

CRA/LA, A DESIGNATED LOCAL AUTHORITY
(Successor Agency to the Community Redevelopment Agency of the City of Los Angeles, CA)

MEMORANDUM

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DATE: JULY 19, 2012 AD0000

TO: GOVERNING BOARD ROPS #1283

FROM: CHRISTINE ESSEL, CHIEF EXECUTIVE OFFICER

STAFF: BARRON MCCOY, SENIOR OPERATIONS OFFICER
MARGARITA DE ESCONTRIAS, SENIOR OPERATIONS OFFICER
DAVID L. CONRAD, SR REAL ESTATE DEVELOPMENT AGENT

SUBJECT: **SUBLEASE OF THE EAST VALLEY REGIONAL OFFICE.** Authorization to enter into a sublease with Tremendous Entertainment, Inc. for the use of the East Valley Regional Office located at 5250 Lankershim Boulevard, Suite 650 in the North Hollywood Redevelopment Project Area, and authorize payments totaling \$330,000 for incentives and commission associated with the sublease. (SD 3; CD 2)

RECOMMENDATION(S)

That the Governing Board, take the following action:

1. Authorize the CEO, or designee, to enter into a seven-year, six-month Sublease agreement with Tremendous Entertainment, Inc. for use of the East Valley Regional Office; and
2. Authorize payments totaling \$330,000 for incentives and commission associated with the Sublease.

SUMMARY

In December 2009, the former Agency entered into a 10-year lease commitment (Existing Lease) with Snyder NOHO III, LLC (Landlord) for 7,707 square feet of office space at 5250 Lankershim Boulevard in North Hollywood, California (Premises). The passage of AB1x-26 by the California State Legislature and its validation by the California Supreme Court has made it a priority to reduce/eliminate existing CRA/LA obligations prior to CRA/LA's dissolution. To this end, staff informed the Landlord of CRA/LA's desire to identify a replacement tenant for the Premises. In June 2012, staff received a proposal from the Landlord regarding the use of the space by Tremendous Entertainment, Inc. (Sublessee). Staff has negotiated a Sublease with Sublessee for use of the 7,707 rentable square foot portion of the Premises for the balance of the existing lease term. To incentivize the Sublessee to occupy the entire space for the balance of the lease term instead of the partial space that was identified in the initial proposal for only a five-year term, staff negotiated for the provision of 12½ months in free rent to the sublessee, distributed over the term balance of the lease term. The amount of \$330,000, equal to these incentives and leasing commission, would be paid via ROPS 2 and ROPS 3. The amount of \$104,238 would be paid via ROPS 2 and the balance of \$224,762 would be paid via ROPS 3.

DISCUSSION & BACKGROUND

This is a sublease transaction, not a replacement tenant for CRA/LA. If the recommended action is approved, CRA/LA will continue to have obligations under the Existing Lease for the 7,707 square foot of office space at the Premises. As a sublease transaction, CRA/LA will serve as a guarantor of Sublessee's rent obligation and will be responsible for Sublessee's activity while in possession of the subleased premises. The replacement lease would have eliminated these obligations; however, the Landlord would not provide the consent required for a replacement tenant transaction. Authority for this sublease transaction is contained within Paragraph 15.1 of the Lease executed between Snyder NOHO III, LLC and CRA/LA which grants CRA/LA the right to sublease or assign at any time upon receipt of Landlord consent.

Sublessee

Tremendous Entertainment, Inc. is a production company, headquartered in Minnesota, which creates features of cultural, historic and educational interest for network and cable stations. The features produced by the firm appear regularly on the Food Network; the Travel Channel; the PBS series *Nature*; and the firm's website indicates that its work is known for its stunning realism and close attention to capturing the essence of each event and the characters that participate. The firm is seeking to expand its offices in the Los Angeles market.

Staff conducted an analysis of the proposed Sublessee's financial data and also obtained an Experian credit report for the firm. The financial data indicates that the firm has solid and good sales numbers with no downward trends, based on the information provided for the years 2010, 2011, and 2012. The data does not display any liquidity problems; shows a very small debt ratio; and indicates that in the year 2011, the firm experienced some growing pains involving liquidity that appear to have been resolved.

Sublease Incentive Discussion

The terms of the sublease transaction are favorable as the subtenant has agreed to pay the rent programmed under the lease for the remaining term, including annual 3% rent increases. This will allow CRA/LA to shift its total rent obligation to Subtenant over the remaining 91 months of the lease term (assumes occupancy August 1, 2012). This represents a savings of approximately \$2,120,383 from CRA/LA's initial rent obligation under the lease. Because the Sublessee's original proposal was to occupy only 5,150 square feet over 60 months, inducements such as free rent totaling \$260,389 over selected months within the 91 month term; use of the existing office furniture; and an Information Technology Credit of \$5,000 were used to incentivize the Sublessee to occupy the entire 7,707 square foot Premises for the full 91-month term remaining on the lease. These incentives are equal to approximately 12.5% of the total lease consideration due and owing over the remaining 91-month term. In addition, CRA/LA will pay a reduced broker commission on this transaction that is equal to 3% of the total lease consideration (4% is customary in the leasing industry) to the procuring broker. Total sublease expenses, including incentives and commission, equal \$330,000. When these expenses are deducted from the total rent consideration recouped from the Sublessee under the lease, it yields a net recoupment of \$1,791,383 for CRA/LA. This will allow CRA/LA to recoup/save 84.5% of the total consideration originally obligated under the lease when this sublease transaction is approved. The amount of \$330,000, equal to these inducements and leasing commission, will be paid via ROPS 2 and ROPS 3. The amount of \$104,238 will be paid via ROPS 2 and the balance of \$225,766 will be paid via ROPS 3.

