VAC Equipment Contribution shall be comprised of the product of the VAC Equipment Contribution Rate set forth in Section 1.22 multiplied by the Floor Area of the Premises.

IV. Maintenance of Electrical Systems and Equipment.

Tenant, at Tenant's expense, will maintain, repair and replace any portion of the electrical systems and equipment therefore exclusively serving the Premises. Landlord shall maintain, repair and operate the systems and equipment required to deliver electricity to the Premises (to the extent not maintained, repaired and replaced by Tenant pursuant to the immediately preceding sentence). Tenant acknowledges that this cost is a component of Common Area Expenses, as defined in Section 9.3, and subject to reimbursement under Section 9.4.

[SEE ADDENDUM]

EXHIBIT J

RELOCATION ZONES

(Copy attached.)

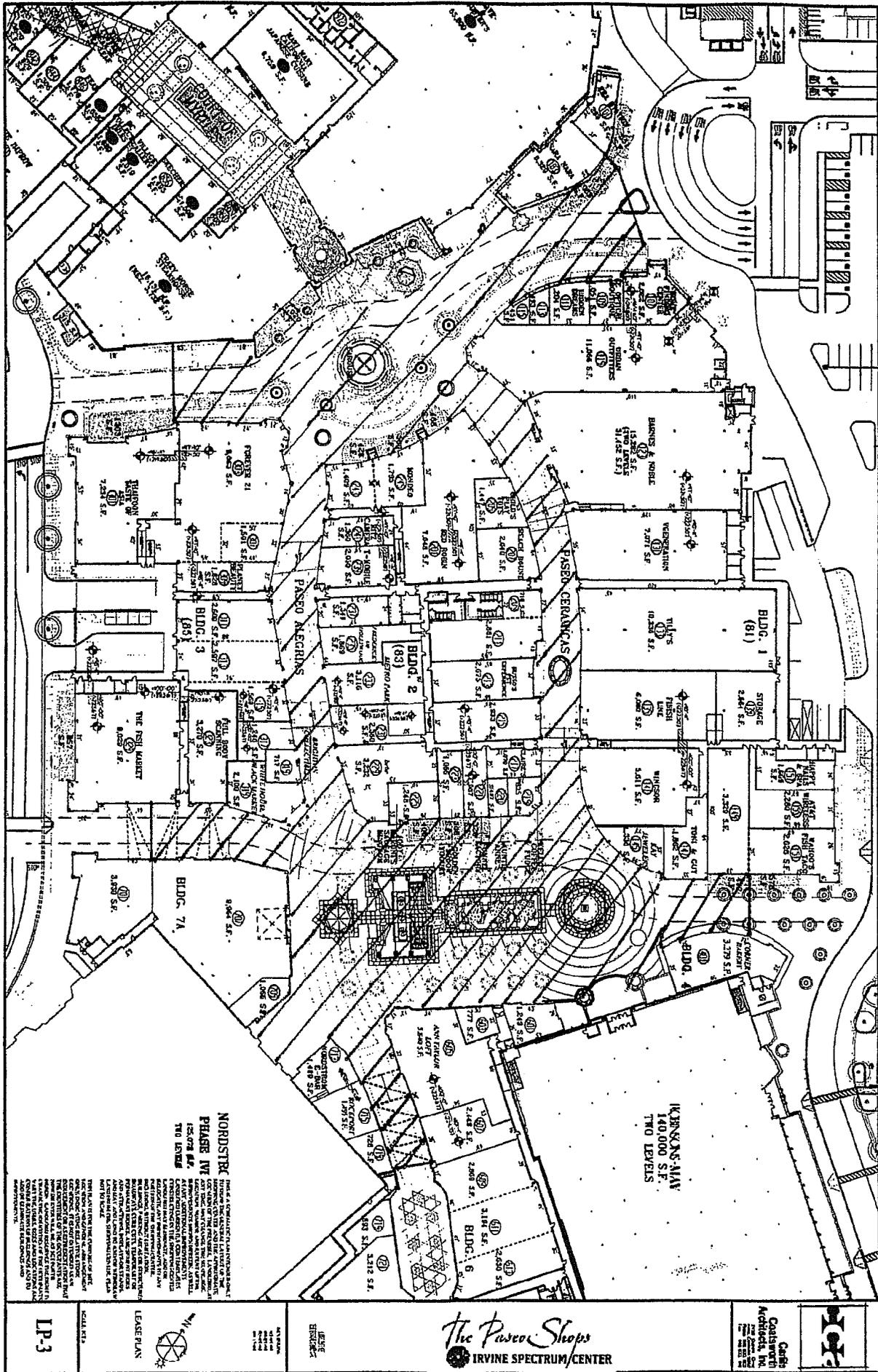


EXHIBIT "1"

TENANT'S ESTOPPEL

TENANT: HASSAN KARIMIAN and SAHEREH KARIMIAN, as husband and wife, on behalf of each of their respective marital, community and sole and separate property estates, d/b/a Belle Isle/Aveda Salon.

PREMISES: 85 Fortune Drive, Suite 323, Irvine, California 92618.

LEASE DATE: February 21, 2005

THIS TENANT'S ESTOPPEL is executed concurrently with the execution by Tenant of the above-referenced Lease with THE IRVINE COMPANY, as Landlord, for the lease of the above-referenced Premises.

Tenant represents, warrants, certifies and states each of the following:

1. Except as specifically provided in the Lease, no representation, warranty, or other agreement whatsoever has been made to Tenant, its agents, representatives or other party acting for or on behalf of Tenant, by Landlord, its agents, representatives, or other party acting for or on behalf of Landlord, in connection with the Lease, the Shopping Center, the Premises or otherwise, including, without limitation, any representation, warranty or other agreement concerning prospective tenants for the Shopping Center, gross sales (or other planned income) which Tenant should expect to realize from the Premises, exclusivity rights, rights of first refusal or offer for other premises within the Shopping Center, or other representations, warranties or agreements, express or implied, which would induce Tenant to execute the Lease or lease the Premises.
2. Tenant agrees and acknowledges that Landlord is relying on Tenant's execution of this Tenant's Estoppel and would not execute the Lease but for Tenant's execution hereof.
3. Tenant has reviewed and understands this document and has had an opportunity to discuss this with counsel or has waived such opportunity.

HASSAN KARIMIAN and SAHEREH KARIMIAN,
as husband and wife, on behalf of each of their
respective marital, community and sole and separate
property estates.

By: H. Karimian
Hassan Karimian

SSN: 529-25-0797

By: Sahereh Karimian
Sahereh Karimian

SSN: 601-80-6939

ADDENDUM TO LEASE

This Addendum to Lease ("Addendum") is intended to be a part of, and by this reference incorporated into, that certain Lease dated the 3rd day of Feb., 2005, by and between THE IRVINE COMPANY, a Delaware corporation, as Landlord, and HASSAN KARIMIAN and SAHEREH KARIMIAN, as husband and wife, on behalf of each of their respective marital, community and sole and separate property estates, as Tenant ("Lease"). Where, and to the extent that, any of the provisions contained in this Addendum are contrary to or inconsistent with any provision contained in the foregoing Lease, the provisions contained in this Addendum shall control.

1. Supplements Section 1.7 and Article 2:

Controlling over any contrary provisions of Section 1.7 or Article 2, if the Time to Complete Tenant's Work expires between the period commencing upon November 1st and ending on the immediately following January 31st (the "Black Out Period") then Tenant shall not be required to open, and upon Notice to Landlord (which shall be delivered within 10 days after Landlord's delivery of the Premises to Tenant), Tenant may delay its opening until the expiration of the Black Out Period. If Tenant elects to open during the Black Out Period, then the Commencement Date shall occur upon such opening, and Tenant shall commence the regular payment of Base Rent, Percentage Rent, Additional Rent and all other charges payable under the Lease computed in the way and manner as otherwise provided in the Lease.

2. Supplements Section 1.9, Section 3.2, and Exhibit D:

Controlling over any contrary provisions of Section 1.9, Article 3 or Exhibit D, "Gross Sales", for the purpose of calculating Percentage Rent only, shall exclude any services sold in or from the Premises by Tenant, its subtenants, licenses and concessionaires.

3. Supplements Article 2:

The initial paragraph of Article 2 shall hereafter be referred to as "Section 2.1" and any reference to Article 2 in the body of the Lease shall refer to Section 2.1. The second sentence is modified to provide that after receipt of Tenant's written request to Landlord, which request shall be made, if at all, within 30 days after delivery of possession of the Premises to Tenant, the Floor Area of the Premises shall be remeasured and verified by Landlord's independent third party architect. If the measurement discloses that the Premises contain more or less than 2,000 square feet of Floor Area, then the Base Rent, the Percentage Rent Breakpoint and all other amounts payable hereunder based on the Floor Area of the Premises shall be appropriately modified; provided, however, that in no event shall the actual Floor Area of the Premises be less than 1,900 square feet or more than 2,100 square feet. The sixth sentence is deleted and replaced with the following: "Landlord reserves the right to use the exterior walls, floor, roof, and plenum in, above and below the Premises; provided, however, in exercising such right, Landlord shall use commercially reasonable efforts to minimize any interference with Tenant's operations at the Premises."