SOURCE OF FUNDS

The source of funds will come from Redevelopment Property Tax Trust Fund.

ROPS AND ADMINISTRATIVE BUDGET IMPACT

The enforceable obligation is listed in the adopted ROPS as item number 1283. This action may reduce the CRA/LA payment obligation by approximately \$1,791,383 over the remaining term of the existing lease. This represents a net savings of 84.5% of the total consideration originally obligated under the lease.

BASIS FOR APPROVAL:

The recommended actions are consistent with and authorized by provisions of Assembly Bill 1x-26 including, but not limited to, the following:

Section 1 [Intent of Legislature]: It is the intent of the Legislature to do all of the following in this act: (j)(4) *"Require successor agencies to expeditiously wind down the affairs of the dissolved redevelopment agencies and to provide the successor agencies with limited authority that extends only to the extent needed to implement a wind-down of redevelopment agency affairs."*

Chapter 3, Section 34171(d)(1)(F) includes the following in the definition of "Enforceable Obligation": (F) *"Contracts or Agreements necessary for the administration or operation of the successor agency, in accordance with this part ..."*

The recommended actions will further the expeditious winding down of the activities of the dissolved redevelopment agency by providing for a sublease that will result in a significant net reduction in office lease obligations relating to office space that is no longer needed for winding down the affairs of the agency.

ENVIRONMENTAL REVIEW

The proposed action does not constitute a project according to the California Environmental Quality Act (CEQA).

Christine Essel
Chief Executive Officer

By:



David Riccitiello
Chief Operating Officer

There is no conflict of interest known to me which exists with regard to any CRA/LA officer or employee concerning this action.

ATTACHMENTS:

Attachment A: Draft Sublease agreement

ATTACHMENT A
SUBLEASE
(5250 Lankershim Boulevard, Suite 650)

THIS SUBLEASE ("Sublease") dated as of _____ 2012, is entered into by and between CRA/LA, a Designated Local Authority, a public body formed under California Health & Safety Code Section 34173(d)(3) ("Sublandlord" or "CRA/LA"), and Tremendous Entertainment, Inc., a _____ ("Subtenant"), and is consented to by Snyder NOHO III, LLC, a California limited liability company ("Landlord").

WITNESSETH:

A. WHEREAS, under that certain Lease dated November 9, 2009 (the "Lease"), by and between Landlord, and the Community Redevelopment Agency of the City of Los Angeles (the "Former Agency"), Landlord leased to Former Agency the certain premises commonly known as Suite 650 (the "Leased Premises" or the "Premises") consisting of approximately seven thousand seven hundred and seven (7,707) rentable square feet of space on the sixth (6th) floor of that certain office building (the "Building") located at 5250 Lankershim Boulevard, North Hollywood, California, which Leased Premises are more particularly outlined on Exhibit A to the Lease; and

B. WHEREAS, a true and complete copy of the Lease is set forth on Exhibit A attached hereto and incorporated by reference herein and the same has been delivered to Subtenant, and Subtenant, by its execution hereof, acknowledges receipt of and familiarity with the same; and

C. WHEREAS, as of February 1, 2012, the Former Agency was dissolved pursuant to California Health & Safety Code Section 34172; and

D. WHEREAS, in accordance with California Health & Safety Code Section 34173(d)(3), CRA/LA was formed to serve as the successor agency of the Former Agency. In accordance with California Health & Safety Code Section 34175(b) all property and assets of the Former Agency, including, but not limited to, the rights, duties, and obligations under the Lease, were transferred to CRA/LA. As the successor-in-interest to the Former Agency, CRA/LA is a party to the Lease, and has all of the Former Agency's rights, duties, and obligations thereunder; and

E. WHEREAS, Sublandlord desires to sublet the Premises to the Subtenant, subject to the requirements of this Sublease, and the Subtenant desires to sublease the Premises from the Sublandlord, subject to the requirements of this Sublease; and

F. WHEREAS, CRA/LA's Governing Board approved and authorized the sublease of the Premises, and the transfer of the funds set forth set forth in this Sublease, on _____, 2012, and the CRA/LA's Oversight Board approved and authorized the sublease of the Premises, and the transfer of the funds set forth set forth in this Sublease, on _____, 2012. **[TO BE CONFIRMED]**

NOW, THEREFORE, in consideration of the premises subleased herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Sublandlord and Subtenant hereby covenant and agree as follows:

ARTICLE 1.
LEASE

Section 1.1 Sublease Subject to Lease. This Sublease is subject, and subordinate, to the Lease. Notwithstanding any provision in this Sublease to the contrary, in the event of, and upon, the termination or cancellation of the Lease pursuant to the terms and provisions thereof, this Sublease shall automatically cease and terminate. A true copy of the Lease is attached hereto as Exhibit A and incorporated herein.