4. Supplements Article 2:

The following provisions are added to the Lease as Section 2.2:

"Section 2.2 OPENING COTENANCY.

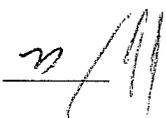
Defined Terms. For the purpose of this Section 2.2, the following terms shall have the following meanings:

(a) "Required Cotenants" means Nordstrom and at least 8 of the following tenants: Corner Bakery, White House/Black Market, Anthropologie, Sur La Table, Francesca's Collection, Apple, Hollister, Ann Taylor Loft, bebe, BEBE SPORT, Lucy, Brighton Collectables, MetroPark, and L'Occitane.

(b) "Substitute Occupant" means a national or regional tenant or owner occupying all or substantially all of the premises designated for the respective Required Cotenant.

(c) "Opening Cotenancy Failure" means that the Required Cotenants (or Substitute Occupants) and/or the tenants of at least 70% of the stores comprising the non-anchor, non-restaurant premises within the Shopping Center have not opened for business to the public.

Tenant's Remedies. If an Opening Cotenancy Failure is in effect upon the date the Commencement Date would otherwise have occurred, but for such Opening Cotenancy Failure, then Tenant shall not be required to open for business (in which event the Commencement Date shall not occur) and, for so long as Tenant does not open for business, no Base Rent, Percentage Rent or other regularly recurring charges payable by Tenant to Landlord under the Lease shall be due or payable. Additionally, if such Opening Cotenancy Failure continues for more than 270 consecutive days following the date the Commencement Date would otherwise have occurred, but for such Opening Cotenancy Failure (such date, the "Outside Opening Cotenancy Date"), then Tenant shall have the one-time right to terminate the Lease upon not less than 90 days' prior written notice to Landlord (the "Opening Cotenancy Termination Right") whether or not Tenant has previously opened for business. Tenant's Opening Cotenancy Termination Right must be exercised, if at all, on or before the date which is 30 days following the Outside Opening Cotenancy Date. If Tenant fails to give Landlord written notice of its election to exercise the Opening Cotenancy Termination Right on or before the date which is 30 days following the Outside Opening Cotenancy Date, then upon the expiration of such period: (i) Tenant shall be deemed to have unconditionally and irrevocably waived the Opening Cotenancy Termination Right and the Lease shall remain in full force and effect, (ii) Tenant shall immediately open for business from the Premises (if Tenant is not operating as of the Outside Opening Cotenancy Date), (iii) the Commencement Date shall be deemed to occur upon such opening (if the Commencement Date has not already occurred), and (iv) Tenant shall immediately commence the full payment of Base Rent (at the then applicable rate), Percentage Rent and other charges payable under the Lease computed in the way and manner as otherwise provided in the Lease.



In the event Tenant opens for business from the Premises despite such Opening Cotenancy Failure, the Commencement Date shall be deemed to occur as of the date that Tenant opens for business and Tenant shall pay, in lieu of Base Rent and Percentage Rent, an amount ("Substitute Base Rent") equal to 6% of Gross Sales (as defined in the Lease) from the Commencement Date until the earlier of the date the Opening Cotenancy Failure is first cured or until the Outside Opening Cotenancy Date. Nothing contained in this paragraph will relieve Tenant from its obligations to pay, as and when due, any of the other charges or any other sums otherwise due by Tenant under the Lease. Landlord agrees that if Tenant opens for business prior to the commencement of business operations by Nordstrom, Landlord will maintain customer access to the Premises through the Paseo located in front of the Premises' store front during normal operating hours for the Shopping Center. Tenant acknowledges that prior to the commencement of business operations by Nordstrom, such customer access will not be required to be provided during any "extended hours" or at times other than the normal operating hours for the Shopping Center.

In the event of a termination of the Lease pursuant to this Section 2.2, neither party shall have any further rights, obligations or remedies under or in any way relating to the Lease, except that Landlord shall promptly refund advance payments and deposits previously paid by Tenant and unearned. Tenant's right to terminate the Lease pursuant to this Section 2.2 shall be conditioned upon (i) Tenant vacating the Premises, repairing any damage to the Premises, removing all fixtures, if requested by Landlord, and leaving the Premises in broom-clean condition on or before the Termination Date, (ii) Tenant paying all amounts set forth in the preceding paragraph on or before the Termination Date, (iii) Tenant not being in default of the Lease (beyond any applicable notice and cure period) and (iv) Tenant being the original signatory under the Lease or a transferee pursuant to a Permitted Assignment. If Tenant fails to fulfill its obligations set forth in the preceding sentence, the Lease (and Tenant's obligation to pay all amounts of rent hereunder) shall continue in full force and effect until Tenant pays all amounts required to be paid hereunder and satisfies all of its obligations hereunder. Furthermore, Tenant's sole and exclusive remedies for an Opening Cotenancy Failure are the rights to delay opening for business, pay Substitute Base Rent or terminate the Lease as set forth herein. Tenant waives any other remedies Tenant may have against Landlord."

5. Supplements Article 2:

The following provisions are added to the Lease as Section 2.3:

"Section 2.3 **OPERATING COTENANCY.**

If the "Operating Cotenancy Requirement" (as defined below) fails to be satisfied (an "Operating Cotenancy Failure") at any time during the Term for a period of 270 consecutive days (the "Operating Cotenancy Failure Period"), then subject to the provisions set forth herein, Tenant shall have the right to elect to (i) to terminate the Lease upon written notice (the "Termination Notice") to Landlord or (ii) pay, from and after the expiration of the Operating Cotenancy Failure Period, Substitute Base Rent in lieu of Base Rent and Percentage Rent; provided, however, that nothing contained in this paragraph will relieve Tenant from its obligations to pay, as and when due, any of the other charges or any other sums otherwise due by Tenant under the Lease. If Tenant elects to so terminate this Lease, then Tenant shall deliver the Termination Notice, if at all, within 30 days following the expiration of the Operating Cotenancy Failure Period. Moreover, if Tenant elects to pay Substitute Base Rent despite the Operating Cotenancy Failure, and such failure is continuing as of the date that is 12 months after the expiration of the Operating Cotenancy Failure Period (the "Operating Cotenancy Anniversary Date"), Tenant shall have a second right to terminate the Lease by delivering a Termination Notice to Landlord within 30 days after the occurrence of the Operating Cotenancy Anniversary Date. If Tenant delivers a Termination Notice in a timely manner, the Lease shall terminate 90 days following Landlord's receipt of such Termination Notice (the "Termination Date"). If Tenant fails to deliver a Termination Notice within one of the time periods set forth above, then the Lease shall remain in full force and effect, and Tenant shall be deemed to have irrevocably and unconditionally waived that particular termination right. If the Lease is terminated as provided above, Tenant shall pay to Landlord all Base Rent, Percentage Rent and other charges due under the Lease through and including the Termination Date and, thereafter, neither Landlord nor Tenant shall have any further obligations under the Lease, except those which survive termination.

The "Operating Cotenancy Requirement" is defined as the failure of at least 70% of the non-anchor tenant, non-restaurant premises within the Shopping Center (including the Premises) to be open for business to the public for reasons other than cessations due to remodelings (accomplished within a reasonable period), fire or other casualties (and any resulting reconstruction periods), eminent domain proceedings (and any resulting reconstruction periods), relocations or closures required in order to expand the Shopping Center.

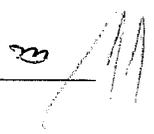
Tenant's right to terminate the Lease pursuant to this Section 2.3 shall be conditioned upon (i) Tenant vacating the Premises, repairing any damage to the Premises, removing all fixtures, if requested by Landlord, and leaving the Premises in broom-clean condition on or before the Termination Date, (ii) Tenant paying all amounts set forth in the preceding paragraph on or before the Termination Date, (iii) Tenant not being in default of the Lease (beyond any applicable notice and cure period) and (iv) Tenant being the original signatory under the Lease or a transferee pursuant to a Permitted Assignment. If Tenant fails to fulfill its obligations set forth in the preceding sentence, the Lease (and Tenant's obligation to pay all amounts of rent hereunder) shall continue in full force and effect until Tenant pays all amounts required to be paid hereunder and satisfies all of its obligations hereunder. Furthermore, Tenant's sole and exclusive remedies for the failure of the Operating Cotenancy Requirement is the right to pay Substitute Rent or terminate the Lease as set forth herein. Tenant waives any other remedies Tenant may have against Landlord."