Section 1.2 Compliance with Lease. Subtenant hereby covenants and agrees to comply with and perform all obligations of Sublandlord, as tenant, under the Lease as such obligations relate to or affect the Premises, including, without limitation, all obligations to pay rent, or other amounts owed to the Landlord, all repair, insurance, and indemnification obligations of Sublandlord thereunder, and to assume any liability accruing from failure to pay or perform the same when due thereunder. As between the Sublandlord and the Subtenant, all references to the "tenant" under the Lease shall be deemed to mean references to the Subtenant, subject to the restrictions and limitations set forth in this Sublease. Subtenant covenants that Subtenant will neither commit, nor permit to be committed by any third party, any act or omission which would violate any term or condition of the Lease, or be cause for termination of the Lease by Landlord.

Section 1.3 Defined Terms. All capitalized terms used herein without definition shall have the meanings given them in the Lease.

Section 1.4 Consents and Notices.

(a) Consent of Sublandlord. Notwithstanding any provision of this Sublease to the contrary, if the consent or approval of Landlord is required under the Lease with respect to any matter relating to the Premises or this Sublease, then Subtenant shall be required first to obtain the consent or approval of Sublandlord with respect thereto and, if Sublandlord grants such consent or approval, such consent may be conditioned upon receipt of consent or approval from Landlord. Subtenant shall deliver to Sublandlord within five (5) business days of delivery or receipt, as the case may be, a copy of any request for consent or approval delivered to Landlord by Subtenant and Landlord's response thereto. Sublandlord shall not be responsible for obtaining such consent or approval from Landlord or for any costs or expenses in connection therewith. Sublandlord shall have no obligation or liability during the Term (as defined below) for Landlord's failure to act reasonably in connection with any Subtenant request for consent or approval, or otherwise. Nothing contained in this Section, or elsewhere in this Sublease, shall be deemed to require Sublandlord to give any consent or approval because Landlord has given such consent or approval.

(b) Subtenant Notification to Sublandlord. Subtenant covenants and agrees to promptly deliver to Sublandlord copies of any and all notices or other correspondence that it

sends to or receives from Landlord relating to the Premises or this Sublease and further agrees, notwithstanding Section 9.3 of this Sublease to the contrary, to make a good faith effort to deliver same in the manner most appropriate to insure that Sublandlord will be able to respond to any of such notices or other correspondence from the Landlord within any time periods set forth in the Lease.

Section 1.5 Services.

(a) Services by Landlord. Subtenant hereby acknowledges and agrees that the only services, amenities and rights to which Subtenant is entitled under this Sublease are those to which Sublandlord is entitled under the Lease (subject to all the provisions, restrictions and conditions imposed by the Lease). Notwithstanding the foregoing, with respect to work, services, repairs, repainting and restoration or the performance of other obligations required of or imposed upon Landlord under the Lease, Sublandlord shall have no obligation therefor, and Sublandlord's sole obligation with respect thereto shall be to request the same of Landlord, upon request in writing by Subtenant, and to use commercially reasonable efforts to attempt to obtain the same from Landlord. Such efforts shall be limited to, upon Subtenant's written request, notifying Landlord of its nonperformance under the Lease and requesting that Landlord perform its obligations under the Lease. Sublandlord shall in no event be liable to Subtenant for Landlord's failure to provide any such services or amenities nor shall any such failure be construed as a breach hereof by Sublandlord or an eviction of Subtenant or entitle Subtenant to an abatement of any of the rent due under this Sublease, except and only to the extent that Sublandlord receives an abatement under the Lease with respect thereto. Subtenant agrees to look solely to Landlord for the furnishing of such services, equipment and access and the making of such repairs and restorations in accordance with the terms of the Lease.

(b) Default by Landlord. If Landlord shall default in any of its obligations to Sublandlord with respect to Premises, Subtenant shall be entitled to enforce Sublandlord's rights against Landlord under the Lease, at no cost or expense to Sublandlord, provided Subtenant shall defend, indemnify, protect and hold Sublandlord and Sublandlord's officers, board members and employees (collectively, the "Indemnified Parties") harmless from and against any and all claims, costs and expenses related to any such enforcement. If, after written request from Subtenant, Sublandlord shall fail or refuse to take appropriate action for the enforcement of Sublandlord's rights against Landlord with respect to the Premises within a reasonable period of time considering the nature of Landlord's default, Subtenant shall, if the same right would be permissible by Sublandlord under the Lease, have the right to pursue a claim, action, proceeding or arbitration, for injunction, damages or other remedy in its own name, and for that purpose and only to such extent all of the rights of Sublandlord under the Lease hereby are conferred upon and assigned to Subtenant and Subtenant hereby is subrogated to such rights to the extent that the same shall apply to the Premises; provided that Subtenant shall defend, indemnify, protect and hold the Indemnified Parties harmless from and against all costs, expenses and claims related to any such actions by Subtenant; and, provided, further, that notwithstanding anything herein to the contrary, in no event shall Subtenant have the right to take any action which may result in a default under the Lease or in a termination of the Lease, in whole or in part or in a surrender of all or any portion of the Premises. If any such action against Landlord in Subtenant's name shall be barred by reason of lack of privity, nonassignability or otherwise, Subtenant may take such action in Sublandlord's name, provided that (i) Subtenant has given Sublandlord at least ten (10) business days prior written notice of Subtenant's intention to take such action, (ii) Sublandlord

shall, to the extent reasonably practicable, and at Subtenant's sole cost and expense, cooperate with Subtenant in taking such action and (iii) Subtenant shall indemnify, defend, protect and hold the Indemnified Parties harmless from and against all liability, loss or damage which Sublandlord shall suffer by reason of such action.