6. Supplements Section 3.2:

Percentage Rent is due each month within 15 days, rather than 10 days, after the end of the first month that Gross Sales have reached the Breakpoint, and the certified monthly statement of Gross Sales shall be delivered to Landlord within 15 days, rather than 10 days, after the end of each calendar month during the Term. Additionally, Tenant's certified annual statement of Gross Sales shall be delivered to Landlord within 30 days, rather than 20 days, after the end of each calendar year during the Term.

7. Supplements Section 3.4:

Section 3.4 is deleted in its entirety; Tenant will not be required to pay Delayed Opening Rent.



8. Supplements Section 3.5:

Section 3.5 is deleted and replaced with the following: "If at any time during the Term any additional "Anchor Store(s)" (as defined below) other than Nordstrom and Target (or a replacement anchor within the Nordstrom or Target premises) is/are constructed in the Shopping Center, the Base Rent shall be increased by 7% for each such Anchor Store. There shall be no increase in Base Rent due to the construction of the Nordstrom or Target premises (or a replacement anchor within either such premises). "Anchor Store" means any department or specialty store that occupies Floor Area in excess of 50,000 contiguous square feet in the Shopping Center and operates under a single trade name."

9. Supplements Section 4.2:

Landlord may not audit Gross Sales more than once during any year or more than once for any particular year, unless Tenant has been in breach of its obligations with respect to the payment of Percentage Rent or the reporting of Gross Sales in that particular year or in any previous year.

10. Supplements Section 4.3:

If Tenant is a publicly traded corporation, Landlord shall be responsible for obtaining any published financial information concerning Tenant. Additionally, the last sentence is deleted; Landlord may not terminate the Lease if Tenant's financial statements show that its debts exceed its assets.

11. Supplements Section 5.1(b), Section 9.4(a) and Exhibit F, Section 5:

If Tenant overpaid Tenant's Share of Taxes, Common Area Expenses or insurance costs (pursuant to Section 5 of Exhibit F), respectively, during the last year of the Term, then provided that Tenant is not in default at the expiration of the Term, Landlord shall promptly refund any such expenses to Tenant following the expiration of the Term.

12. Supplements Section 6.1:

Landlord, pursuant to the terms of Exhibit C, agrees to provide utility stubs to the Premises so that all utility services can be separately metered by Tenant. Additionally, Landlord agrees that any utility lines, pipes or conduits or other facilities which are located within the Premises, but which do not exclusively serve the Premises, shall be located within columns, above the ceiling or below the floors of the Premise unless the same are located in an area other than the retail sales, salon or spa Floor Area of the Premises.

13. Supplements Section 6.2:

Section 6.2 is deleted in its entirety and replaced with the following:

"6.2 **VENTILATING AND AIR CONDITIONING.** This Section 6.2 specifies the obligations of Landlord and Tenant regarding the ventilating and air conditioning system ("VAC System") serving the Premises. Tenant, at Tenant's sole expense, shall keep the VAC System serving the Premises in first-class order, condition and repair throughout the Term. In furtherance of the foregoing, Tenant shall contract with a service company approved by Landlord for the regular (but not less frequently than quarterly) maintenance, repair and/or replacement (when necessary) of the VAC System and shall provide Landlord with a copy of any service contract within 10 days following its execution. If Tenant fails to maintain such a contract, Landlord may contract with a service company of its own choosing (or provide such service itself) for the maintenance, repair and/or replacement of the VAC System and collect a reserve or bill Tenant for the cost of same, as Additional Rent. The sum so billed to Tenant shall become immediately due to Landlord. Additionally, Tenant, at Tenant's sole expense, shall make all replacements necessary to keep the VAC System in first-class condition and repair. Any replacements to the VAC System shall be of comparable or better quality than the originally installed part or equipment and Tenant shall obtain Landlord's prior written consent prior to making any such replacements.

14. Supplements Sections 7.1 and 10.3:

(a) As provided in Section 1.10 of the Lease, Tenant is required to operate an Aveda authorized Lifestyle Salon and Spa throughout the Term and may not voluntarily terminate Tenant's licensing and/or affiliation agreement ("License Agreement") with Aveda. In the event Tenant voluntarily terminates the License Agreement with Aveda without Landlord's prior written consent (which may be withheld in Landlord's sole and absolute discretion) or if the License Agreement is terminated as a result of Tenant's breach, default or failure to perform under the License Agreement, then any such termination of the License Agreement shall constitute an incurable default under the Lease, and Landlord, together with any other remedies that Landlord is entitled to exercise, may terminate the Lease upon Notice to Tenant.

(b) If Aveda terminates or withdraws the License Agreement with Tenant and such action by Aveda is not the result of Tenant's breach, default or failure to perform under the License Agreement or a corporate decision to discontinue Aveda's licensing and/or affiliation program with individual salon operators, then Tenant shall provide Landlord with Notice of such termination no later than 10 days after the effective date of such termination. In such case, Landlord shall have the right to terminate this Lease within 120 days after Landlord's receipt of Notice of such termination, but Tenant shall not be deemed to be in default of this Lease. Such termination shall be effective 120 days after Tenant's receipt of such Notice of termination by Landlord. If the Lease is terminated as provided above, Tenant shall pay to Landlord all Base Rent, Percentage Rent and other charges due under the Lease through and including the termination date and, thereafter, neither Landlord nor Tenant shall have any further obligations under the Lease, except those which survive termination.

(c) If Aveda terminates or withdraws its license and/or affiliation with Tenant as a result of a corporate decision by Aveda to discontinue Aveda's licensing or affiliate program with individual salon operators, then Tenant shall provide Landlord with Notice of such decision by Aveda within 10 days after Tenant's notification of such decision by Aveda. Thereafter, Tenant shall have

60 days after Tenant's notice of such termination by Aveda to qualify for a license or affiliation with another nationally recognized high-quality salon and spa operator and/or manufacturer of high quality branded beauty, health, wellness, and environmental products ("Replacement Licensor"), which Replacement Licensor shall be subject to Landlord's prior written consent, which consent may be granted or withheld in Landlord's sole and absolute discretion. Landlord shall make such election within 60 days after Notice from Tenant of the Replacement Licensor, which Notice from Tenant shall include all of the information required by Section 10.2 of the Lease, as well as the proposed new Trade Name. If Landlord approves such Replacement Licensor, then Landlord and Tenant shall modify the Permitted Use (to the extent necessary) and any other necessary terms of this Lease to reflect such new affiliation. If Landlord denies its consent to the proposed Replacement Licensor, then this Lease shall terminate 120 days after Tenant's receipt of Notice thereof, unless within 10 days after Tenant's receipt of such termination Notice, Tenant provides Landlord with Notice of its intent to pursue a different Replacement Licensor.

If Tenant provides Landlord with Notice that Tenant will pursue qualifying with another Replacement Licensor, then Tenant shall have an additional 60 day period (which period shall commence upon Tenant's receipt of Landlord's Notice of termination) to qualify for a license or affiliation with another Replacement Licensor. If Tenant requests Landlord's consent to a new Replacement Licensor, then Landlord shall make such election within 60 days after Notice from Tenant of the Replacement Licensor, which Notice from Tenant shall include all of the information required by Section 10.2 of the Lease, as well as the proposed new Trade Name. If Landlord approves such Replacement Licensor, then Landlord and Tenant shall modify the Permitted Use (to the extent necessary) and any other necessary terms of this Lease to reflect such new affiliation. If Landlord denies its consent to the proposed new Replacement Licensor, then this Lease shall terminate 120 days after Tenant's receipt of Notice thereof. Additionally, if the 60-day period expires without Tenant presenting a new Replacement Licensor to Landlord, then Landlord may terminate this Lease upon 120 days Notice to Tenant at any time thereafter. If the Lease is terminated as provided above, Tenant shall pay to Landlord all Base Rent, Percentage Rent and other charges due under the Lease through and including the termination date and, thereafter, neither Landlord nor Tenant shall have any further obligations under the Lease, except those which survive termination.

If Landlord approves a Replacement Licensor, then Tenant may change the Trade Name to reflect such new affiliation and Replacement Licensor's requirements, provided that any new Trade Name shall be subject to Landlord's prior written approval, which approval shall not be unreasonably withheld.

Notwithstanding any provision to the contrary contained herein, if Tenant's License Agreement with a Replacement Licensor is terminated by such Replacement Licensor, and such termination, is not the result of Tenant's breach, default or failure to perform under the License Agreement, then Tenant shall provide Landlord with Notice of such termination no later than 10 days after the effective date of such termination. In such case, Landlord shall have the right to terminate this Lease within 120 days after Landlord's receipt of Notice of such termination, but Tenant shall not be deemed to be in default of this Lease. Such termination shall be effective 120 days after Tenant's receipt of such Notice of termination by Landlord. If the Lease is terminated as provided above, Tenant shall pay to Landlord all Base Rent, Percentage Rent and other charges due under the Lease through and including the termination date and, thereafter, neither Landlord nor Tenant shall have any further obligations under the Lease, except those which survive termination. However, in the event Tenant voluntarily terminates the License Agreement with the Replacement Licensor without Landlord's prior written consent (which may be withheld in Landlord's sole and absolute discretion) or if the License Agreement is terminated as a result of Tenant's breach, default or failure to perform under the License Agreement, then any such termination of the License Agreement shall constitute an incurable default under the Lease, and Landlord, together with any other remedies that Landlord is entitled to exercise, may terminate the Lease upon Notice to Tenant.

15. Supplements Section 7.2:

Tenant shall not be required to make appointments during the last hour before the Shopping Center closes on a particular day, but the Premises shall remain open for business until the Shopping Center closes on such day. Additionally, Tenant may open earlier and/or stay open later than normal Shopping Center operating hours, subject to Landlord's prior written consent to such extended operating hours, not to be unreasonably withheld, conditioned or delayed; provided, that any such extended hours shall not require any additional services to be provided by Landlord. Notwithstanding the preceding sentence, Tenant may open early on an occasional basis in order to accommodate a particular customer's request for an appointment; provided, however, if Tenant intends to open early on a regular basis, Tenant shall obtain Landlord's consent to such extended hours (as set forth above), and Tenant shall post such extended hours for its customers' benefit.

16. Supplements Section 7.3 and Exhibit G, Section 6:

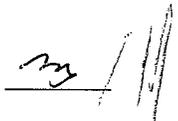
Tenant shall not be bound by an amendments to the Rules and Regulations until Tenant has received Notice of such new or modified Rules and Regulations, and any such Rules and Regulations shall not materially increase Tenant's obligations or materially decrease Tenant's rights as set forth in this Lease.

17. Supplements Section 8.1:

The definition of "Landlord's Maintenance Obligations" shall include the maintenance and repair of the drains, gutters, downspouts, utility lines from the point of main connection to the point where such lines enter the Premises, and any life safety equipment and utility lines which serve other tenants solely or in common with Tenant and which are located within the Premises. Additionally, the costs to maintain the foundation and structural portion of the Premises and other buildings within the Shopping Center shall not be included within the Common Area Expenses.

18. Supplements Section 8.2:

To the extent reasonably possible (and except in the case of emergency), any entry into the Premises by Landlord shall occur during normal business hours. Additionally, clause (e) of the first sentence is modified to provide that Landlord may enter the Premises to perform work to prevent waste or deterioration to the Premises if Tenant fails to commence and complete any such work within 10 days after Notice, rather than 3 days.

47159\1113025v4 LANDLORD 


TENANT S.K.

EXHIBIT "1"

ADDENDUM
Page 4 of 7

19. Supplements Section 8.3:

Notwithstanding any provision to the contrary contained in this Lease, (1) Tenant shall not be required to make any repairs or replacements if necessitated by (a) the acts or negligence of Landlord or its agents, employees or contractors; (b) Landlord's failure to perform or observe any conditions or agreements contained in this Lease; or (c) alterations, additions or improvements made by Landlord or its agents, employees or contractors that are constructed within the Premises after the Lease Date (unless Tenant has the obligation to maintain the part of the Premises to which any such alterations, additions or improvements were made); and (2) Tenant's maintenance and repair obligations with respect to the systems and facilities serving the Premises shall be limited to the Tenant Utility Facilities (as defined in Section 8.3).

20. Supplements Section 8.4:

Tenant shall be required to comply all laws, rules and regulations regarding drainage and water quality only to the extent that such laws, rules and regulations apply to Tenant's use, enjoyment and/or occupancy of the Premises.

21. Supplements Section 8.5:

Tenant may make Alterations costing up to \$20,000 per occurrence, rather than \$10,000, without Landlord's consent so long as Landlord's consent is not otherwise required due to the nature of any such Alteration. Additionally, Landlord shall not unreasonably withhold, condition or delay its consent to any proposed interior, non-structural Alteration that does not affect one of the mechanical or other utility facilities within the Premises provided that any such Alteration complies with the terms of Exhibit C of the Lease.

22. Supplements Section 9.1:

Controlling over any contrary provisions of Section 9.1, except for any such item currently located thereon (and replacements thereof) or as may be required under applicable laws or governmental regulations, Landlord shall not permit any structure or improvement to be located within the area extending 15 feet from the storefront of the Premises and bounded by the demising lines of the Premises.

23. Supplements Section 9.3:

The depreciation of any capital repair or replacement that is included within the Common Area Expenses may include an interest charge at Landlord's cost of funds, rather than the greater of Landlord's cost of funds or the Interest Rate.

24. Supplements Section 9.4(a):

Tenant may request, in writing, backup documentation with respect to any disputed charge set forth in a particular bill within 90 days, rather than 30 days, after Tenant's receipt of such bill.

25. Supplements Section 9.4:

The following provisions are added to the Lease as Section 9.4(c):

“(c) Controlling over any contrary provisions of Section 9.4, Tenant's Share of Controllable Common Area Expenses (as hereinafter defined) for the first calendar or, at Landlord's option, fiscal year, as applicable, shall not exceed \$17.68 per square foot per year of the Floor Area of the Premises. In addition, after the end of the first full calendar year, or at Landlord's option, after the end of Landlord's first full fiscal year, of the Term and on each anniversary of such date thereafter (each, an “Anniversary Date”), Tenant's share of “Controllable Common Area Expenses” (as defined herein) shall be the lesser of the actual Controllable Common Area Expenses for the subject calendar year or fiscal year, as applicable, and 105% of the Controllable Common Area Expenses for the immediately prior calendar or fiscal year, as applicable. As used herein, the term “Controllable Common Area Expenses” shall mean all Common Area Expenses, excluding Common Area Taxes and Taxes, special assessments, insurance premiums, deductibles, utilities, security and other costs beyond Landlord's reasonable control.”

26. Supplements Article 11:

Tenant shall pay the Initial Promotional Assessment on September 1, 2005, rather than the date that Tenant executes the Lease. The 7th through 10th sentences of Article 11, regarding the advertising requirements, are hereby deleted; Tenant is not required to satisfy such advertising requirements.

27. Supplements Section 12.2:

The third sentence is deleted and replaced with the following: “Costs shall also include all of Landlord's attorneys' fees, litigation costs, investigation costs and court costs and all other costs, expenses and liabilities incurred by Landlord or its counsel from the first Notice that any claim or demand is to be made or may be made; provided, however, Tenant shall not be liable for any Costs to the extent and in the proportion that the same is ultimately determined to be attributable to the negligence or willful misconduct of Landlord or its designated agents, servants, contractors or employees.”

28. Supplements Section 13.1:

The following provisions are added to the Lease as Section 13.1(c):

“(c) If Landlord does not obtain all applicable permits to repair and restore the Premises (which Landlord agrees to use commercially reasonable efforts to obtain) and commence such repair or restoration work within 6 months following the date of the

destruction of the Premises (the "Repair Commencement Date"), which Repair Commencement Date may be extended as a result of any delay caused by Tenant or Tenant's agents, contractors or employees or force majeure (as provided in Section 21.9 of the Lease), then Tenant may terminate the Lease by delivering Notice of such termination to Landlord within 30 days after the Repair Commencement Date. If Tenant timely and properly exercises such termination right, Tenant shall vacate and deliver possession of the Premises to Landlord in accordance with the provisions of the Lease applicable thereto, and neither party shall have any further liability to the other party accruing under the Lease after the date of termination, except with respect to those obligations which, pursuant to the Lease or applicable law, expressly survive expiration or termination. The failure of Tenant to timely and properly exercise the foregoing right to terminate the Lease shall result in an unconditional waiver of such right. Moreover, if Landlord does not repair and restore the Premises after Landlord's election to do so (which Landlord agrees to use commercially reasonable efforts to pursue) within 12 months following the date Landlord obtains the building permit required to commence the repair of the Premises (the "Repair Construction Date"), which Repair Construction Date may be extended as a result of any delay caused by Tenant or Tenant's agents, contractors or employees or force majeure (as provided in Section 21.9 of the Lease), then Tenant may terminate the Lease by delivering Notice of such termination to Landlord within 30 days after the Repair Construction Date. If Tenant timely and properly exercises such termination right, Tenant shall vacate and deliver possession of the Premises to Landlord in accordance with the provisions of the Lease applicable thereto, and neither party shall have any further liability to the other accruing under the Lease after the date of termination, except with respect to those obligations which, pursuant to the Lease or applicable law, expressly survive expiration or termination. The failure of Tenant to timely and properly exercise the foregoing right to terminate the Lease shall result in an unconditional waiver of such right."