Section 1.6 Insurance. Without limiting Section 1.2 above, Subtenant shall obtain and maintain at its own cost, and furnish Landlord and Sublandlord with evidence of: (i) comprehensive liability insurance for the Premises; (ii) insurance for Subtenant's personal property, inventory, alterations, fixtures and equipment located on the Premises; and (iii) workers' compensation insurance, all such insurance in accordance with that required under the Lease, naming Landlord and Sublandlord as additional insureds. All insurance under this Sublease shall contain an endorsement requiring thirty (30) days' written notice from the insurance company to Subtenant, Sublandlord and Landlord before cancellation or change in the coverage, scope or amount of any policy. Evidence of insurance and payment of premiums shall be deposited with Sublandlord on or before the Commencement Date, defined below, and on renewal of the policy, not less than thirty (30) days before expiration of the term of the policy. Subtenant acknowledges that the insurance it is required to obtain is primary, and that Sublandlord's insurance, if any, is secondary, with respect to the Premises. In the event of an inconsistency between this Section and the insurance requirements under the Lease, the Subtenant shall comply with the more stringent requirement.

Section 1.7 No Right to Exercise Option Under Lease. Notwithstanding any provision of this Sublease to the contrary, Subtenant expressly agrees and acknowledges that Subtenant shall not have the right to exercise any of Sublandlord's options or elections permitted or authorized under the Lease with respect to the Premises, including, but not limited to the option to the extend the term of the Lease set forth in Article 8 of the Lease, or otherwise. Any attempt by the Subtenant to exercise such option, or otherwise extend the term of the Lease shall constitute a default under this Sublease, and upon such default, notwithstanding any provision in this Sublease or the Lease to the contrary, the Sublandlord shall automatically terminate this Sublease.

ARTICLE 2. DEMISE AND DESCRIPTION

Section 2.1 Demise of Premises. Subject to and upon the terms and conditions set forth herein, Sublandlord hereby subleases to Subtenant, and Subtenant hereby subleases from Sublandlord for the term herein set forth, all of Sublessor's right, title and interest in and to the use and occupancy of the Premises subject to the requirements of this Sublease and the Lease.

Section 2.2 Condition of the Premises; Furniture; Alterations.

(a) Condition. Subtenant acknowledges and agrees that it has inspected the Premises and agrees to accept the same in their present condition, "AS IS" and "WITH ALL FAULTS".

(b) Furniture. Subtenant shall accept the Premises with all the existing furniture and personal property of the Sublandlord as of the Commencement Date as more

particularly set forth on Exhibit B (collectively, the "CRA/LA Personal Property"). During the Term, as defined below, the Subtenant shall have the right to use the CRA/LA Personal Property in conjunction with the Subtenant's use and occupancy of the Premises. The Subtenant shall have no right to remove the CRA/LA Personal Property (or any portion thereof) from the Premises, or otherwise dispose of the CRA/LA Personal Property without the prior written consent of the Sublandlord. Upon the expiration of the Term, the Subtenant shall have no further right to use the CR/LA Personal Property and shall deliver, or otherwise make available to, the Sublandlord the CRA/LA Personal Property in the same condition as of the Commencement Date reasonable wear and tear excepted. Other than the delivery of the CRA/LA Personal Property as of the Commencement Date, the Sublandlord shall have no obligation to maintain or replace such personal property, or otherwise assist Subtenant furnish the Premises.

(c) No Alterations. Notwithstanding any provision in the Lease to the contrary, Subtenant shall not make any alterations, additions or improvements to the Premises without the prior written consent of the Sublandlord and the Landlord in accordance with the Lease. To the extent the Subtenant obtains the consent of the Sublandlord and the Landlord for any proposed alterations, additions, or improvements to the Premises (collectively, the "Subtenant Improvements"), then the Subtenant shall comply with all applicable requirements and obligations of the Lease in connection with the Subtenant Improvements; provided, however: (i) to the extent the Subtenant is obligated to obtain any additional consent or approval of the Landlord under the Lease in conjunction with the Subtenant Improvements, the Subtenant shall be obligated to obtain the consent or approval of both the Landlord and the Sublandlord, and (ii) to the extent the Subtenant is obligated to obtain any additional insurance under the Lease in connection with the Subtenant Improvements, or to provide to Landlord any other security for the completion of such improvements, including but not limited to, a payment bond and performance bond, or a guaranty, then the Subtenant shall be obligated to name both the Landlord and the Sublandlord on such insurance policies, and such bonds or other security. In addition to all applicable requirements of the Lease, Subtenant Improvements, if any, shall be constructed in accordance with all applicable laws.