29. Supplements Section 15.1:

The first sentence is deleted and replaced with the following: "Any of the following constitutes an event of default and breach of this Lease by Tenant: (i) failing to pay any monetary obligation for a period of 5 days after Notice from Landlord or to perform any other obligation of the Lease for more than a reasonable time (not exceeding 10 days, but subject to the last sentence of this Section 15.1) after Notice from Landlord (any such Notice being in lieu of, and not in addition to, any Notice required by Section 1161 of the California Code of Civil Procedure or superseding statute); or (ii) vacating or abandoning the Premises; or (iii) making any general assignment for the benefit of creditors; or (iv) the attachment or judicial seizure of substantially all of Tenant's assets located at the Premises or Tenant's interest in this Lease (where the seizure is not discharged within 30 days); or (v) Tenant fails to pay its debts as they become due or admits in writing its inability to pay its debts, or makes a general assignment for the benefit of creditors; or (vi) any financial statements given to Landlord by Tenant, any assignee of Tenant, subtenant of Tenant, any guarantor of Tenant, or successor in interest of Tenant are materially false."

Additionally, (a) any action taken by Landlord following a default by Tenant shall be in accordance with and only in the manner permitted by law; (b) Landlord shall use reasonable efforts to mitigate damages in the event of a default by Tenant to the extent required by applicable law; and (c) Tenant shall not be deemed to be in default under this Lease until after receipt of Notice and the expiration of any applicable grace period provided herein.

30. Supplements Section 16.1:

In addition to the net rents, profits and other income actually received by Landlord, a judgment against Landlord resulting from Landlord's default under this Lease may be satisfied out of Landlord's then existing equity interest in the Shopping Center.

31. Supplements Section 17.1:

Landlord represents and warrants to Tenant that none of the Agreements prohibit or materially or adversely affects the Permitted Use (as defined in Section 1.10).

32. Supplements Article 20:

The third and fourth sentences are deleted and replaced with the following: "All Notices shall be deemed delivered as of the date of delivery (or attempted delivery or rejection) established by U.S. Post Office return receipt or the overnight courier's proof of delivery, as this case may be." Additionally, Article 20 is modified to provide that Notices may not be delivered via U.S. regular mail, but may be delivered via U.S. certified mail.

33. Supplements Section 21.3:

Landlord shall be responsible for any commission payable to the Broker (as defined in Section 1.17) pursuant to a separate agreement.

34. Supplements Section 21.5:

There shall be no Service Charge payable by Tenant for the first 2 times in any consecutive 12-month period that any required document, certificate, report, statement of Gross Sales, insurance policy or certificate is not received from Tenant within 5 days after the same is due, unless Tenant fails to deliver the same within 5 days after Notice from Landlord that the same has not been received.

35. Supplements Section 21.8:

Tenant shall submit evidence of the book value of Tenant's leasehold improvements, excluding items removable by Tenant at the expiration of the Term (to the extent said leasehold improvements were paid for by Tenant, as evidenced by invoices and proofs of payment of same), within 10 days after receipt of written request therefor from Landlord, rather than within 90 days after the Commencement Date.

36. Supplements Section 21.10:

Landlord may not require the demolition and removal of any improvements made by Tenant except for any such improvements that Landlord required to be removed at the expiration of the Term (or earlier termination of the Lease) as a condition to Landlord granting its approval to any proposed Alterations.

37. Supplements Section 21.13:

The first sentence of Section 21.13 is deleted and replaced with the following: "Notwithstanding any provisions to the contrary contained in this Lease, if for any reason substantial completion of the Premises has not occurred within 6 months following the Lease Date, then either party may elect to terminate this Lease by giving 30 days' Notice of such election to the other party."

38. Supplements Section 21.17:

In addition to the requirements set forth in clauses (a) – (d) of the first sentence, the New Premises must be located such that the store front for the New Premises is adjacent to the "Relocation Zone" designated upon Exhibit J, which Exhibit J is attached to the Lease.

39. Supplements Section 21.18:

The fifth sentence is modified to provide that Landlord may require Tenant to conduct monitoring or evaluation activities with respect to Hazardous Materials at the Premises, only if Landlord reasonably believes that Tenant has used, handled, stored, released or disposed of any Hazardous Materials at or from the Premises (other than customary cleaning and office supplies that are used in conformance with manufacturers' guidelines and Hazardous Materials laws). Additionally, Tenant may display and sell nail polish, cosmetics and other consumer products customarily displayed and sold from Aveda salons provided that all such products are handled and displayed in strict conformance with manufacturers' guidelines and Hazardous Materials laws.

Landlord represents to Tenant that, as of the Lease Date, to Landlord's actual knowledge without any duty of investigation or inquiry, there are no Hazardous Materials within the Premises in levels that violate applicable laws.

40. Supplements Exhibit D:

The following shall be additional exclusions from Gross Sales: (xi) sales to employees of Tenant at the Premises at a discount, (xii) tips and gratuities received by employees of Tenant at the Premises; (xiii) fees charged for salon and spa services rendered from the Premises, (xiv) service charges in the nature of accommodations to Tenant's customers which are performed at no profit, such as mail and delivery services; and (xv) the cost of merchandise or the proceeds from merchandise donated for charitable purposes or to non-profit organizations; provided, however, that the exclusions from Gross Sales in clauses (xi) and (xv) shall not exceed 2% of Gross Sales in any given year.

41. Supplements Exhibit G:

Section 1 of Exhibit G is modified to provide that there shall be no charge payable by Tenant for the first 2 times in any consecutive 12-month period that Tenant fails to remain open during all of the required Shopping Center hours (i.e. if Tenant opens late or closes early on a particular day) provided that any such early closure or late opening was unintentional. The foregoing waiver, however, will not apply to a closure for an entire day or an intentional early closure or late opening.

42. Supplements Exhibit I:

Exhibit I is deleted in its entirety; the parties' respective obligations concerning the VAC System serving the Premises is set forth in Section 6.2 of the Lease (as revised by this Addendum).

October 6, 2005

Belle Isle / Aveda Salon
Attn: Hassan Karimian and Sahereh Karimian
85 Fortune Drive, Suite 323
Irvine, CA 92618

**RE: Belle Isle Aveda. Irvine Spectrum Center
Fully Executed Letter Amendment to Lease**

Dear Hassan and Sahereh:

Enclosed please find one fully executed copy of the above document for your records.

We wish you continued success here at Irvine Spectrum Center. If I can be of any assistance, you may reach me at (949) 790-4810.

Sincerely,

The Irvine Company, Retail Properties



Josanna E. O'Neil-Tiettmeyer
Irvine Spectrum Center

Enclosure

71 Fortune Drive, Suite 970, Irvine, California 92618 (949) 789-9180 Fax (949) 789-9184



IRVINE SPECTRUM CENTER

RECEIVED

August 9, 2005

SEP 10 2005

VIA DELIVERY TO PREMISES

Belle Isle / Aveda Salon
Attn: Hassan Karimian and Sahereh Karimian
85 Fortune Drive, Suite 323
Irvine, CA 92618

RE: Letter Amendment to Lease for Lease dated February 3, 2005, by and between The Irvine Company, as Landlord, and Hassan Karimian and Sahereh Karimian, as Tenant, for the Premises situated in Irvine Spectrum Center, Irvine, California

Dear Hassan and Sahereh:

Upon review of the CAM language in the Belle Isle / Aveda Salon lease, it has come to our attention that an error was made in Addendum Item 25. The \$17.68 psf cap in year one should apply to total common area expenses, not controllable common area expenses. Therefore, the word "Controllable" should be deleted from the first sentence of that item. Correcting this error is to Tenant's advantage.

This letter, when executed by Tenant and an authorized representative of The Irvine Company, will constitute an agreement between The Irvine Company and Tenant modifying the subject Lease.

The first sentence of Addendum Item 25 is hereby deleted and replaced with the following:

"Controlling over any contrary provisions of Section 9.4, Tenants Share of Common Area Expenses (as hereinafter defined) for the first calendar or, at Landlord's option, fiscal year, as applicable, shall not exceed \$17.68 per square foot per year of the Floor Area of the Premises."

All other terms and conditions of the Lease shall remain the same.

Please signify your agreement to the foregoing by causing both copies of this letter to be executed on behalf of Tenant and returning them to me at your earliest convenience. Upon your return of both signed copies, I will have them executed by Landlord, and return one fully executed copy of the letter to you. **The change to the lease noted in this letter shall be effective only upon return to you of a copy of this letter executed by authorized representative of both parties.**

Please call me at (949) 790-4805 if you have any questions.

Very truly yours,

The Irvine Company Retail Properties



Martha A. Ballentine
Senior Manager, Lease Administration and Analysis
Irvine Spectrum Center

(Signatures on next page)

71 Fortune Drive, Suite 970, Irvine, California 92618 (949) 789-9180 Fax (949) 789-9184



Aveda – CAM language Letter Amendment
Page 2
8/9/05

Agreed and accepted this 15 day of Sept, 2005.

TENANT

By: [Signature]
Name: HASSAN KARIMIAN
Title: _____

By: [Signature]
Name: Sahar Karimia
Title: _____

LANDLORD

The Irvine Company

By: [Signature]
Name: Robert L. Sorensen
Title: Vice President-Operations, Retail Properties

By: [Signature]
Name: Clito Salonga, Senior Director,
Title: Finance, Retail Properties

cc: Audrey Pope, The Irvine Company

EXHIBIT “2”
LICENSE

AVEDA SERVICES INC. RETAIL PRODUCT SUPPLY AGREEMENT

Aveda has dedicated considerable time, effort and resources to the creation and development of its Aveda products. Over the years, this dedication has resulted in the fine reputation, strong demand and goodwill associated with Aveda products and the name "Aveda." It is in recognition of the very high standards for product quality and image associated with the Aveda name that Aveda requires its authorized retail customers to agree to certain conditions before Aveda will supply them with any Aveda products. These conditions are as follows:

1. This Retail Product Supply Agreement is between Aveda Services Inc. (hereinafter, together with its affiliates, "Aveda"), and me, the undersigned retailer ("Retailer"). This Aveda Services Inc. Retail Product Supply Agreement is not a continuation of any previous agreement(s) I may have had concerning Aveda products. I understand and agree that Aveda will not ship products to me unless this Aveda Services Inc. Retail Product Supply Agreement is read, its terms are understood and agreed upon, and it is signed.
2. I, as the Retailer, am completely free to purchase or not purchase Aveda products from Aveda, and Aveda is completely free to sell or not sell Aveda products to me, the Retailer. I may end the business relationship between us and stop buying products from Aveda at any time, and Aveda may end the business relationship between us and stop selling products to me at any time, with or without notice and for any reason or no reason whatsoever.
3. I agree to purchase Aveda products only from Aveda and only for professional use and/or resale to end-user consumers from my retail location at: (salon/spa address) 85 Fortune Dr, Irvine CA 92618 Aveda Belle Isle, Irvine CA. Any Aveda products purchased by me from Aveda (or otherwise acquired) shall be used by me only in furtherance of my professional activities at this location or sold to end-user consumers who will not further distribute or sell such Aveda products. For the absence of any doubt in this regard, I acknowledge and agree that (a) except pursuant to Aveda's e-Salon/Spa Program or otherwise with Aveda's express written approval, resale to end-consumers via the Internet or any other form of e-commerce is strictly prohibited; (b) I will not resell Aveda products to wholesalers, collectors, bulk purchasing agents or any third parties other than end-user consumers purchasing at the aforementioned retail location; and (c) Aveda shall have the right, at all reasonable times during normal business hours, to audit the books and records relating to my business at the aforementioned location to confirm my compliance with this Retail Product Supply Agreement.
4. Aveda shall have the right to repurchase at my original cost any Aveda products in my possession upon the closure of the above retail location and/or the termination of this Agreement for any reason. Aveda also reserves a right of first refusal to repurchase any Aveda products in my possession in the event of any obligatory liquidation of assets (e.g., a bankruptcy- or insurance-related asset liquidation).
5. I agree to allow Aveda to provide ongoing Aveda product and service education to me and my professional staff in order to ensure that consumers obtain optimal results from the Aveda products used, and purchased from me, at the above location. I understand and agree that a minimum of one tuition-free training per year may be required for each staff member in the above salon/spa.
6. I agree to emphasize the association of Aveda products with the highest environmental ideals and to distinguish Aveda and Aveda products from products and businesses not equally committed to such environmental ideals. I will actively participate in any recycling program implemented by Aveda for or with respect to the containers in which Aveda products are sold.
7. I will give Aveda products prominent placement in my above retail location and not position Aveda products with non-Aveda products or accessories.
8. I understand and agree that Aveda reserves to itself the right, in its sole and absolute discretion, to impose minimum annual purchase requirements and/or reasonable "image" requirements upon me, the Retailer.
9. I acknowledge that Aveda Corporation retains certain copyright, trademark and other intellectual property rights in all of its authored material, including its electronic material. I will not use any of such intellectual property other than in accordance with guidelines issued by Aveda from time to time, and, upon Aveda's request, I shall remove from the above location any Aveda-branded signage and/or merchandising materials which, in Aveda's opinion, fail to comply with such guidelines for any reason. Without limiting the generality of the foregoing, I shall not, without the express written consent of Aveda, use the registered trademark "Aveda", or any other trademark, trade name or logo, or any copyrighted material owned or claimed by Aveda, in any form whatsoever (including the reproduction of Aveda product packaging and artwork), for any purpose whatsoever, on or in connection with the Internet, microfilm, microfiche, e-mail, electronic databases, on-line services, CD-ROM, CD-I, or any other similar media now existing or hereafter developed.
10. In the event that I am eligible for and elect to participate in Aveda's e-Salon/Spa Program, I do so on the following understanding: (a) participation in the Program is voluntary and I have voluntarily elected to participate; (b) I am not required to participate in the Program as a condition to receiving supplies of Aveda products under this Retail Product Supply Agreement; (c) my participation in the Program is for an indefinite period of time, and I may terminate it at any time upon written notice to Aveda, and Aveda may terminate it at any time upon written notice to me; (d) Aveda may elect to discontinue the Program at any time; and (e) I have not made, and I will not make, any payment of any type to Aveda or anyone affiliated with Aveda in exchange for Aveda's allowing me to participate in the Program.
11. I understand and agree that nothing contained herein shall create or be deemed to create an employment, agency, franchise or other relationship between myself and Aveda and no relationship is intended or created hereby other than the relationship of independent contractors. I have not made and will not make any payment whatsoever to Aveda for the right to enter into this Retail Product Supply Agreement or in exchange for any rights or privileges granted under this Retail Product Supply Agreement. By signing this Agreement, I am confirming and agreeing that I will not claim or assert that I am a franchisee of Aveda under any franchise law or that I am entitled to any right, privilege or benefit provided under any franchise law, and, for the express purpose of voluntarily and intentionally relinquishing and abandoning known rights, I am fully, completely and forever waiving, releasing, acquitting and discharging Aveda from any and all rights, privileges, benefits, claims and causes of action of any type which I may now or hereafter have or claim to have under any franchise law.

The undersigned Retailer hereby acknowledges and agrees to the foregoing.

Date: December 1, 2008

RETAILER NAME Aveda Belle Isle
 By H.K.
 Print HASSAN KARIMIAN
 Title OWNER
 Resale Tax I.D. # EAA 100-003050

EXHIBIT “3”
SALE AGREEMENT

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (the "Agreement") is entered into by and between Richard A. Marshack, solely in his capacity as the Chapter 7 Trustee ("Trustee") for the bankruptcy estate of Hassan Karimian and Sahereh Karimian (collectively, the "Debtors"), and the Debtors with respect to the following facts:

RECITIALS

A. The Debtors filed a voluntary petition for relief under Chapter 7 of the Bankruptcy Code on September 5, 2013 (the "Petition Date"), Case No. 8:13-bk-17506-MW (the "Bankruptcy").

B. Richard A. Marshack is the duly appointed, qualified and acting Chapter 7 Trustee for the Debtors' bankruptcy estate.

C. The Debtors' Schedule G reflects that they leased two Mercedes Benz automobiles approximately one month before the Debtors' filed their voluntary bankruptcy petition.

D. The Debtors' bankruptcy petition claims 9 River Rock Drive, Coto De Caza, California (the "Real Property") as the Debtors' primary residence. However, the Debtors did not reside at the Real Property on Petition Date and have been leasing the Real Property to a tenant continually since May 2013. The Debtors' schedules do not list rental income derived from the Real Property or disclose that the Real Property is being leased to a tenant.

E. The Debtors' Schedule B did not list an interest in Belle Isle, Inc. ("Belle Isle").

F. Belle Isle also filed a voluntary petition for relief under Chapter 7 of the Bankruptcy Code on September 5, 2013, Case No. 8:13-bk-17502-MW.

G. The Debtors' Schedule I states that the Debtors are the owners of Belle Isle. Paragraph 21 of the Debtors' Statement of Financial Affairs states that debtor Hassan Karimian is a 50% owner of Belle Isle and debtor Sahereh Karimian owns the remaining 50%.