Section 2.3 DISCLAIMER OF WARRANTIES. SUBTENANT ACKNOWLEDGES THAT SUBLANDLORD HAS NOT MADE, NOR WILL MAKE, ANY WARRANTIES TO SUBTENANT WITH RESPECT TO: (i) THE QUALITY OF CONSTRUCTION OF THE PREMISES, OR ANY IMPROVEMENTS BY SUBLANDLORD OR OTHERWISE WITHIN THE PREMISES, (ii) THE CRA/LA PERSONAL PROPERTY (AS DEFINED ABOVE); or (iii) AS TO THE CONDITION OR SIZE OF THE PREMISES, EITHER EXPRESS OR IMPLIED, AND THAT SUBLANDLORD EXPRESSLY DISCLAIMS ANY IMPLIED WARRANTY THAT THE PREMISES ARE OR WILL BE SUITABLE FOR SUBTENANT'S INTENDED USE OR PURPOSES. SUBTENANT'S OBLIGATION TO PAY RENT UNDER THIS SUBLEASE IS NOT DEPENDENT UPON THE CONDITION OR SIZE OF THE PREMISES, THE PREMISES, OR THE BUILDING IN WHICH THE PREMISES IS LOCATED (NOW OR IN THE FUTURE).

ARTICLE 3.
TERM; SURRENDER OF POSSESSION

Section 3.1 Term. The term of this Sublease ("Term") shall be for the period commencing on August 1, 2012 (the "Commencement Date"), and ending on the earliest of: (i) February 28, 2020; (ii) earlier termination pursuant to this Sublease; or (iii) or earlier termination of the Lease. During the Term, Sublandlord may voluntarily terminate the Lease with Landlord (1) if Subtenant consents, (2) if Landlord agrees to assume the obligations of Sublandlord under this Sublease or otherwise agrees to be bound by the terms of this Sublease, or (3) if Subtenant enters into its own lease agreement directly with Landlord; in which event Sublandlord shall thereupon be automatically released by Subtenant from any and all liabilities and obligations to Subtenant arising from this Sublease other than for either repayment of the Security Deposit to Subtenant or transfer of the Sublease Security Deposit to Landlord, as applicable.

Section 3.2 Surrender of the Premises. At the termination of this Sublease, by lapse of time or otherwise, Subtenant shall, at its sole cost and expense, deliver the Premises to Sublandlord in the condition required under the Lease, including, but not limited to, the removal of personal property and the Subtenant Improvements (if any), with the exception of the CRA/LA Personal Property, unless Sublandlord or Landlord (as applicable) elects in its discretion to permit part or all of same to remain. Subtenant shall remove such Subtenant Improvements and/or personal property as Sublandlord shall designate, and Subtenant shall restore the Premises affected by such removal to substantially their original condition as of the Commencement Date, at Subtenant's own cost and expense, prior to the expiration of the Term. If Subtenant shall not have removed any Subtenant Improvements and/or personal property, which it is required to remove prior to the expiration of this Sublease, then Sublandlord shall have the right to remove the same at the sole cost and expense of Subtenant. To the extent applicable, the Sublandlord may utilize the Security Deposit (as defined below) for the removal of Subtenant's property and/or the restoration of the Premises. Upon termination of this Sublease, Sublandlord shall have the right to re-enter and resume possession of the Premises, and possess and use the CRA/LA Personal Property. The provisions of this Section shall survive the expiration or sooner termination of this Sublease.

ARTICLE 4.
RENT; SECURITY DEPOSIT

Section 4.1 Rent.

(a) Free Rent During Initial Six Months. During the initial six (6) months of this Sublease commencing as of the Commencement Date (such months are August, 2012; September 2012; October 2012; November 2012; December 2012; and January 2013, collectively, the "Initial Free Rent Period"), the Subtenant shall have no obligation to pay Base Rent. During the Initial Free Rent Period the Sublandlord shall pay the Base Rent to the Landlord. Other than the Base Rent, the Subtenant shall be obligated to pay all Additional Rent or any other amounts owed to the Landlord pursuant to the Lease during the Initial Free Rent Period.

(b) Partial Rent Payment for February 2013. On, or prior to, February 1, 2013, the Subtenant shall pay one-half (1/2) of the Base Rent for the month of February 2013,

less a Five Thousand Dollar (\$5,000) credit from the Sublandlord, for a total payment of Five Thousand Four Hundred Forty-Two Dollars and Ninety-Eight Cents (\$5,442.98). In addition, the Subtenant shall pay all Additional Rent or any other amounts owed to the Landlord for February 2013. The Sublandlord shall pay one-half (1/2) of the Base Rent for the month of February 2013. Commencing on March 1, 2013, and thereafter for the remainder of the Term (except as provided in Section 4.1(c), below) the Subtenant shall pay all Base Rent and all Additional Rent in accordance with the Lease.