H. The Debtors' Schedule G does not disclose a lease for the current operating location of Belle Isle.

I. The Trustee conducted an investigation into the business operations of Belle Isle and determined that the Debtors are operating Belle Isle at 85 Fortune Drive #323, Irvine, California 92618. Belle Isle has an unexpired lease with the Irvine Company at this location (the "Lease").

J. The Lease is in the Debtors' name.

K. The Debtors hold an unexpired license to sell Aveda hair and skincare products at Belle Isle (the "Aveda License").

L. The Debtors' Schedule G does not disclose the Aveda License.

M. The Debtors seek to purchase the Lease and the Aveda license.

N. Based on documents and records produced by the Debtors in relation to Belle Isle, the Trustee has determined there is significant non-exempt equity in the Estate's interest in the Lease and the License. An exact dollar value was difficult to determine given that some of Belle Isle's value is based on the Debtors' efforts and expertise.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ASSET DESCRIPTION AND PURCHASE

1. ASSETS DESCRIBED

1.1. The Lease and the License. The Trustee agrees that he shall sell, assign, transfer, and convey to the Debtors, and the Debtors agree that they shall purchase and acquire from the Trustee, for the consideration hereinafter provided, and subject to the terms and conditions hereinafter set forth, the Estate's interest in the Lease and the License.

2. PURCHASE PRICE

2.1. Amount of Purchase Price. In consideration for the transfer of the Lease and the License described in Section 1.1, the Debtors hereby agree to pay a purchase price of \$111,300.00 ("Purchase Price").

2.2. Debtors' Wildcard Exemption Credit. Pursuant to C.C.P. §§ 703.140(b)(1) and (b)(5), the Debtors have \$6,300.00 remaining of their California wildcard exemption (the "Wildcard Exemption"). The Debtors shall receive a \$6,300.00 credit based on the remaining balance their Wildcard Exemption and the Purchase Price shall be reduced by this amount. The Debtors hereby agree to amend their claimed exemptions in accordance with this Section 2.2 of this Agreement.

2.3. Good Faith Deposit. An initial payment of Twenty-Six Thousand Two-Hundred Fifty Dollars (\$26,250.00) the ("Good Faith Deposit") to be made contemporaneously with the execution of this Agreement. If the Bankruptcy Court approves this Agreement the Good Faith Deposit and all subsequent monthly payments, shall then become property of the Estate and shall be applied towards the Purchase Price. If the Bankruptcy Court does not approve the Agreement, then the Good Faith Deposit and all monthly payments received shall be promptly returned.

2.4. Installment Payments. Three Thousand Two Hundred Eighty-Two Dollars (\$3,282.00) for months 1 through 7 and increasing to Seven Thousand Nine Hundred Sixth-Eight Dollars (\$7,968.00) for months 8 through 14 (the "Monthly Installments") are due on or before the first (1st) day of each month, beginning November 1, 2013. The installment payments shall be applied to the Settlement Amount until the Settlement Amount is fully satisfied, which shall occur no later than January 1, 2015. These payments will be considered late if received after the fifth (5th) day of the month.

2.5. Tendering Payments. The Debtors shall pay the Good Faith Deposit and the Monthly Installments by personal check or money order and make each payable to: Richard A. Marshack, Chapter 7 Trustee of the Karimian Bankruptcy Estate. The Monthly Installments shall be mailed to: Richard A. Marshack, 870 Roosevelt Avenue, Irvine, California 92620.

2.6. Collateral. Within seven (7) calendar days from the Debtors' execution of this Agreement, the Debtors shall execute a deed of trust (the "Deed of Trust") in favor of the Trustee to be recorded against the Real Property. The Deed of Trust will only be recorded by the Trustee if the Trustee abandons the Real Property prior to the Debtors' total satisfaction of the Purchase Price. The deed of trust shall be in the full Purchase Price amount (\$111,300.00). The Deed of Trust, this Agreement, or the Debtors' total satisfaction of the Purchase Price shall not alter the Real Property's characterization as property of the estate or in any way limit or impair the Trustee's ability to administer, sell, market, or liquidate the Real Property at any time during the pendency of the Bankruptcy.

2.7. Real Property Exemption. The Debtors acknowledge that they have no right to claim a homestead exemption in the Real Property. The Debtors agree not to amend their bankruptcy schedules to claim an exemption in the Real Property under a statutory scheme other than C.C.P. § 703.140(b)(1) or to claim an exemption in the Real Property in excess of \$15,099.00.

3. CONDITIONS PRECEDENT

3.1. Bankruptcy Court Approval. This Agreement is expressly subject to approval by the Bankruptcy Court. In the event the Court does not approve the terms of this Agreement, the sale to the Debtors shall be null and void and the Trustee may take all actions necessary to collect and/or liquidate the Lease and the License in accordance with applicable Bankruptcy Law and the best interests of creditors. The sale is subject to notice to creditors and higher and better bids ("Overbid") received by the Trustee through and including the Bankruptcy Court hearing to confirm the sale. The sale of the Lease and the License is subject to the Overbid procedures detailed in the Sale Motion.

4. NO REPRESENTATIONS OR WARRANTIES

4.1. The Debtors acknowledge and agree that the sale of the Lease and License is an "as is" sale and the Trustee is selling the Lease and the License subject to all claims and liabilities thereof. The Trustee makes no representations or warranties concerning the value of the Lease and the License.

5. EVENT OF DEFAULT

5.1. Event of Default by the Debtors. In the event the Debtors default on any provision of this Agreement, including the failure to timely pay any portion of the Purchase Price, the terms of this Agreement and the sale to the Debtors shall be null and void and the Trustee is entitled to retain the Good Faith Deposit and all Monthly Installments received. Further, the Trustee may liquidate the Real Property, the Lease, and the License in accordance with applicable Bankruptcy Law and the best interests of creditors. In the event the Debtors default on any provision of this Agreement, the Trustee shall provide the Debtors with a ten (10) day written notice to cure such default(s). Such notice shall be sent to Matthew C. Mullhofer at

MCMLAW@PROTECTMYASSETS.COM, with a copy sent via United States Mail to Law Office of Matthew C. Mullhofer, Attention: Matthew C. Mullhofer, 2107 N. Broadway Suite 103, Santa Ana, California, 92706. If the Debtors fail to cure such default(s) within such ten (10) days from the date of the written notice, the Trustee may immediately file a Declaration of Default.

5.2. Jurisdiction of the Bankruptcy Court. Should any dispute arise regarding this Agreement, the United States Bankruptcy Court for the Central District of California, Santa Ana Division shall have exclusive jurisdiction to determine the same.

6. GENERAL PROVISIONS

6.1. This Agreement constitutes the entire Agreement between the parties and supersedes all prior agreements, representations, and understandings of the parties. No supplement, modification, or amendment of this Agreement shall be binding unless executed in writing by the parties.

6.2. This Agreement shall be binding on and shall inure to the benefit of the parties to it and their respective successors and assignees.

6.3. This Agreement shall be governed by and construed under California law and applicable provisions of the United States Bankruptcy Code.

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

6.5. In the event Trustee is compelled to commence any legal action to enforce any of the terms and provisions of this Agreement, Debtors do hereby agree to pay reasonable attorneys' fees and court costs incurred by Trustee in the enforcement of such provisions.

6.6. The Trustee is signing this Agreement in his capacity solely as Chapter 7 Trustee of the Estate. Nothing contained herein shall in any way impute liability to the Trustee, personally or as a member of any professional organization, or anyone acting on his behalf, including but not limited to his counsel, Shulman Hodges & Bastian LLP.

6.7. The Buyer understands the terms and conditions of the entire purchase contract and hold the Estate, Richard A. Marshack, Trustee, his attorneys including Shulman Hodges & Bastian LLP, agents and employees, harmless from any liabilities arising from this contact.

6.8. The Parties agree that they will execute any and all further and additional documents and take all further and additional steps, which may be necessary or convenient to consummate the terms of this Agreement and accomplish the purposes thereof.

6.9. The Parties hereto, and each of them, separately represent and warrant to each other that they have not heretofore assigned or transferred, or purported to assign or transfer, to any other person or entity any claim or other matter herein released.

6.10. The Parties hereto hereby warrant and represent that each and every recital and representation contained herein is true and correct to the best of their knowledge.

6.11. The Parties hereto hereby warrant and represent that he or she has been duly authorized to execute this Agreement and to undertake the obligations contained herein.

6.12. This Agreement may be amended and modified only by a written agreement signed by all of the Parties hereto specifically acknowledging and approving of the modification.

6.13. The failure to insist upon compliance with any term, covenant or condition contained in this Agreement shall not be deemed a waiver of that term, covenant or condition, nor shall any waiver or relinquishment of any right or power contained in this Agreement at any one time or more times be deemed a waiver or relinquishment of any right or power at any other time or times.