(c) Free Rent in Future Years. Notwithstanding the obligation to pay Base Rent set forth in subsection (b), above, the Subtenant shall have no obligation to pay Base Rent for the following months: (i) August 2017; (ii) September 2017; (iii) August 2018; (iv) September 2018; (v) August 2019; and (vi) September 2019 (collectively, the "Future Free Rent Months"). For the Future Free Rent Months the Sublandlord shall pay the Base Rent to the Landlord. The Sublandlord shall pre-pay the Base Rent for the Future Free Rent Months on the earlier of: (1) January 31, 2013, or (2) the date that is seven (7) days following the Sublandlord's receipt of funds necessary to pay such Base Rent from the County of Los Angeles pursuant to Health & Safety Code Section 34177 *et seq.* Upon the payment such Base Rent by the Sublandlord, the Landlord shall credit such amount as payment of the Base Rent for the Future Free Rent Months. Other than the Base Rent, the Subtenant shall be obligated to pay all Additional Rent, and any other amounts owed to the Landlord during all of the Future Free Rent Months.

(d) Payment Directly to Landlord. The Subtenant shall pay the Base Rent, the Additional Rent, and any other amount owed to the Landlord under the Lease, directly to the Landlord in accordance with the terms and conditions of the Lease. The Landlord hereby agrees to accept Base Rent, Additional Rent, and any other amount owed to the Landlord under the Lease, from the Subtenant in the same manner as if made by the Sublandlord as tenant under the Lease.

Section 4.2 Additional Rent. Notwithstanding the payment of the Base Rent for particular months by the Sublandlord as set forth above, commencing upon the Commencement Date, and continuing throughout the Term, Subtenant shall pay all Additional Rent, and all other amounts owed to the Landlord in accordance with the terms and conditions of the Lease.

Section 4.3 Extraordinary Services. In addition to the Base Rent, provided for in Section 4.1(b), and the Additional Rent, provided for in Section 4.2, Subtenant shall pay to Landlord any other payments for which Subtenant (or, to the extent applicable, Sublandlord) shall become responsible to Landlord under the Lease arising: (i) by reason of Subtenant's request for extraordinary services or utilities; (ii) by reason of any act or omission of Subtenant, including without being limited to, reasonable payments accruing as a result of any Subtenant Improvements; or (iii) as a result of Subtenant's default hereunder or by such default causing Sublandlord to be in default under the Lease. Subtenant covenants to pay all such amounts when due, in accordance with the Lease.

Section 4.4 Security Deposit. Upon execution of this Sublease, Subtenant shall deliver to Sublandlord a security deposit in the amount of Forty-Six Thousand Four Hundred Eighty-Seven Dollars and Eighty-Four Cents (\$46,487.84) (the "Security Deposit"). The Security Deposit shall secure Subtenant's obligations under this Sublease to pay Base Rent,

Additional Rent and any other monetary amounts, to maintain the Premises and repair damages thereto, to surrender the Premises to Sublandlord in the condition required under this Sublease and to discharge Subtenant's other obligations hereunder. Notwithstanding the above, Subtenant acknowledges and agrees that the amount of the Security Deposit shall not in any way be deemed to be a limitation of Subtenant's liability under this Sublease. If Subtenant fails to perform Subtenant's obligations hereunder, Sublandlord may, but without any obligation to do so, apply all or any portion of the Security Deposit towards fulfillment of Subtenant's unperformed obligations. If Sublandlord does so apply any portion of the Security Deposit, Subtenant shall immediately remit to Sublandlord cash in an amount to restore the Security Deposit to its original amount. If Subtenant fails to restore the Security Deposit to its original amount within five (5) days after receipt of Sublandlord's written demand to do so, Subtenant shall be in default of this Sublease. Upon the expiration or earlier termination or cancellation of this Sublease, if Subtenant has then performed all of Subtenant's obligations under this Sublease, Sublandlord shall return to Subtenant the Security Deposit, or whatever amount remains of the Security Deposit after Sublandlord applied all or a portion of the Security Deposit to perform Subtenant's obligations hereunder.

ARTICLE 5. QUIET ENJOYMENT

Section 5.1 Covenant of Quiet Enjoyment. Provided Subtenant performs all of the terms, covenants, agreements and conditions of this Sublease, including the payment of Base Rent and all other sums due hereunder or due under the Lease, Subtenant shall peaceably and quietly hold and enjoy the Premises against Sublandlord and all persons claiming by, through or under Sublandlord, for the Term, subject to the provisions and conditions of this Sublease and of the Lease.

Section 5.2 Limitation. It is understood and agreed that the provisions of Section 5.1 hereof and any and all other covenants of Sublandlord contained in this Sublease shall be binding upon Sublandlord and its successors only with respect to breaches occurring during its and their respective ownership of the Sublandlord's interest hereunder. This Sublease is subject to and subordinate to all matters of public record in Los Angeles County, California, affecting the Building.

Section 5.3 Damage; Eminent Domain. If the Premises shall be partially or totally damaged by fire or other cause, the consequences thereof shall be governed by Article 20 of the Lease. Subtenant's right to an apportionment or abatement of rent and to repairs shall be dependent upon whether or not Sublandlord has a right to apportionment or abatement of rents and/or repairs under said Article 20. Except as such rights are provided to Sublandlord by Landlord in the Lease, no damage, compensation or claims shall be payable by Sublandlord for inconvenience, loss of business or annoyance arising from any repair or restoration of any portion of the Premises or of the Building. If the Premises shall be taken by power of eminent domain or condemned by any competent authority for any public or quasi-public use or purpose, the consequences thereof shall be governed by Article 25 of the Lease.

Article VI.
ASSIGNMENT AND SUBLETTING

6.1 Restriction. Notwithstanding any provision in the Lease to the contrary (if any), Subtenant shall not, without the prior written consent of Sublandlord and Landlord, assign, transfer, mortgage, pledge, hypothecate or encumber this Sublease, or any interest herein or any interest in the Subtenant, or sublet the Premises or any part thereof, or permit the use of the Premises by any party other than Subtenant (each a "Transfer"). Any Transfer of the Premises without such consents by both Sublandlord and Landlord shall be void. Any such consents by both Sublandlord and Landlord to any Transfer shall not release Subtenant from any of Subtenant's obligations hereunder or be deemed to be a consent to any subsequent Transfer.

6.2 Consent. Any proposed Transfer shall be subject to the procedures and conditions under the Lease; provided, however, to the extent the Lease requires any Landlord consent or approvals in connection with a proposed Transfer, then Subtenant shall obtain the consent or approval (as applicable) of both the Landlord and the Subtenant. Subtenant agrees that it shall be responsible for the payment, as Additional Rent hereunder, of any costs imposed upon Sublandlord by Landlord in connection with such Transfer pursuant to the Lease.

6.3 No Waiver. Acceptance of Base Rent, Additional Rent, or any other payment by the Landlord from any person other than the Subtenant shall not be deemed acceptance of the assignee, subtenant or occupant as a tenant under this Sublease by the Sublandlord, or a release of Subtenant from the full performance by Subtenant of all of the terms, conditions and covenants of this Sublease. Each and every assignee or transferee, whether as assignee or as successor in interest of Subtenant, or as assignee or successor in interest of any assignee, shall immediately be and remain liable jointly and severally with Subtenant and with each other for the payment of the Base Rent, Additional Rent, and all other charges, payable under this Sublease and for the due performance of all covenants, agreements, terms and provisions of this Sublease on the part of Subtenant to be paid and performed until the end of the Term.

ARTICLE 6.
INDEMNIFICATION AND EXCULPATION

Section 6.1 Indemnity. Absent the negligence of willful misconduct of Sublandlord, Subtenant shall indemnify the Indemnified Parties for and hold the Indemnified Parties harmless from and against all costs, expenses (including reasonable attorneys' fees), fines, suits, claims, demands, liabilities and actions resulting from any breach, violation or nonperformance of any covenant or condition hereof, or from the use or occupancy of the Premises from and after the Commencement Date hereof, including without limitation, the installation or construction of any Subtenant Improvements, including any such costs, expenses, fines, suits, claims, demands, liabilities and actions which are attributable in whole or in part to the negligence of Sublandlord, its employees, agents, contractors, licensees or invitees. Subtenant's obligations under this Section shall survive the termination or expiration of this Sublease, and shall be in addition to any indemnification obligation imposed on Subtenant pursuant to the Lease.

Section 6.2 Exculpation. Sublandlord shall not be liable to Subtenant or Subtenant's employees, agents, contractors, licensees or invitees for any damage to person or property

resulting from any act or omission of any visitor to the Premises except as and to the extent that Sublandlord's own gross negligence contributed thereto.

ARTICLE 7.
DEFAULTS AND REMEDIES

Section 7.1 Default by Subtenant; Remedies of Sublandlord. In addition to any events that constitute a breach or default under the Lease, in the case of any breach or default hereof by Subtenant, in addition to all other rights of Sublandlord hereunder or available to Sublandlord at law or equity (including, but not limited to, specific performance and injunctive relief), Sublandlord shall have all the rights and remedies against Subtenant as would be available to the Landlord against Sublandlord under the Lease if such breach were by Sublandlord thereunder, including, but not limited to, the right to terminate this Sublease.

ARTICLE 8.
MISCELLANEOUS

Section 8.1 Amendment. No amendment, modification or alteration of the terms hereof shall be binding unless the same shall be in writing, dated subsequent to the date hereof and duly executed by the parties hereto.

Section 8.2 Headings; Interpretation. Descriptive headings are for convenience only and shall not control or affect the meaning or construction of any provision of this Sublease. Whenever the context of this Sublease requires, words used in the singular shall be construed to include the plural and vice versa and pronouns of whatsoever gender shall be deemed to include and designate the masculine, feminine or neutral gender.

Section 8.3 Notices. Subject to Section 1.4 hereof, all notices, consents, requests, instructions, approvals and other communications provided for herein and all legal process in regard hereto shall be in writing and delivered to the addresses set forth below or to such other addresses as may hereafter be specified by written notice pursuant to the terms hereof. Any such notice shall be deemed to be effective upon the earlier of (i) the date received, or (ii) one (1) day after dispatch if sent via overnight delivery, express mail or Federal Express, or three (3) days after mailing if sent by United States certified or registered mail, postage prepaid, return receipt requested. All notices shall be deemed to be effective upon receipt if accomplished by hand delivery.