6.14. If any provision or part of a provision of this Agreement is found to be invalid or unenforceable, that provision may be stricken from the Agreement, to the extent only of the finding of invalidity, and the remainder of this Agreement shall continue in full force and effect.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the respective dates set forth below.

Dated: October __, 2013

Richard A. Marshack, solely in his capacity as Chapter 7
Trustee of the bankruptcy estate of Hassan and Sahereh
Karimian

Dated: October 31, 2013



Hassan Karimian

Dated: October 31, 2013



Sahereh Karimian

APPROVED AS TO FORM:

SHULMAN HODGES & BASTIAN LLP

Dated: October 30, 2013

/s/ Ryan D. O'Dea

Leonard M. Shulman
Ryan D. O'Dea
Attorneys for Richard A. Marshack, Chapter 7 Trustee of
the bankruptcy estate Hassan and Sahereh Karimian

LAW OFFICE OF MATTHEW C. MULLHOFER

Dated: October 21, 2013



Matthew C. Mullhofer
Attorney for Debtors Hassan and Sahereh Karimian

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:
8105 Irvine Center Drive, Suite 600, Irvine, CA 92618

A true and correct copy of the foregoing document entitled: **NOTICE OF SALE OF ESTATE PROPERTY** will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On *(date)* 11/01/2013, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

Chapter 7 Trustee: Richard A Marshack (TR) pkraus@marshackhays.com, rmarshack@ecf.epiqsystems.com
Debtors' Atty: Matthew C Mullhofer MCMLAW@PROTECTMYASSETS.COM, JUDY@PROTECTMYASSETS.COM
Attorney for Trustee: Ryan D ODea rodea@shbllp.com, cmiranda@shbllp.com
Interested Party: United States Trustee (SA) ustpreion16.sa.ecf@usdoj.gov

Service information continued on attached page

2. SERVED BY UNITED STATES MAIL:

On *(date)* 11/01/2013, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

Service information continued on attached page

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (state method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on *(date)* 11/01/2013, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

US Bankruptcy Court, Attn: Mark S. Wallace, 411 W. Fourth Street, Bin Outside 5th Floor Elevators, Santa Ana, CA 92701

Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

11/01/2013 Erlanna Lohayza
Date *Printed Name*

/s/ Erlanna Lohayza
Signature

U.S. MAIL SERVICE LIST, CONTINUED

License Holder:

Aveda Corporation
Corporate Headquarters
Attn: Retail Product Supply
4000 Pheasant Ridge Drive
Blaine, MN 55449

Aveda Corporation
Corporate Headquarters
Attn: President
4000 Pheasant Ridge Drive
Blaine, MN 55449

Aveda Services Inc.
Attn: President
7 Corporate Center Drive
Melville, NY 11747

Aveda Services Inc.
Attn: Bankruptcy Dept.
7 Corporate Center Drive
Melville, NY 11747

Aveda Services Inc.
c/o Corporation Service Company dba CSC – Lawyers Incorporating Service
Agent for Service of Process for
Aveda Services Inc.
2710 Gateway Oaks Drive, Suite 150N
Sacramento, CA 95833

Additional Notice for The Irvine Company:

The Irvine Company
Retail Properties
Attn: Martha A. Ballentine, Sr. Manager, Lease Administration and Analysis
71 Fortune Drive, Suite 970
Irvine, CA 92618

DEBTOR
HASSAN KARIMIAN
15202 SPECTRUM
IRVINE, CA 92618

DEBTOR
SAHEREH KARIMIAN
11235 SPECTRUM
IRVINE, CA 92618

COUNSEL FOR DEBTORS
MATTHEW C MULLHOFER
LAW OFFICE OF MATTHEW C
MULLHOFER
2107 N BROADWAY STE 103
SANTA ANA, CA 92706-2633

CHAPTER 7 TRUSTEE
RICHARD A MARSHACK (TR)
MARSHACK HAYS LLP
870 ROOSEVELT
IRVINE, CA 92620-3663

INTERESTED PARTY
UNITED STATES TRUSTEE (SA)
411 W FOURTH ST., SUITE 9041
SANTA ANA, CA 92701-8000

CREDITOR
AMERICAN EXPRESS
PO BOX 981537
EL PASO, TX 79998-1537

CREDITOR LISTING (AMENDED 10-30-13)

AMERICAN MODERN INS CO
36 DISCOVERY #220
IRVINE, CA 92618

PREFERRED ADDRESS

BANK OF AMERICA
PO BOX 982238
EL PASO TX 79998-2238

CREDITOR

BANK OF THE WEST
180 MONTGOMERY STREET
SAN FRANCISCO, CA 94104-4297

CREDITOR

BANK OF THE WEST
C/O JONATHAN NEIL &
ASSOCIATES, INC.
P.O. BOX 7000
TARZANA, CA 91357-7000

CREDITOR LISTING (AMENDED 10-30-13)

CA BUSINESS DU
1711 S. MOUNTAIN AVENUE
MONROVIA, CA 91016

CREDITOR

CBA COLLECTION BUREAU
25954 EDEN LANDING RD
HAYWARD, CA 94545-3837

CREDITOR

CALIF BUS BUREAU
1711 S MOUNTAIN AVE
MONROVIA, CA 91016-4256

CREDITOR

CARLOS ANDRES OROZCO
MARQUEZ
C/O ABELTIN MIGOYA LLP
837 N ROSS ST
SANTA ANA CA 92701-3419

CREDITOR

CARMAX AUTO FINANCE
225 CHASTAIN MEADOWS CT NW
KENNESAW, GA 30144-5942

CREDITOR

CHASE
PO BOX 15298
WILMINGTON, DE 19850-5298

CREDITOR

CHASE
PO BOX 24696
COLUMBUS, OH 43224-0696

CREDITOR

CHASE
PO BOX 901076
FORT WORTH, TX 76101-2076

CREDITOR LISTING (AMENDED 10-30-13)

ERENTERPLAN
PO BOX 17478
IRVINE, CA 92618

CREDITOR

E-TRADE
2730 LIBERTY AVE.
PNC BANK
PITTSBURGH, PA 15222-4747

CREDITOR

FRANCHISE TAX BOARD
BANKRUPTCY SECTION MS:A-340
PO BOX 2952
SACRAMENTO CA 95812-2952

CREDITOR

GEGRB ETHAN ALLEN
C/O PO BOX 965036
ORLANDO, FL 32896-5036

CREDITOR

INTERNAL REVENUE SERVICE
CENTRALIZED INSOLVENCY
OPERATION
PO BOX 7346
PHILADELPHIA PA 19101-7346

CREDITOR

MACY'S
PO BOX 8218
MASON, OH 45040-8218

CREDITOR

MERCEDES BENZ FINANCIAL
PO BOX 961
ROANOKE, TX 76262-0961

CREDITOR LISTING (AMENDED 10-30-13)

MR. AND MRS. PAUL OCAMPO
9 RIVER ROCK DRIVE
COTO DE CAZA, CA 92679-5150

CREDITOR

PEGAH GROSSI
C/O CASE C. BARNETT, ESQ
ONE CITY BLVD WEST #500
ORANGE, CA 92868-3677

CREDITOR LISTING (AMENDED 10-30-13)

STA INTERNATIONAL
2000 W. MAGNOLIA BLVD. #100
BURBANK, CA 91506

CREDITOR LISTING (AMENDED 10-30-13)

THE IRVINE COMPANY, LLC
13120 SPECTRUM
IRVINE, CA 92618

CREDITOR

UNIVERSITY OF UTAH
3088 S 1300 EAST
SALT LAKE CITY, UT 84106-3159

PREFERRED ADDRESS

VOLKSWAGEN CREDIT UNION
1401 FRANKLIN BLVD
LIBERTYVILLE IL 60048-4460

CREDITOR

VICTORIA GARDENS MALL, LLC
C/O LAW OFFICE OF SAL
BRIGUGLIO
9333 BASELINE ROAD #110
RANCHO CUCAMONGA, CA 91730-
1350

CREDITOR

WELLS FARGO CARD SVS
CRDT BUR DISPUTE RES
PO BOX 14517
DES MOINES, IA 50306-3517

CREDITOR

WELLS FARGO HOME EQUITY
CREDIT BUR DISPUTES
B6955 019
BILLINGS, MT 59107

RETURNED MAIL

DUPLICATE

CREDITOR

HASSAN KARIMIAN
9 RIVER ROCK DRIVE
COTO DE CAZA, CA 92679-5150

DUPLICATE

CREDITOR

MATTHEW C. MULLHOFER
LAW OFFICE OF MATTHEW C.
MULLHOFER
2107 N. BROADWAY, SUITE 103
SANTA ANA, CA 92706-2633

10/29/13; NEW ADDRESS

DEBTORS

HASSAN & SAHEREH KARIMIAN
9 RIVER ROCK DRIVE
COTO DE CAZA, CA 92679-5150