If to Sublandlord: CRA, A Designated Local Authority

Attn: _____

If to Subtenant: Tremendous Entertainment, Inc.

Attn: _____

Section 8.4 Attorneys' Fees. Should any action be brought arising out of this Sublease, including, without limitation, any action for declaratory or injunctive relief, each party shall bear their own attorneys' fees and costs and expenses of investigation as may be incurred.

Section 8.5 Successors and Assigns. Except as otherwise specifically provided herein, this Sublease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns in accordance with the terms of this Sublease.

Section 8.6 Time of the Essence. Time is of the essence in the performance by Subtenant of its obligations hereunder.

Section 8.7 Remedies Cumulative. All rights and remedies of Sublandlord under this Sublease shall be cumulative and none shall exclude any other rights or remedies allowed by law.

Section 8.8 Applicable Law. Without regard to principles of conflicts of laws, the validity, interpretation, performance and enforcement of this Sublease shall be governed by and construed in accordance with the internal laws of the State of California. Subtenant hereby submits to the exclusive personal jurisdiction in the State of California, the courts thereof and the United States District Courts sitting therein, for the enforcement of this Sublease, and Subtenant hereby waives any and all personal rights under the law of any jurisdiction to object on any basis (including, without limitation, inconvenience of forum) to jurisdiction or venue within the State of California for the purpose of litigation to enforce this Sublease.

Section 8.9 Entire Agreement. This Sublease, in conjunction with the Lease (to the extent applicable), constitutes the sole understanding of the parties with respect to the subject matter of this Sublease, and may not be amended or modified except in writing signed by the parties. The Subtenant has read and reviewed this Sublease and agrees that any rule of construction to the effect that ambiguities are to be resolved against the drafting party (including, but not limited to Civil Code Section 1654, as may be amended from time to time) shall not apply to the interpretation of this Sublease.

Section 8.10 Severability. If any term or provision of this Sublease, or the application thereof to any person or circumstance, shall to any extent be invalid or unenforceable, the remainder of this Sublease, or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each provision of this Sublease shall be valid and shall be enforceable to the extent permitted by law.

Section 8.11 No Recording. This Sublease (including any exhibits hereto) shall not be recorded without the prior written consent of Sublandlord.

Section 8.12 Brokers. Sublandlord and Subtenant each represents that except for the Landlord (who shall be paid a brokerage fee by Sublandlord in an amount equal to Sixty-Three

Thousand Six Hundred Eleven Dollars and Forty-Six Cents (\$63,611.46) in conjunction with the payment of the Base Rent for the Future Free Rent Months by the Sublandlord) which represented Sublandlord and Subtenant respectively, it has not had dealings with any real estate broker, finder or other person, with respect to this Sublease in any manner. Each party agrees to indemnify and hold harmless the other party from and against any damages resulting from any claims that may be asserted against the other party by any broker, finder or other person, with whom the indemnifying party has purportedly dealt.

Section 8.13 Additional Documents and Acts. Without further consideration, each party agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform all of the terms, provisions, and conditions of this Sublease and the transactions contemplated hereby.

Section 8.14 Waivers. Any waiver by Sublandlord of any obligation or condition in this Sublease must be in writing. No waiver will be implied from any delay or failure by Sublandlord to take action on any breach or default of the Subtenant or to pursue any remedy allowed under this Sublease or under any applicable law. Any extension of time granted to Subtenant to perform any obligation under this Sublease shall not operate as a waiver or release from any of its obligations under this Sublease. Consent by Sublandlord to any one act or omission by the Subtenant shall not be construed to be consent to any other or subsequent act or omission or to waive the requirement for the Sublandlord's written consent to future waivers. Any efforts by Sublandlord to mitigate the damages caused by the Subtenant's breach of this Sublease shall not be construed to be a waiver of the Sublandlord's right to recover damages, or seek any other available remedy, under this Sublease.

Section 8.15 Inconsistency. Except as provided herein, in the event of any inconsistency or conflict between the provisions of the Lease and the terms of this Sublease, the terms of this Sublease shall control; provided, however, nothing in this Section shall be deemed to waive, limit, or otherwise alter Subtenant's obligation to comply with all applicable covenants and requirements of the Lease.

Section 8.16 Counterparts. This Sublease may be executed in counterparts, each of which (when delivered) shall constitute the same agreement.

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IN WITNESS WHEREOF, the undersigned Sublandlord and Subtenant have executed this Sublease effective as of the date and year first written above.

SUBLANDLORD:

CRA/LA, A DESIGNATED LOCAL
AUTHORITY, a public body formed under Health
& Safety Code Section 34173(d)(3), as successor to
the Community Redevelopment Agency of the City
of Los Angeles, California

By: _____

Name: _____

Its: _____

SUBTENANT:

TREMENDOUS ENTERTAINMENT, INC., a
_____ corporation

By: _____

Name: _____

Title: _____

CONSENTED TO BY:

SYNDER NOHO III, LLC, a California limited
liability company

By: _____

Name: _____

Title: _____

EXHIBIT A
COPY OF LEASE

EXHIBIT B

LIST OF CRA/LA PERSONAL PROPERTY